

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) Financial Statements. We have filed the following financial statements with this Form 10-K/A:

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Report of Ernst & Young LLP, Independent Auditors.....	47
Consolidated Balance Sheets at December 31, 1998 and 1997.....	48
Consolidated Statements of Operations for the Years Ended December 31, 1998, 1997 and 1996.....	49
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1998, 1997 and 1996.....	50
Consolidated Statements of Cash Flows for the Years Ended December 31, 1998, 1997 and 1996.....	51
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(a)(2) Financial Statement Schedules. -- Not applicable.

(a)(3) Exhibits.

EXHIBIT NUMBER -----	TITLE -----
3.01	Third Amended and Restated Certificate of Incorporation of Registrant filed August 14, 1996(1)
3.02	Certificate of Amendment of Third Amended and Restated Certificate of Incorporation of Registrant filed April 11, 1997(1)
3.03	Certificate of Designation of Series C Convertible Participating Preferred Stock of Registrant filed April 11, 1997(1)
3.04	Form of Certificate of Amendment of the Third Amended and Restated Certificate of Incorporation of Registrant effective July 15, 1997(1)
3.05	Form of Second Amended and Restated Bylaws of Registrant effective July 16, 1997(1)
3.06	Form of Fourth Amended and Restated Certificate of Incorporation of Registrant filed July 16, 1997(1)
3.07	Certificate of Amendment to Fourth Amended and Restated Certificate of Incorporation of Registrant filed July 9, 1998(**)
4.01	Third Amended and Restated Registration Rights Agreement, dated April 11, 1997, among Registrant and the parties indicated therein(1)
4.02	Letter Agreement relating to Tag-Along/Drag-Along Rights, dated April 11, 1997, among Registrant and the parties indicated therein(1)
4.03	Canadian Purchase Letter Agreement, dated April 11, 1997, among Registrant and the parties indicated therein(1)

EXHIBIT
NUMBER

TITLE

4.04 Form of Amended and Restated Stockholders' Agreement, dated August 1, 1996, among Registrant and the parties indicated therein, as amended on May 15, 1997(1)

4.05 Form of certificate of Registrant's Series A common stock(1)

4.06 Narrative Communications Corp. 1998 Equity Incentive Plan, assumed by Registrant as of December 30, 1998(*)(**)

4.07 Registrant's 1997 Equity Incentive Plan, as amended(*) (2)

4.08 Registrant's 1997 Employee Stock Purchase Plan, as amended(*) (2)

9.01 Voting Agreement, dated April 11, 1997, among Registrant, TCI Internet Holdings, Inc., Comcast PC Investments, Inc., Cox Teleport Providence, Inc., Rogers Cablesystems Limited and Shaw Cablesystems Ltd.(1)

10.01 A Stock Purchase Agreement, dated August 29, 1995, among Registrant, TCI Internet Services, Inc., Kleiner Perkins Caufield & Byers VII, KPCB VII Founders Fund and KPCB Information Sciences Zaibatsu Fund II(1)

10.01 B Letter Agreement and Term Sheet, dated as of October 2, 1997, among Registrant, Cablevision Systems Corporation, CSC Parent Corporation, Comcast Corporation, Cox Enterprises, Inc., Kleiner Perkins Caufield & Byers and Tele-Communications, Inc.(3)

10.02 A Letter Agreement, dated May 9, 1996, among Registrant, TCI Internet Holdings, Inc., Kleiner Perkins Caufield & Byers VII, KPCB VII Founders Fund and KPCB Information Sciences Zaibatsu Fund II(1)

10.02 B Warrant Purchase Agreement, dated October 10, 1997, between Registrant and Cablevision Systems Corporation(3)

10.03 A Stock Purchase and Exchange Agreement, dated August 1, 1996, among Registrant, TCI Internet Holdings, Inc., Kleiner Perkins Caufield & Byers VII, KPCB Information Sciences Zaibatsu Fund II, James Clark, Comcast PC Investments, Inc., and Cox Teleport Providence, Inc.(1)

10.03 B Warrant to purchase shares of Series A common stock of Registrant issued to CSC Parent Corporation as of October 10, 1997(3)

10.04 A Term Sheet, dated June 4, 1996, among Registrant, TCI Internet Holdings, Inc., Kleiner Perkins Caufield & Byers VII, KPCB Information Sciences Zaibatsu Fund II, KPCB VII Founders Fund, Comcast PC Investments, Inc., and Cox Teleport Providence, Inc.(1)

10.04 B Contingent warrant to purchase shares of Series A common stock of Registrant issued to CSC Parent Corporation as of October 10, 1997(3)

10.05 Stock Purchase Agreement, dated April 11, 1997, among Registrant, Rogers Cablesystems Limited, Shaw Cablesystems Ltd., Sun Microsystems, Inc., Netscape Communications Corporation, James Barksdale, Motorola, Inc. and Bay Networks, Inc.(1)

10.06 Term Sheet, dated March 18, 1997, among Registrant and Shaw Cablesystems Ltd. and Rogers Cablesystems Limited(1)

10.07 Master Communications Services Agreement, dated April 2, 1997, between Registrant and Teleport Communications Group Inc.(1)

10.08 Lease, dated October 17, 1996, between Registrant and Martin/Campus Associated, L.P.(1)

10.09 Form of Indemnification Agreement between Registrant and each of its directors and executive officers(*) (1)

10.10 Registrant's 1996 Incentive Stock Option Plan(*) (1)

EXHIBIT
NUMBER

TITLE

- 10.11 Registrant's 1996 Incentive Stock Option Plan No. 2(*) (1)
10.12 Narrative Communications Corp. 1995 Stock Option Plan,
assumed by Registrant as of December 30, 1998(*) (**)
10.13 Description of Registrant's 1998 Executive Incentive
Plan(*) (**)
10.14 Restricted Stock Purchase Agreement, dated July 31, 1996,
between Registrant and Thomas A. Jermoluk for purchase of
Series A common stock(*) (1)
10.15 Restricted Stock Purchase Agreement, dated July 31, 1996,
between Registrant and Thomas A. Jermoluk for purchase of
Series K preferred stock(*) (1)
10.16 Restricted Stock Purchase Agreement, dated July 31, 1996,
between Registrant and William R. Hearst III for purchase of
Series A common stock(*) (1)
10.17 Restricted Stock Purchase Agreement, dated July 29, 1996,
between Registrant and Ken Goldman for purchase of Series A
common stock(*) (1)
10.18 Form of Restricted Stock Purchase Agreement and Promissory
Note between Registrant and other officers for purchase of
Series A common stock(*) (1)
10.19 Employment Letter Agreement, dated July 19, 1996, between
Registrant and Thomas A. Jermoluk(*) (1)
10.20 Letter of Agreement, dated May 15, 1997, among Registrant
and the parties indicated therein, including as exhibits the
Master Distribution Agreement Term Sheet and the Term Sheet
for Form of LCO Agreement (1)
10.21 Build To Suit Lease, dated September 29, 1997, between
Registrant and Martin/ Campus Associates, L.P. (425
Broadway, Redwood City, California) (4)
10.22 Build To Suit Lease, dated September 29, 1997, between
Registrant and Martin/ Campus Associates, L.P., (440
Broadway, Redwood City, California) (4)
10.23 Loan and Security Agreement, dated September 30, 1997,
between Registrant and Silicon Valley Bank (4)
10.24 Binding Warrant Term Sheet, dated February 24, 1998, among
Registrant, Rogers Communications, Inc. and Shaw
Communications, Inc. (5)
10.25 Warrant Purchase Agreement, dated May 5, 1998, between
Registrant and Century Communications Corp. (**)
10.26 Warrant to purchase Series A common stock of Registrant
issued to Century Communications Corp. as of May 5, 1998 (**)
10.27 Form of warrant to purchase Series A common stock of
Registrant to be issued to Century Communications Corp. (**)
10.28 Warrant Purchase Agreement, dated June 27, 1998, between
Registrant and Garden State Cablevision L.P. (**)
10.29 Warrant to purchase Series A common stock of Registrant
issued to Garden State Cablevision L.P. as of June 27,
1998 (**)
10.30 Warrant Purchase Agreement, dated June 26, 1998, between
Registrant and Jones Intercable Inc. (**)
10.31 Warrant to purchase Series A common stock of Registrant
issued to Jones Intercable Inc. as of June 26, 1998 (**)
10.32 Agreement and Plan of Merger, dated December 30, 1998,
between Registrant and Narrative Communications Corp.
(incorporated by reference to Exhibit 2.1 of Registrant's
current report on Form 8-K filed on January 14, 1999 (File
No. 000-22697))

33. Severability. If any term, covenant or condition herein shall, to any extent, be invalid or unenforceable in any respect under the laws governing this Agreement, the remainder of this Agreement shall not be affected thereby, and each term, covenant or condition of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

34. Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, in confirmation of their consent to the terms and conditions contained in this Agreement and intending to be legally bound thereby, the parties have executed this IRU Capacity Agreement on the dates shown below but effective for all purposes as of the Effective Date.

AT&T CORP.

AT HOME CORPORATION

By: /s/ MIKE ARMSTRONG

By: /s/ THOMAS A. JERMALUK

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Title: -----
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Title: -----
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Date: Dec. 19, 1998

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Date: Dec. 19, 1998

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EXHIBITS

- Exhibit A {Reserved}
- Exhibit B Technical Specifications
- Exhibit C Phase Two Capacity
- Exhibit D Phase Three Capacity
- Exhibit E AT&T POPs
- Exhibit F Collocation Agreement
- Exhibit G Third Party POPs
- Exhibit H {Reserved}
- Exhibit I Payment Terms

ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. AT&T DOES NOT WARRANT THAT THE SERVICES WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT THE SERVICES WILL MEET CUSTOMER'S REQUIREMENTS OR THAT THE SERVICES WILL PREVENT UNAUTHORIZED ACCESS BY THIRD PARTIES.

28.5 Its execution of and performance under this Agreement shall not violate any applicable existing regulations, rules, statutes, or court orders of any local, state or federal governmental agency, court or body.

29. Entire Agreement; Amendment. This Agreement constitutes the entire and final agreement and understanding between the parties with respect to the subject matter hereof and supersedes all prior agreements relating to the subject matter hereof, which are of no further force or effect. The Exhibits referred to herein are integral parts hereof and are hereby made a part of this Agreement. This Agreement may only be modified or supplemented by an instrument in writing executed by a duly authorized representative of each party.

30. No Personal Liability. Each action or claim against any party arising under or relating to this Agreement shall be made only against such party as a corporation, and any liability relating thereto shall be enforceable only against the corporate assets of such party. No party shall seek to pierce the corporate veil or otherwise seek to impose any liability relating to, or arising from, this Agreement against any shareholder, employee, officer or director of the other party. Each of such persons is an intended beneficiary of the mutual promises set forth in this Section and shall be entitled to enforce the obligations of this Section.

31. Relationship of the Parties. The relationship between AT&T and @Home shall be that of independent contractors and not of principal and agent, franchiser and franchisee, dealer and distributor, partners or joint venturers for one another, and nothing contained in this Agreement shall be deemed to constitute a partnership or agency agreement between them for any purposes, including, but not limited to federal income tax purposes. AT&T and @Home, in performing any of their obligations hereunder, shall be independent contractors or independent parties and shall discharge their contractual obligations at their own risk. Each party acknowledges that nothing in this Agreement diminishes or restricts in any way the rights of the parties to engage in competition with each other. Each party acknowledges that it remains at all times solely responsible for the success and profits of its own business.

32. Export Regulations. The parties acknowledge that any products, software, and technical information (including, but not limited to, services and training) provided under this Agreement are subject to U.S. export laws and regulations and any use of or transfer of such products, software and technical information must be authorized under those regulations. @Home agrees that it will not use distribute, transfer or transmit the products, software or technical information (even if incorporated into other products) except in compliance with U.S. export regulations. If requested by AT&T, @Home also agrees to sign written assurances and other export-related documents as may be required for AT&T to comply with U.S. export regulations.

right or remedy, whether contained herein or not.

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26.4 Nothing in this Agreement is intended to provide any legal rights to anyone not an executing party of this Agreement.

26.5 This Agreement has been fully negotiated between and jointly drafted by the parties.

26.6 In the event of a conflict between the provisions of this Agreement and those of any Exhibit, the provisions of this Agreement shall prevail and such Exhibits shall be corrected accordingly.

26.7 All actions, activities, consents, approvals and other undertakings of the parties in this Agreement shall be performed in a reasonable and timely manner. Except as specifically set forth herein, for the purpose of this Section the normal standards of performance within the telecommunications industry in the relevant market shall be the measure of whether a party's performance is reasonable and timely.

27. Assignment. Neither Party shall assign or otherwise transfer this Agreement or its rights or obligations hereunder to any person or entity without the prior written consent of the other party, which shall not be unreasonably withheld or delayed; provided, however, that either party shall have the right, without the consent of the other, to grant a security interest in this Agreement or the rights hereunder as collateral to any lender, or to assign or otherwise transfer the Agreement to any person or entity that controls, is under the control of, or is under common control with the assigning party, or any corporation into which such party may be merged or consolidated or that purchases all or substantially all of the assets of such party used by such party in connection with the Capacity Service; provided, further, that any such assignment or transfer shall be subject to the other party's rights under this Agreement and any assignee or transferee (other than a lender, in the case of a security interest) shall continue to perform the assigning or transferring party's obligations under this Agreement. This Agreement is intended to pass by operation of law to any party to whom AT&T may assign all or substantially all of the AT&T Network, but only to the extent that it is in fact assigned.

28. Representations and Warranties. Each party represents and warrants that:

28.1 It has the full right and authority to enter into, execute, deliver and perform its obligations under this Agreement;

28.2 It has taken all requisite corporate action to approve the execution, delivery and performance of this Agreement;

28.3 This Agreement constitutes a legal, valid and binding obligation enforceable against such party in accordance with its terms; and

28.4 EXCEPT AS PROVIDED IN THIS SECTION, AT&T MAKES NOWARRANTIES, EXPRESS OR IMPLIED, UNDER THIS AGREEMENT AND SPECIFICALLY DISCLAIMS

when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution by arbitration of the actual dispute.

23. Waiver. The failure of either party hereto to enforce any of the provisions of this Agreement, or the waiver thereof in any instance, shall not be construed as a general waiver or relinquishment on its part of any such provision, but the same shall nevertheless be and remain in full force and effect.

24. Taxes.

24.1 @Home shall pay any applicable local, state and federal taxes, levied upon the sale, installation, use or provision of the Services Components, the IRU, or any equipment provided under this Agreement, except to the extent @Home provides a valid tax exemption certificate to AT&T prior to the delivery thereof.

24.2 AT&T shall be responsible for and shall timely pay any and all (i) taxes and franchise, license and permit fees based on the physical location of the AT&T Network and the @Home Backbone Network; and (ii) right-of-way payments on the AT&T Network and the @Home Backbone Network. Each of AT&T and @Home shall be responsible for any and all sales, use, income, gross receipts or other taxes assessed on the basis of revenues received by such party due to its use of the AT&T Network and the @Home Backbone Network, respectively.

24A Equipment. AT&T shall retain title to all of its equipment and facilities used to meet its performance obligations this Agreement.

25. Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of New York without reference to its choice of law principles.

26. Rules of Construction.

26.1 The captions or headings in this Agreement are strictly for convenience and shall not be considered in interpreting this Agreement or as amplifying or limiting any of its content. Words in this Agreement which import the singular connotation shall be interpreted as plural, and words which import the plural connotation shall be interpreted as singular, as the identity of the parties or objects referred to may require.

26.2 Unless expressly defined herein, words having well-known technical or trade meanings shall be so construed. All listing of items shall not be taken to be exclusive, but shall include other items, whether similar or dissimilar to those listed, as the context reasonably requires.

26.3 Except as set forth to the contrary herein, any right or remedy of AT&T or @Home shall be cumulative and without prejudice to any other

20. Termination.

20.1 Upon the expiration of the Term of this Agreement, the Services Components shall terminate and @Home shall owe AT&T no additional consideration.

20.2 Notwithstanding the foregoing, no termination of this Agreement shall affect the rights or obligations of any party hereto with respect to any payment hereunder for services rendered prior to the date of termination or pursuant to the Sections entitled Indemnification, or Arbitration herein.

21. Force Majeure. If, by reason of any Force Majeure Event (as hereinafter defined), a party shall be unable to carry out any of its obligations (other than the payment of monetary amounts due) under this Agreement and that party gives the other party prompt written notice thereof, then, except as otherwise set forth herein, any such obligations shall be suspended to the extent made necessary by reason of such Force Majeure Event during its continuance, provided that such party attempts to eliminate insofar as is reasonably possible the effect of such force majeure with all reasonable dispatch. The term "Force Majeure Event" shall mean: (i) an act of God, (ii) fire, (iii) flood, (iv) explosion (v) material shortage or unavailability not resulting from the responsible Party's failure to timely place orders or take other necessary actions therefor, (vi) war, civil disorder, earthquake or labor strikes or (vii) national emergency. The party claiming relief under this Section shall promptly notify the other in writing of the existence of the event(s) (i) through (vii) relied on, the expected duration of the Force Majeure Event, and the cessation or termination of said event.

22. Arbitration

22.1 An "Arbitrable Dispute" is any dispute or disagreement arising between @Home and AT&T in connection with this Agreement in which the dollar amount in dispute is less than one million dollars (\$1,000,000) or which involves quality issues not settled by the parties pursuant to the section entitled ongoing Service Quality Review. Any Arbitrable Dispute which is not settled to the mutual satisfaction of @Home and AT&T within thirty (30) days from the date that either party informs the other in writing that such dispute or disagreement exists, shall be settled by arbitration in San Francisco, California in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect on the date that such notice is given. If the parties are unable to agree on a single arbitrator within 15 days from the date of receipt of the notice notifying a party of a dispute or disagreement, each party shall select an arbitrator within 15 days and the two arbitrators shall select a third arbitrator within 10 days. The decision of the arbitrator(s) shall be final and binding upon the parties and shall include written findings of law and fact, and judgment may be obtained thereon by either party in a court of competent jurisdiction. Each party shall bear the cost of preparing and presenting its own case. The cost of the arbitration, including the fees and expenses of the arbitrator(s), shall be shared equally by the parties hereto unless the award otherwise provides. The arbitrator(s) shall be instructed by the parties to establish procedures such that a decision can be rendered by the arbitrator(s) within 60 days of their appointment.

22.2 The obligation herein to arbitrate shall not be binding upon any party with respect to requests for preliminary injunctions, temporary restraining orders, specific performance or other procedures in a court of competent jurisdiction to obtain interim relief

to such party jointly or in collaboration or partnership with the other party, or as the agent of the other party, or that service provided by the First Party or another carrier is provided by the other party.

18A.5 Except to the limited extent (if any) as may be required under law, neither party shall indicate or imply to any existing or potential end user that any portion of the service provided to the end user by a party is provided by the other party or is carried over the other party's network or facilities.

19. Default.

19.1 A party may deliver to the other party a written "Notice of Default" for: (i) failing to make any payment owed hereunder, when no bona fide dispute exists (a "Monetary Default"); or (ii) the breaching by either party or its agents, assigns or affiliates of any Material Provision; or (iii) the filing or initiating of proceedings by or against a party seeking liquidation, reorganization or other such relief under any federal or state bankruptcy or insolvency law (a "Bankruptcy Proceeding"). Such Notice of Default must prominently contain the following sentences in capital letters: "THIS IS A FORMAL NOTICE OF A BREACH OF CONTRACT. FAILURE TO CURE SUCH BREACH WILL HAVE SIGNIFICANT LEGAL CONSEQUENCES."

19.2 A party that has received a Notice of Default arising out of a Monetary Default shall have 30 days to cure. If @Home fails to cure a Monetary Default within the cure period, AT&T shall have the right to either (a) suspend its performance obligations under this Agreement, (b) seek an award for the past due balance, including interest and reasonable attorneys' fees, and/or (c) require @Home to post a reasonable deposit or other adequate assurance of payment as a condition of continuing performance by AT&T. Notwithstanding the foregoing, AT&T may not disconnect service or revoke the IRU with respect to any Route except for non-payment of the IRU Fee with respect to any Route.

19.3 A party that has received a Notice of Default arising out of an alleged breach of a Material Provision shall have 30 days to cure the alleged breach. If the defaulting party shall have commenced actions in good faith to cure such defaults which are not susceptible of being cured during such 30-day period, such period shall be extended (but not in excess of 90 additional days) while such party continues such actions to cure. If such party fails to cure the breach within the applicable cure period, as long as such default shall be continuing, the non-defaulting party shall have the right to either (a) suspend its performance or payment obligations under this Agreement, (b) seek an order of specific performance, and/or (c) seek the award of compensatory damages. Any event of default by either party may be waived under the terms of this Agreement at the other party's option.

with a copy to:

AT&T Corp.
295 North Maple Avenue
Basking Ridge, New Jersey, 07920
Attn: David J. Ritchie
General Attorney - Wholesale

Markets

Facsimile No: (908) 953-8360

or at such other address as may be designated in writing to the other party.

17.2 Unless otherwise provided herein, notices shall be sent by registered or certified U.S. Mail, postage prepaid, or by commercial overnight delivery service, or by facsimile, and shall be deemed served or delivered to the addressee or its office on the date of receipt acknowledgment or, if postal claim notices are given, on the date of its return marked "unclaimed," provided, however, that upon receipt of a returned notice marked "unclaimed," the sending party shall make reasonable effort to contact and notify the other party by telephone.

18. Confidentiality. The parties hereto agree that this Agreement and the terms hereof are "Confidential Information" as defined in the Nondisclosure Agreement dated as of September 8, 1998 between the parties. Notwithstanding the terms of that agreement however, either party may disclose the contents of, or information concerning, this Agreement to the extent required by law after using reasonable efforts to consult with the other party regarding such disclosure and, as applicable, using reasonable efforts to obtain confidential treatment from the applicable regulatory agency regarding the pricing terms hereof.

18A Use of Marks Nothing in this Agreement creates in a party any rights in the other party's trade names, trademarks, service marks or any other intellectual property. Except as may be otherwise agreed between the parties in writing:

18A.1 Either party may use the other party's trade names, trademarks, or service marks only to the extent such use is not prohibited by this Agreement and is otherwise permitted by law (including but not limited to the Lanham Act).

18A.2 In no event shall either party use or display, in advertising or otherwise, any of the other party's logos, trade dress, trade devices or other indicia of origin, or any confusingly similar logos, trade dress, trade devices or indicia of origin.

18A.3 Neither party shall conduct business under the other party's corporate or trade name, trademark, service mark, logo, trade dress, trade device, indicia of origin or other symbol that serves to identify and distinguish the other party from its competitors, or under any

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confusingly similar corporate or trade name, trademark, service mark, logo, trade dress, trade device, indicia of origin or other symbol.

18A.4 Neither party (the "First Party") shall indicate or imply to any third party that the First Party is affiliated with the other party, that the First Party is authorized by the other party to sell or provide service to them, that the First Party is providing (or will provide) service

16.2 NOTWITHSTANDING ANY PROVISION OF THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE, RELIANCE OR CONSEQUENTIAL DAMAGES, WHETHER FORESEEABLE OR NOT, ARISING OUT OF, OR IN CONNECTION WITH, TRANSMISSION INTERRUPTIONS OR PROBLEMS, INCLUDING, BUT NOT LIMITED TO, DAMAGE OR LOSS OF PROPERTY OR EQUIPMENT, LOSS OF PROFITS OR REVENUE, COST OF CAPITAL, COST OF REPLACEMENT SERVICES, OR CLAIMS OF CUSTOMERS, WHETHER OCCASIONED BY ANY REPAIR OR MAINTENANCE PERFORMED BY, OR FAILED TO BE PERFORMED BY, THE FIRST PARTY OR ANY OTHER CAUSE WHATSOEVER, INCLUDING, WITHOUT LIMITATION, BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE OR STRICT LIABILITY. THIS PARAGRAPH SHALL NOT BE CONSTRUED TO LIMIT EITHER PARTY'S ABILITY TO RECOVER UNDER THE SECTION ENTITLED INDEMNIFICATION WITH RESPECT TO CLAIMS OF THIRD PARTIES BROUGHT AGAINST SUCH PARTY OR THE RIGHT TO RECOVER LIQUIDATED DAMAGES UNDER THE SECTIONS ENTITLED DELIVERY AND LIQUIDATED DAMAGES AND OPERATION, MAINTENANCE AND REPAIR.

16.3 PURSUANT TO THIS SECTION, NO PARTY SHALL BE PREVENTED FROM MAKING A CLAIM OR FILING SUIT AGAINST AN INDEPENDENT CONTRACTOR FOR SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE, RELIANCE OR CONSEQUENTIAL DAMAGES ARISING OUT OF SUCH INDEPENDENT CONTRACTOR'S PERFORMANCE OF MAINTENANCE OR REPAIR SERVICES FOR THE SYSTEM OWNER, BUT THE PARTY MAKING THE CLAIM OR FILING SUIT AGREES THAT IT WILL NOT SEEK RECOVERY OF SUCH DAMAGES TO THE EXTENT SUCH INDEPENDENT CONTRACTOR HAS A CONTRACTUAL OR COMMON LAW RIGHT OF RECOVERY AGAINST OR AN INDEMNITY FROM THE OTHER PARTY.

17. Notice.

17.1 Unless otherwise provided herein, all notices and communications concerning this Agreement shall be in writing and addressed to the other party as follows:

If to @Home:	At Home Corporation 425 Broadway Street Redwood City, California 94063 Attention: General Counsel Telephone: (650) 569-5000 Facsimile No: (650) 482-4606
with a copy to:	Michael P. Whalen, Esq. Riordan & McKinzie 695 Town Center Drive, Suite 1500 Costa Mesa, CA 92626 Facsimile No: (714) 549-3244

If to AT&T:	AT&T Corp. 4450 Rosewood Drive Room 5155 Pleasanton, California, 94588 Attn: Douglas Markling General Manager - @Home Facsimile No: (925) 224-6556
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and
its directors, officers, employees, agents, subsidiaries, affiliates,
successors
and assigns from any and all third party claims, damages and expenses
whatsoever
(including reasonable attorneys' fees) arising on account of or in connection
with @Home's use of the Service Components provided under this Agreement,
including but not limited to: (a) claims arising from any failure,
breakdown, interruption or deterioration of service components provided by AT&T
to @Home or
service provided by @Home to third parties; and (b) claims of patent
infringement arising from combining or using services or equipment furnished
by
AT&T in connection with services or equipment furnished by others. @Home's
indemnification obligations do not apply to claims for damages to real or
tangible personal property or for bodily injury or death negligently caused by
AT&T.

14.2 AT&T shall indemnify, defend, and hold harmless @Home
and
its directors, officers, employees, agents, subsidiaries, affiliates,
successors, and assigns from all claims of patent infringement arising solely
from the use of the Services.

14.3 The parties hereby expressly recognize and agree that
each party's said obligation to indemnify, defend, protect and save the other
harmless is not a material obligation to the continuing performance of the
parties' other obligations, if any, hereunder. In the event that a party shall
fail for any reason to so indemnify, defend, protect and save the other
harmless, the injured party hereby expressly recognizes that its sole remedy
in
such event shall be the right to bring an arbitration proceeding pursuant to
the
terms of this Agreement against the other party for its damages as a result of
the other party's said failure to indemnify, defend, protect and save
harmless.
These obligations shall survive the expiration or termination of this
Agreement.

14.4 Nothing contained herein shall operate as a limitation
on
the right of either party hereto to bring an action for damages against any
third party, including indirect, special or consequential damages, based on any
acts or omissions of such third party as such acts or omissions may affect the
construction, operation or use of the AT&T Network or the @Home Backbone
Network, as the case may be; provided, however, that each party hereto shall
assign such rights of claims, execute such documents and do whatever else may
be
reasonably necessary to enable the other party to pursue any such action
against
such third party.

15. {Reserved}

16. Limitation of Liability.

16.1 EXCEPT AS SET FORTH IN THE SECTIONS ENTITLED DELIVERY
AND
LIQUIDATED DAMAGES, AND CREDIT FOR TOTAL INTERRUPTIONS OR AS OTHERWISE
SPECIFIED
HEREIN, THE LIABILITY OF AT&T ASSOCIATED WITH THE INSTALLATION, PROVISION,
USE,
MAINTENANCE, REPAIR, TERMINATION OR RESTORATION OF SERVICE COMPONENTS PROVIDED
PURSUANT TO THIS AGREEMENT SHALL NOT EXCEED AN AMOUNT EQUAL TO THE PRORATED
PORTION OF CHARGES FOR THE AFFECTED SERVICE COMPONENTS FOR THE PERIOD DURING
WHICH THAT SERVICE COMPONENT WAS AFFECTED.

interference, AT&T will attempt to limit any restriction or suspension under this Section to the Service Components that are causing such interference.

10.8 Ongoing Service Quality Review. The Parties shall establish an informal mechanism for maintaining communications channels between their respective network staffs related to service quality on the Routes. In the event that there arises a service quality issue that a party deems to be significant and that is not resolved in a satisfactory manner through the established mechanism, the dissatisfied party may escalate the matter to senior management of the other party for resolution, at the level of an executive vice president or higher.

11. Relocation. Unless the circumstances make such notice impracticable, AT&T shall give @Home at least 90 days prior written notice of any scheduled relocation of any portion of the @Home Backbone Network, and as much advance notice as possible of any unscheduled relocation. AT&T shall have the right to direct any relocation of any portion of the @Home Backbone Network, including but not limited to the right to determine the extent and timing of, and the methods to be used for, such relocation; provided, however, that unless otherwise agreed, any such relocation: (i) shall be constructed and tested in accordance with the Specifications, and (ii) shall not result in any Interruption in excess of two hours or degradation of the Service Components. In the event an AT&T POP or a Third-Party POP is relocated or replaced, by a new site, AT&T shall relocate the applicable @Home Service Components (including any facilities necessary to continue the AT&T and third-party interconnections in place immediately prior to the relocation or replacement). Any such relocation shall be undertaken at no cost to @Home, except in cases where relocation is accompanied by additions or other work to benefit @Home and for which @Home agrees in writing to pay.

12. Term of the Agreement. This Agreement is binding on the parties as of the Effective Date and, subject to the termination provisions of this Agreement, shall remain in effect for 20 years from the Acceptance Date of all Routes listed on Exhibit D (the "Term") . This Agreement, including the Service Components granted under this Agreement, may be renewed upon terms mutually agreed upon by the parties in writing.

13. Use of the Services and Restriction on Resale. @Home may use the Service Components for any lawful purpose and @Home represents and warrants that its use of the Service Components and its offering of services using the @Home Backbone Network will comply with all applicable government codes, ordinances, laws, rules, regulations and/or restrictions. @Home may sell, trade, exchange or otherwise make available to any person or entity any service so long as @Home's routers and packet switches or packet based successor equipment are used.

14. Indemnification.

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14.1 @Home shall indemnify, defend, and hold harmless AT&T

remain responsible for the performance of such services in accordance with the requirements of this Agreement.

10.5 Response to Interruptions. Subject to geographic limitations, AT&T shall exercise commercially reasonable efforts to respond to any Unscheduled Interruption (defined below) involving AT&T facilities delivering the Service within four hours, measured in each case from the time that AT&T receives notice of an interruption and ending at the time a qualified AT&T technician arrives at the site of the reported problem.

10.6 Credit for Total Interruptions.

10.6.1 A Total Interruption is: (a) any situation in which @Home suffers a total loss of connectivity in one or more Routes, lasting two or more hours, which loss is not caused by @Home, and that does not occur within or as a result of equipment connections that @Home provides. In the event of a Total Interruption that is due to circumstances within AT&T's reasonable control (fiber cuts shall not be deemed to be within AT&T's reasonable control), @Home shall be entitled to an allowance in the form of a credit against amounts otherwise payable by @Home under this Agreement, calculated as set out below. No credit will be provided for any scheduled interruption. Any credit shall be applied to the next monthly maintenance invoice issued to @Home.

10.6.2 @Home shall be credited for each two hour period of a Total Interruption within AT&T's reasonable control in a specific Route at a rate of \$500 for each such period of a Total Interruption for each Route where the Total Interruption occurs, the duration of such Interruption being measured from (i) the time of notice to AT&T's network control center that a Total Interruption has occurred to (ii) the time of restoration of the Service.

10.6.3 If there shall occur, within any period of 12 consecutive months, more than four Total Interruptions caused by factors within AT&T's reasonable control on the AT&T Network, AT&T will demonstrate to @Home actions taken by AT&T to reduce such Interruptions. If there shall occur more than two additional Total Interruptions due to factors within AT&T's reasonable control within the subsequent three month period, @Home may at its option terminate this Agreement upon written notice to AT&T, but only with respect to the affected Route(s).

10.7 Interference. In any instance in which AT&T believes in good faith that @Home's use of the @Home Backbone Network is interfering unreasonably with the use of

14AT&T service by others or the operation of the AT&T Network, AT&T may immediately restrict or suspend the Service Components, without liability on the part of AT&T, and then notify @Home of the action that AT&T has taken and the reason for such action. For purposes of the foregoing sentence, the normal usage by @Home of all or any part of the Capacity shall be deemed to be reasonable. To the extent doing so does not interfere with its ability to prevent such

days upon written request to AT&T.

9.3 Non-Acceptance. If within the 30-day period (or the 45-day period if applicable) described above, @ Home gives AT&T a written notice of any nonconformity of the Capacity to the Specifications or stating that the Service Components are not available for @ Home's use ("Non-Acceptance Notice"), Acceptance shall not occur. A Non-Acceptance Notice must either specifically identify the Specifications with which @Home contends the Capacity does not conform, or provide an explanation of the manner and extent to which the Service Component is not available. @Home will promptly upon AT&T's written request, give reasonably specific additional information to AT&T regarding the claimed nonconformity and , from the date of Non-Acceptance Notice until such information is provided, any applicable Commitment Date shall be tolled. AT&T shall use commercially reasonable efforts to correct such nonconformity and make the Service Component available within 10 days of receipt of @Home's valid Non-Acceptance Notice. Upon completion of such correction, AT&T shall notify @Home by providing a Delivery Notice, after which @Home shall have 10 days for Acceptance or for @Home to provide additional notice of a failure to deliver the Service Components by providing a Non-Acceptance Notice. Such process shall be repeated until Acceptance, provided however, if AT&T fails to correct any nonconformity of any Capacity to the Technical Specifications or to provide the Service Components within 90 days after the date of the first Delivery Notice, @Home may at its option terminate this Agreement with respect to the affected Route(s) only, upon written notice to AT&T. In such case, AT&T need no longer deliver the affected Route(s), and @Home need no longer pay any amounts due for such Route(s).

10. Operation, Maintenance and Repair.

10.1 Purchase, Repair or Replacement of Electronic Equipment. AT&T shall purchase, repair and replace all electronic equipment related to the provision of the Service Components at all times.

10.2 Operating Standards. During the term of this Agreement, AT&T shall operate the @Home Backbone Network in accordance with the same standards with which AT&T operates the AT&T Network and in any case, with at least the standard of care in the industry. 13

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10.3 Maintenance and Repair. During the Term hereof, AT&T shall be responsible, at its sole expense, for the emergency and non-emergency maintenance, and repair of the AT&T Network and the @ Home Backbone Network, so as to assure continuing conformity of the @Home Backbone Network with the Specifications. If routine, scheduled maintenance of the @Home Backbone Network is expected to result in any interruption of the Service, AT&T shall so notify @Home in writing at least 10 business days prior to commencing such routine maintenance. AT&T shall schedule major maintenance of the @Home Backbone Network at a time selected by AT&T to limit adverse user impacts.

10.4 Use of Subcontractors. AT&T may contract with qualified contractors for the performance of any maintenance and repair services contemplated by this Agreement, including unaffiliated contractors, but shall

8. Audit of Certain Upgrade, Expansion and Discount-Related Invoices. @Home may undertake an audit under this Section in connection with a billing dispute or after payment of the relevant invoice to evaluate the accuracy of pricing and calculations for such invoice. For a period of twelve (12) months from the date payment of the relevant invoice by @Home is first due, AT&T agrees to maintain records related to its purchases of equipment and services related to an invoice, and to make such records available to a representative of @Home (or, at AT&T's option, to a third-party auditor acceptable to both parties) at reasonable times at AT&T headquarters on prior notice in connection with an audit requested by @Home under this Section. All costs related to such audit will be borne by @Home. All documents reviewed in connection with such an audit shall be subject to confidential treatment as set forth in the Section entitled Confidentiality. If the audit discloses an error in the pricing or discounts made available to @Home, and such audit indicates @Home paid too much, AT&T and @Home will promptly review the conclusions of the audit and, where AT&T concurs, AT&T shall pay @Home the amounts due within 15 days of its concurrence. In the event the audit reveals that @Home was charged too little, @Home shall pay the difference within 30 days of receiving an invoice from AT&T therefor. If the parties disagree, either party may seek to resolve the matter through arbitration as set forth in the Section entitled Arbitration.

9. Testing and Acceptance.

9.1 Testing. Prior to making any Capacity available to @Home under this Agreement, AT&T shall test the Capacity on a Route-specific basis ("Testing") to ensure that the Capacity is in conformity with the technical specifications set forth in Exhibit B (the "Specifications"). If any Testing establishes that the Capacity does not conform to the Technical Specifications, AT&T promptly shall correct such nonconformity and conduct additional Testing prior to making the Service Components available to @Home.

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9.2 Acceptance. If AT&T determines, that for a particular Route, that the Testing results show that the Capacity meets the Specifications and that the Service Components are available for @Home's use, AT&T shall provide @Home with written notice to that effect (the "Delivery Notice"). The Delivery Notice shall include the Testing results, a description of the available Service Components (including circuit identifiers) and the date the Service Components will be available. Prior to providing the Delivery Notice AT&T shall use commercially reasonable efforts to deliver @Home the applicable rack spaces pursuant to a Collocation Agreement in the AT&T POP for installation of its equipment. If @Home fails to give a Non-Acceptance Notice (defined below) or makes a special request for an extension of the acceptance period (during which period the applicable Commitment Date for the Route shall be tolled) within 30 days after @Home's receipt of the Delivery Notice, @Home shall be deemed to have accepted the Service Components for such Route(s) effective as of such thirtieth day. The earliest of (i) such date, (ii) the date @Home informs AT&T that it has accepted the Service Components, or (iii) the date that @Home actually begins commercial use of the Service Component shall be deemed the "Acceptance Date" for that Service Component and such Service Component shall be "Accepted." @Home shall have the right to extend the acceptance period for 15

equipment were of a more recent manufacture or design; and

(d) increased by a mark-up of 20% (that is, after the deductions listed above in subsection (a), (b), and (c) are made to the Network and Circuit Electronics Cost, the Networks and Circuit Electronics Cost shall be multiplied by 1.20).

The "Comparison Price" for an upgrade shall be the lower price, if any, any other AT&T-qualified vendor (or, in the event only one vendor is AT&T qualified for the type of equipment being considered, any vendor of substantially equivalent equipment of comparable quality) could have provided the electronics (or substantially equivalent electronics), established as follows: (a) there will be semi-annual meetings between @Home and AT&T to review market pricing, and based on such meetings, the parties will attempt to mutually establish a Comparison Price for any impending upgrade, (b) if no such price can be mutually agreed to, the parties will engage a mutually acceptable third-party expert to determine the Comparison Price, which determination will be binding on the parties, and (c) if no such expert is mutually agreed to, the choice of the expert will be determined by an arbitrator under the arbitration provision of this Agreement. During such process, AT&T will share equipment market price information it has with @Home to the extent allowed by existing non-disclosure agreements it has with third parties.

In the event AT&T chooses to supply Additional Capacity Without Upgrade or Additional Expansion Capacity Without Upgrade pursuant to option (ii) of the section entitled Upgrade of @Home Backbone Network at @Home's Request or of option (ii) of the section entitled Expansion of @Home Backbone Network, the cost to @Home of such Additional Capacity shall be calculated through a reasonable estimate of what the costs would have been as if the facilities upgrade set forth above had actually taken place.

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7.1.2 Fiber Cost. @Home shall not be required to pay anything for the right to use fiber on any @Home Route in connection with the acquisition of Additional Capacity which together with previously existing capacity on such Route does not exceed the Market Equivalent Capacity for such Route. @Home shall pay \$2,700 per Route mile for the right to use fiber in connection with extending the Capacity to an additional Route usage of fiber on any non-@Home Route. @Home shall pay an amount equal to the product of (a) \$2,700 per Route mile and (b) the Excess Expansion Percentage for the right to use fiber in connection with an Existing Route Expansion. The route mileage for new Routes shall be determined by AT&T's final as-built circuit designs.

7.3 Upgrade and Expansion Payment Terms. Upon agreeing to participate in an upgrade or expansion @Home shall owe AT&T a deposit of 10% of the estimated cost of the upgrade or expansion. Upon Acceptance in accordance with the Section entitled Testing and Acceptance and delivery of the Service Components along the upgraded or expanded portion of the @Home Backbone Network, @Home shall pay the remainder of the Upgrade Cost or the Expansion Cost; provided however that @Home shall not be required to pay more than 110% of the estimated cost given to @Home for such Upgrade or Expansion in the Upgrade Response Notice, the Upgrade Notice or the Expansion Notice, as applicable. The Section entitled Invoicing and Payment Terms shall apply to the Upgrade Cost and the Expansion Cost.

6.7 Acceptance of Upgrade and Expansion. Testing, Acceptance and payment subsequent thereto of a Requested Upgrade, an Upgrade or an Expansion shall be in accordance with the section entitled Testing and Acceptance herein, provided however, that in the event the specifications set forth in Exhibit B are no longer applicable to the technology employed at the time of a Requested Upgrade, an Upgrade or an Expansion, the parties shall mutually agree in writing to specifications in line with industry standards prior to the testing.

6.8 City-Pair Split. At @Home's request, AT&T shall allow @Home to split any Route between the two cities of a City Pair if AT&T has a point of presence (the "New POP") in between the two cities. In such case, AT&T shall provide @Home with collocation (three rack spaces) and interconnection at the New POP. AT&T's only charge for allowing and implementing such split in the City Pair will be for the collocation. @Home shall pay the cost for such collocation as set forth in Exhibits E and I.

7. Payment for Upgrades and Expansions. 7.1
Additional Capacity Cost. Pricing for additional upgrading to a new higher capacity shall be determined by the following:

7.1.1 New Electronic Equipment Pricing Method. The payment from @Home for the new network electronics and circuit electronics required to obtain capacity beyond the Phase Three Capacity (the "Upgrade Cost") shall be determined by AT&T based on @Home's requested upgraded configuration of the @Home Backbone Network. The Upgrade Cost shall be equal to the product of (a) AT&T's Network and Circuit Electronics Cost (as defined below) and (b) a fraction which shall have a numerator equal to the Additional Capacity to be derived from such electronics and a denominator which is equal to the total capacity which can be derived from such electronics. The "Network and Circuit Electronics Cost" shall be equal to AT&T's "actual cost" to provide the additional capacity requested, consisting of the actual costs paid by AT&T to third parties for all physical elements (active and passive) added to the AT&T fibers to prepare and create channel capacity consistent with this Agreement and that are used in the deployment of the @Home Backbone Network, including

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the costs paid to the equipment vendor for engineering and installation. The Network and Circuit Electronics Cost shall be adjusted as follows:

(a) to not include any cost for installation services where such services are otherwise included in the costs of the network and circuit electronics invoiced to AT&T and already included in the Network and Electronics Cost;

(b) reduced by the "Discount Percentage." The Discount Percentage is the percentage discount, rebate or other direct or indirect cost savings ("Discount") that AT&T was given by its supplier of network or circuit electronics when AT&T purchased such electronics. If a Discount was made available to AT&T in bundled purchases that include network electronics or circuit electronics and other equipment not covered under this Agreement, the same Discount shall be afforded to @Home for the equipment that is installed on the @Home Network;

(c) decreased to the extent that the Comparison Price (as defined below) for such upgrade is less expensive or to the extent that a less expensive upgrade could have been possible if AT&T's

provide the additional Capacity promptly.

6.3 Upgrade of @Home Backbone Network During AT&T Network Upgrade. AT&T shall provide written notice (the "Upgrade Notice") to @Home of each "Upgrade" of the AT&T Network. An "Upgrade" is any change to the AT&T Network, including but not limited to lighting fiber(s), adding, modifying, or replacing electronic equipment, that enables AT&T to increase the total number of channels, or increase the capacity per channel, on a per fiber, per route basis on all or any part of the AT&T Network. The Upgrade Notice shall include a detailed description of the upgraded transmission system (including routes, engineering and capacity), anticipated time line for installation, completion and delivery and the estimated cost to @Home for @Home's portion of the Upgrade. Such estimated cost shall be calculated in accordance with the Section entitled Additional Capacity Cost. @Home may elect to participate in the Upgrade and to retain AT&T to upgrade the @Home Backbone Network (or such portions of the @Home Backbone Network as @Home requests) by providing notice (the "Upgrade Acceptance Notice") to such effect to AT&T in writing within 30 days of receiving the Upgrade Notice. The Upgrade Acceptance Notice shall include the Routes and the amounts of capacity for each Route that @Home desires. @Home may elect to participate in the AT&T Network upgrade on individual Routes, rather than for the entire Upgrade. @Home may at any time in the future request Service Components on the Upgraded portions of the AT&T Network in

accordance with the Section entitled Upgrade of @ Home Backbone Network at @ Home's Request.

6.4 Forecasting and Planning. AT&T and @Home shall meet twice a year to review @Home's network forecasts, AT&T network planning and status and to discuss the current Market Equivalent Capacity. In the event the parties do not agree upon the Market Equivalent Capacity for any Route, at the option of either party, determination of the Market Equivalent Capacity at such time shall be referred to the binding decision of a mutually acceptable independent third party. If the parties do not agree upon such a third party within 30 days of the exercise of such option, an independent third party will be chosen through arbitration under the terms of this Agreement.

6.5 Transition to New Service. In the event an Upgrade, an Expansion or a Requested Upgrade requires a transfer of @Home's Service Components to different electronics, AT&T will effect the transfer in accordance with mutually acceptable transition procedures approved by the engineering groups of @Home and AT&T.

6.6 Collocation with Upgrade or Expansion. In connection with a Requested Upgrade, an Upgrade or an Expansion, AT&T shall provide collocation services to @Home in a manner sufficient to meet @Home's needs. @Home shall pay the cost for such collocation as set forth in Exhibits F and I.

description of the upgraded transmission system or the capacity, as applicable, the anticipated time line for installation, completion and delivery, as applicable and the estimated cost of the upgrade or capacity. Such cost shall be calculated in accordance with the Section entitled Upgrade Cost. Within 30 days after receipt of the Upgrade Response Notice, @Home shall provide AT&T with written confirmation of @Home's desire (or lack thereof) to proceed with the Requested Upgrade. @Home shall pay for the Requested Upgrade in accordance with the Section entitled Upgrade Payment Terms and AT&T shall use commercially reasonable efforts to provide the additional Capacity promptly.

6.2 Expansion of @Home Backbone Network. At any time after August 31, 1999 and during the Term of this Agreement, @Home shall have the right to request an expansion of the @Home Backbone Network to (a) include Routes not then on the @Home Backbone Network (a "Route Expansion") or (b) include additional capacity above the Market Equivalent Capacity on an @Home Route then in use (an "Existing Route Expansion"), (in either case, a "Requested Expansion"). In connection with a Requested Expansion, @Home shall have the right to purchase from AT&T additional network electronics and/or circuit electronics, in order to obtain Capacity (a) in a Route Expansion, on such Routes up to the Market Equivalent Capacity or (b) in an Existing Route Expansion, up to an amount of capacity above the Market Equivalent Capacity as specified by @Home (the percentage amount requested in an Existing Route Expansion above the Market Equivalent Capacity is referred to as the "Excess Expansion Percentage") @Home may request such expansion by providing written notice (the "Expansion Request Notice") to such effect to AT&T. The Expansion Notice shall include the new Route(s) and the amount of additional capacity for each new Route that @Home desires. At such time, AT&T shall provide @Home with (i) the Requested Expansion using such upgraded facilities; or (ii) alternative capacity in the amount requested by @Home as part of the Requested Expansion ("Additional Expansion Capacity Without Upgrade"); provided however that in either case, the Capacity that @Home obtains shall not exceed (a) in the case of a Route Expansion, the Market Equivalent Capacity or (b) in the case of an Existing Route Expansion, the product of (1) the Market Equivalent Capacity multiplied by (2) the sum of one plus the Excess Expansion Percentage. Within 60 days of the date of the Expansion Request Notice, AT&T shall respond in writing (the "Expansion Response Notice") indicating whether it has selected option (i) or option (ii) above and providing a detailed description of the upgraded transmission system or the capacity, as applicable, the anticipated time line for installation, completion and delivery, as applicable and the estimated cost of the upgrade or capacity. Such cost shall be calculated in accordance with the Section entitled Additional Capacity Cost. Within 30 days after receipt of the Expansion Response Notice, @Home shall provide AT&T with written confirmation of @Home's desire (or lack thereof) to proceed with the Requested Expansion. @Home shall pay for the Requested Expansion in accordance with the Section entitled Expansion Payment Terms and AT&T shall use commercially reasonable efforts to

be adjusted annually by the aggregate change in the Consumer Price Index, as set forth below. At the beginning of each calendar year beginning with 2000, the collocation charges shall be

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determined by multiplying such charges by a fraction, the numerator of which shall be (a) the average of the monthly Consumer Price Indices for the 12 months preceding the date on which the charge is to be adjusted and (b) the denominator of which shall be the average of the monthly Consumer Price Indices for the 12 months immediately preceding the date on which the charges were first established under this Agreement.

5.4 Invoicing and Payment Terms. AT&T shall send a bill to @Home for all charges payable under this Agreement. With the exception of the IRU Fee which each shall be due on the dates set forth in Exhibit I, @Home shall pay all invoiced amounts within 30 days after the date of an invoice therefor. @Home's obligation to pay a charge that is subject to a specifically identified good faith dispute will be suspended while the disputed charge is under investigation by AT&T if (a) @Home provides a written explanation of the basis for such dispute prior to the date such payment is due or (b) an AT&T account inquiry and collections representative provides express written consent to suspend the payment obligation pending investigation. If any amount due under this Agreement not so disputed is not received within fifteen days after the date due, then, in addition to its other remedies available under this Agreement, AT&T may in its sole discretion impose a late payment charge calculated each month at the rate of 1% per month (or 12% per annum), such late charge being payable upon demand by AT&T.

6. Upgrades and Expansion.

6.1 Upgrade of @Home Backbone Network at @Home's Request. At any time after August 31, 1999 and during the Term of this Agreement, @Home shall have the right to upgrade its Capacity on @Home Routes (a "Requested Upgrade"). In connection with a Requested Upgrade, @Home shall have the right to purchase from AT&T additional network electronics and/or circuit electronics, in order to increase the Capacity on the applicable @Home Route to the Market Equivalent Capacity. @Home may request such upgrade by providing written notice (the "Upgrade Request Notice") to such effect to AT&T. The Upgrade Request Notice shall include the Route(s) and the amount of additional capacity for each Route (provided however the effective Capacity that @Home obtains shall not exceed the Market Equivalent Capacity for such Route, except if @Home has previously made an Existing Route Expansion (as defined below) for the Route that @Home desires, in which case the effective capacity which @Home obtains shall not exceed the product of (a) the Market Equivalent Capacity for the Route and (b) the Excess Expansion Percentage (as defined below) for the Route). At such time, AT&T shall be obligated to provide @Home with (i) the Requested Upgrade or (ii) alternative capacity along the Routes and in the amount requested by @Home as part of the Requested Upgrade ("Additional Capacity Without Upgrade");. Within 60 days of the date of the Upgrade Request Notice, AT&T shall respond in writing (the "Upgrade Response Notice") indicating whether it has selected option (i) or option (ii) above and providing a detailed

shall have the right to

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terminate this Agreement by providing written notice thereof to AT&T. In such event, AT&T shall refund to @Home any amounts actually paid by @Home to AT&T pursuant to the Section entitled Payment, except that AT&T may withhold an amount for each Accepted Route, the "Usage Fee." The Usage Fee shall equal the portion of the IRU Fee paid through the date of termination of this Agreement with respect to such Route (calculated on a pro-rata basis based on mileage) multiplied by a fraction. The fraction shall have a numerator equal to the number of months @Home was provided Service on such Route and a denominator of 240. In addition, regardless of any Force Majeure Events, @Home may terminate this Agreement with respect to any Route for which the Service Components have not been Accepted within two years of the Effective Date.

5. Payment.

5.1 IRU Fee. In consideration for the Interim Service and the IRUs granted hereunder in the Capacity, @Home shall pay AT&T ninety million dollars (\$90,000,000) (the "IRU Fee") payable in accordance with the schedule set forth in Exhibit I (Payment Terms).

5.2 Maintenance. In consideration for the provision of maintenance services provided by or arranged for by AT&T with respect to Phase Three Capacity in accordance with the Section entitled Operation, Maintenance and Repair, @Home shall pay AT&T a quarterly Maintenance Fee (as defined below)

in arrears on a Route mileage basis (regardless of the amount of capacity used on the Route). The mileage used to calculate the Maintenance Fee for each quarter shall be calculated by adding together the number of applicable Route miles in use at the beginning and end of the quarter and dividing by two. The "Maintenance Fee" shall be the sum of two components: the "Services Component" and the "Repair/Replacement Component". The Services Component shall be equal to

\$6.00 per quarter per Route mile. The Repair/Replacement Component shall be lower during the period the initial equipment used to provide the Capacity is new to reflect AT&T's ability to take advantage of manufacturers' warranties. The Repair/Replacement Component shall be (a) \$2.00 per quarter per Route mile during the first three years of Phase Three Capacity on the relevant Route and (b) \$6.30 per quarter per Route mile thereafter.

5.2.1 CPI Increase. The Maintenance Fee shall be adjusted annually by the aggregate change in the Consumer Price Index, as set forth below. Beginning at the start of the first year for which the Maintenance

Fee applies, and each additional year thereafter, the Maintenance Fee payable hereunder shall be determined by multiplying the monthly Maintenance Fee set forth in Section 5.2 by a fraction, the numerator of which shall be (i) the average of the monthly Consumer Price Indices for the 12 months immediately preceding the date on which the Maintenance Fee is to be adjusted and (ii) the denominator of which shall be the average of the monthly Consumer Price Indices

for the 12 months immediately preceding the Effective Date of this Agreement.

5.3 Collocation. In consideration for collocation at the AT&T POPs @Home shall pay AT&T the amounts set forth in Exhibit F. AT&T shall charge @Home for rack spaces in Third-Party POPs only the actual cost therefor to AT&T, without mark-up.

5.3.1 CPI Increase. The collocation charges shall

4.1 Delivery. AT&T shall complete the construction, installation and testing of the Phase Two Service Components and the Phase Three Service Components so that they are Accepted in accordance with the terms of this Agreement and specifically Exhibit B (Technical Specifications) by the Phase Two Commitment Date and each of the applicable Phase Three Delivery Dates, respectively. Notwithstanding the foregoing, each party understands that a risk of delay is inherent in the provisioning of Phase Three Service Components due to the extent of the project. Therefore, there shall be a completion grace period extending from each of the Phase Three Delivery Dates as indicated on Exhibit D until August 31, 1999 (the "Phase Three Commitment Date") for AT&T to complete the construction, installation and testing of the Phase Three Service Components. There shall be no grace period associated with the Phase Two Commitment Date. The Phase Two Commitment Date and the Phase Three Commitment Date are hereinafter collectively referred to as the "Commitment Dates."

4.2 Liquidated Damages. The parties agree that it would be difficult to determine the precise amount of damages which @Home would suffer in the event that the @Home Backbone Network or any portion thereof is not completed by the applicable Commitment Date. Therefore, the parties agree, as their best estimate of such damages to @Home that in the event that any of the Service Components are not delivered and Accepted for any Significant Route by the applicable Commitment Date, @Home shall receive a discount against the purchase price (the "Discount") in the amount of \$10,000 per month (prorated for partial months) per City Pair for such Significant Route. The Discount shall continue to accrue until the Service Components for such Significant Route are delivered to and Accepted by @Home.

4.3 Cover Service Components. In the event the Service Components for any Route have not been Accepted 120 days after the applicable Commitment Date, @Home may, at its option, obtain equivalent capacity for the Route from another carrier and AT&T shall reimburse @Home for all expenses charged by such other carrier until such time that the Service Components are Accepted by @Home for the applicable Route. This cover remedy is in lieu of liquidated damages under Section 4.2 for such late delivery for the time such alternative capacity is provided.

4.4 Alternate Service Components. If @Home has not Accepted the Phase Three Service on any Route by the Phase Three Commitment Date, AT&T shall provide @Home with two OC-48s between the {City Pairs} for each applicable Route not yet Accepted (the "Alternate Capacity"). The Alternate Service Components shall include the Alternate Capacity and corresponding collocation and interconnection services as set forth in the Section entitled Collocation and Interconnection and Exhibit F. If necessary, AT&T will provide the Alternate Service Components with services it obtains from another carrier. AT&T shall provide the Alternate Service Components to @Home at no additional cost to @Home. To the extent that AT&T provides Alternate Service Components, @Home will not have the right to obtain Cover Service Components as set forth in Section 4.3, and will not have the right to liquidated damages under Section 4.2 for such late delivery for the time the Alternative Service Components are provided.

4.5 Substantial Failure to Deliver Routes. If by March 31, 2000, regardless of any Force Majeure Events, 70% of all the Phase Three Routes and associated Service Components have not been Accepted by @Home, then @Home

other charges not directly related to the provision of ATM service under the Sprint ATM Arrangement from January 1, 1999 forward. AT&T's willingness to assume the Sprint ATM Arrangement is contingent upon its review and assessment of the terms. In the event that AT&T incurs charges under the Sprint ATM Arrangement in excess of five million dollars, @Home will pay the amount of such excess to AT&T as an Assumption Fee, except if AT&T does not deliver the Phase Two Capacity by the Phase Two Commitment Date the charges incurred under the Sprint ATM Arrangement from April 1, 1999 through the date on which AT&T delivers the Phase Two Capacity will not be counted in calculating any Assumption Fee. The parties acknowledge and agree that (i) the assumption of the Sprint ATM Arrangement by AT&T is an accommodation to @Home to induce it to enter into this Agreement and (ii) @Home has informed AT&T that it would not enter into this Agreement without this provision.

3.2 Phase Two - OC-48 and OC-3 Capacity. AT&T shall provide, at no additional cost to @Home, capacity (the "Phase Two Capacity") along certain Routes (collectively, the "Phase Two Routes") as follows: OC-3 capacity on the Routes and in the amounts listed on Exhibit C and in OC-48 capacity on the Routes listed on Exhibit C. The "Phase Two Service Components" shall include the Phase Two Capacity and corresponding collocation and interconnection services as set forth in the Section entitled Collocation and Interconnection and Exhibit F. AT&T shall deliver the Phase Two Service Components so that they are Accepted no later than March 31, 1999 (the "Phase Two Commitment Date"). The Phase Two Service Components shall be subject to the testing and acceptance process set forth in the Section entitled Testing and Acceptance. The Phase Two Service Components shall terminate upon Acceptance of the Phase Three Service Components (defined below).

3.3 Phase Three - OC-48 Capacity. AT&T shall provide at no additional cost to @Home 2 OC-48's (including the Four-Port Network Electronics) (the "Phase Three Capacity") on the Routes listed on Exhibit D (the "Phase Three Routes") in accordance with the terms of this Agreement including Exhibit B (Technical Specifications). The "Phase Three Service Components" shall include the Phase Three Capacity and corresponding collocation and interconnection services as set forth in the Section entitled Collocation and Interconnection and Exhibit F. AT&T shall provide the Phase Three Service Components so that they are Accepted no later than the relevant scheduled delivery dates specified on Exhibit D (the "Phase Three Delivery Dates").

3.4 Other Capacity. The parties agree to work together in good faith to enter into a separate agreement or a contract tariff by January 31, 1999 to cover @Home's additional OC-3 (or larger) needs. In addition, @Home, at its option, may order, and AT&T shall use commercially reasonable efforts to promptly provide, capacity on routes not available through the AT&T Network ("Off-net Capacity"). AT&T shall provide such Off-net Capacity at 115% of the cost (net of discount) such is actually obtained by AT&T from a non-affiliated third-party carrier, subject to such other terms and conditions as apply between AT&T and such other carrier.

4. Delivery and Liquidated Damages

transmission capacity meeting the specifications set forth in AT&T's Technical Reference 54078, as revised from time to time.

1.16 "Route" shall mean any route on the AT&T Network between any two points of presence listed on Exhibits C and D or any other AT&T points of presence which support OC-48 service.

1.17 "Third Party POPs" shall mean (i) the third party sites identified in Exhibit G and (ii) such other third party sites as the parties may agree from time to time to be within the scope of the term "Third Party POP."

1.18 "Service Components" shall mean, with respect to any Route, the capacity, collocation and interconnection services relating to such Route to be provided pursuant to this Agreement.

1.19 "Significant Route" shall mean any of the Routes sodesignated on Exhibit C or D.

2 Service Components.

2.1 Indefeasible Right to Use. AT&T hereby grants to @Home for the Term of this Agreement an IRU in the Capacity, as the Capacity may be increased from time to time pursuant to the terms hereof.

2.2 Collocation and Interconnection. AT&T shall provide @Home with collocation space along the @Home Backbone Network in (i) the AT&T POPs under an agreement substantially in the form attached as Exhibit F (Collocation Agreement). In each AT&T POP, AT&T shall provide @Home with three rack spaces (as used in this Agreement, "rack space" shall have the meaning set forth in Exhibit F) and associated collocation and interconnection services, as listed in Exhibit F, or as hereafter mutually agreed upon. AT&T shall use its best efforts to make the three rack spaces contiguous. AT&T shall procure on behalf of @Home one rack space in the Third-Party POPs. As part of the Services provided hereunder, AT&T will extend its facilities at no cost to @Home to the @Home designated demarcation point within the Third-Party POPs.

3 Performance Phase.

3.1 Phase One - Interim Services. To assist @Home's transition to the AT&T Network, during the period from January 1, 1999 through Acceptance of the Phase Two Services on the applicable Route, AT&T will provide @Home either with the Phase Two Service Components or with alternate capacity using Asynchronous Transfer Mode technology ("ATM"), or with a hybrid arrangement including some portion of the Phase Two Routes combined with ATM. @Home has an existing ATM service arrangement with Sprint, which arrangement

currently is being restructured. @Home will arrange for AT&T to assume @Home's rights and obligations under the Sprint ATM service arrangement, once it is restructured (the "Sprint ATM Arrangement") provided that @Home shall remain liable for, and AT&T shall assume no liability for, termination charges, shortfall charges, charges for service provided prior to January 1, 1999, and

1.8 "@Home Routes" shall mean Routes on which @Home has rights to use capacity under this Agreement.

1.9 "Four-Port Network Electronics" shall mean four Dense Wave Division Multiplexing terminal ports in the relevant points of presence and the proportionate share of the associated optical amplifiers sufficient to support four OC-48s in all the Phase Three Routes.

1.10 "Indefeasible Right to Use" or "IRU" shall mean the exclusive, unrestricted, and indefeasible right to use the relevant Capacity (including equipment, fibers or capacity) for any legal purpose. The granting of such IRU does not convey title or legal ownership of any fibers or equipment on the AT&T Network. The IRU shall convey an interest that notwithstanding the occurrence of a breach by the receiving party of any legal duty or obligation imposed by any contract, by the law of torts (including simple or gross negligence, strict liability or willful misconduct), or by federal or state laws, rules, regulations, orders, standards or ordinances, during the Term, the granting party shall have no right to revoke or restrict in any manner or to any degree whatsoever, through injunctive relief or otherwise, the use of the IRU granted to the receiving party, it being understood and agreed that each such breach shall be compensable, if at all, by a remedy at law and not at equity.

1.11 "Market Equivalent Capacity" shall mean an amount of transmission capacity (as measured in channels, wavelengths or other appropriate measures) equal to (i) with respect to two-fiber configurations, 25% or (ii) with respect to four-fiber configurations, 12.5% in each case of the total transmission capacity which it is commercially practical to sustain over two or four optic fibers so configured, respectively, utilizing equipment at that time in use in the Relevant Area (as defined below) by at least two of the ten largest interexchange carriers in the United States. In Routes between two of the thirty largest metropolitan statistical areas in the United States ("Large MSAs"), the "Relevant Area" shall be any route in the United States; for Routes which do not service a Large MSA, the Relevant Area shall mean a route in the same general geographical area as the Route for which the Market Equivalent Capacity is to be measured.

1.12 "Material Provision" shall mean any provision of this Agreement (including, without limitation, payment provisions) the breach of which by one party is determined by a judicial proceeding or pursuant to the Section entitled Arbitration to constitute a material adverse effect on the use and enjoyment by the other party of the benefits of this Agreement.

1.13 "OC-3" shall mean bi-directional OC-3 optical transmission capacity meeting the specifications set forth in AT&T's Technical Reference 54018, as revised from time to time. For purposes of this Agreement, "bi-directional" shall mean that traffic up to the designated capacity can travel in each direction simultaneously.

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1.14 "OC-12" shall mean bi-directional OC-12 optical transmission capacity meeting the specifications set forth in AT&T's Technical Reference 54077, as revised from time to time.

1.15 "OC-48" shall mean bi-directional OC-48 optical

This IRU Capacity Agreement (the "Agreement") is entered into as of December 19, 1998 (the "Effective Date") between AT&T Corp. ("AT&T"), a New York corporation with offices at 295 North Maple Avenue, Basking Ridge, New Jersey 07920, and At Home Corporation ("@Home"), a Delaware corporation with its principal place of business located at 425 Broadway Street, Redwood City, California 94063.

BACKGROUND

This Agreement is made with reference to the following facts:

A. AT&T operates a fiber optic communications system (as such system exists now, and as it is modified from time to time, the "AT&T Network").

B. AT&T desires to provide, and @Home desires to obtain, an indefeasible right to use optical fibers and dedicated circuit capacity derived with network electronics and circuit electronics on the AT&T Network.

C. AT&T desires to grant, and @Home desires to obtain, the ability to upgrade @Home's rights hereunder on the AT&T Network.

D. AT&T desires to provide, and @Home desires to obtain, collocation, maintenance and other services in connection with the capacity it derives from the AT&T Network.

TERMS OF AGREEMENT

1 Definitions

1.1 "Accept" shall have the definition set forth in the section entitled Testing and Acceptance. "Acceptance" shall have the corresponding meaning.

1.2 "Additional Capacity" shall mean any Capacity acquired by @Home pursuant to the section entitled Upgrades and Expansion.

1.3 "AT&T POPs" shall mean (a) the AT&T sites identified in Exhibit E and (ii) such other AT&T sites as the parties may agree from time to time to be within the scope of the term "AT&T POP."

1.4 "@Home Backbone Network" shall mean, at any date, the @Home Routes as of that date.

1.5 "Capacity" shall mean the Phase Two Capacity, the Phase Three Capacity, the Alternate Capacity and the Additional Capacity, including both (i) the circuit capacity, as measured in terms of OC-3, OC-12, OC-48 or otherwise and (ii) a portion of the relevant fiber strands necessary to transport such capacity.

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1.6 "City Pair" shall mean any of the pairs of cities listed in Exhibit C or Exhibit D.

1.7 "Consumer Price Index" shall mean the Consumer Price Index for Urban Wage Earners and Clerical Workers, All Items (1982-84=100), for the United States as published by the United States Department of Labor, Bureau of Labor Statistics, or any successor index thereto.

13,815	\$	19,237			
Costs and expenses:					
Operating costs.....			8,615	10,098	
12,256		15,996			
Product development and engineering.....			3,573	3,891	
4,588		4,957			
Sales and marketing.....			3,500	4,356	
4,978		5,257			
General and administrative.....			2,874	2,925	
3,112		3,518			
Purchased in-process research and development.....			--	--	
--		2,758			
Cost and amortization of distribution agreements.....			19,534	13,628	
13,628		54,595			

Total costs and expenses.....					
38,562		87,081	38,096	34,898	

Loss from operations.....					
(24,747)		(67,844)	(32,323)	(25,678)	
Interest income, net.....					
1,460		2,940	1,107	906	

Net loss.....					
(23,287)	\$	(64,904)	\$ (31,216)	\$ (24,772)	\$
=====					
Pro forma basic and diluted net loss per share.....					
(0.20)	\$	(0.56)	\$ (0.28)	\$ (0.22)	\$
=====					
Price range per share.....					
54.94		\$34.50-84.75	\$20.50-38.13	\$29.75-57.25	\$23.50-

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
-----	-----
10.33	IRU Capacity Agreement, dated December 19, 1998, between Registrant and AT&T Corp.
23.01	Consent of Ernst & Young LLP, Independent Auditors
1	
10.33	

EXHIBIT

Pro forma revenues.....	\$ 202,150	\$
61,551		
=====		
Pro forma net loss.....	\$(1,881,073)	
\$(1,827,974)		
=====		
Pro forma basic and diluted net loss per share.....	\$ (11.12)	\$
(11.54)		
=====		
Number of shares used in basic and diluted pro forma per		
share calculation.....	169,124	
158,427		
=====		
=====		

The pro forma results of operations are not necessarily indicative of the results that would have occurred had the merger occurred at the beginning of each year presented, and are not intended to be indicative of future results of operations.

CHANGES IN COMMON SHARES AUTHORIZED

On January 19, 1999, the Company's Board of Directors authorized an increase in the number of authorized shares of Series A common stock from 200,000,000 to 233,000,000 and a decrease in the number of authorized shares of Series K common stock from 14,877,660 to 2,609,707, subject to stockholder approval.

BACKBONE AGREEMENT

The Company entered into a twenty-year agreement with a major tele-communications company to create a nationwide Internet Protocol network. This new backbone facility, which is scheduled to be deployed in mid-1999, initially will enable the Company to support up to five million broadband users. In connection with this agreement, the Company will make disbursements of approximately \$50,000,000 over each of the next two years for additional backbone capacity and related equipment. The Company will capitalize these payments and amortize the amounts by charges to operations over the term of the agreement.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

		THREE MONTHS ENDED		

STOCK PRICE DATA)		(IN THOUSANDS, EXCEPT PER SHARE AND		
		MARCH 31,	JUNE 30,	SEPTEMBER
30, DECEMBER 31,				
1998		1998	1998	1998
---		-----	-----	-----
Total revenue.....	\$	5,773	\$ 9,220	\$

Cash and cash equivalents.....	\$300,702	\$300,702
\$44,213 \$44,213		
Short-term cash investments.....	118,587	118,587
76,166 76,166		
Accounts receivable.....	10,658	10,658
2,142 2,142		
Accounts payable.....	10,784	10,784
4,517 4,517		
Convertible debentures.....	229,344	229,344
-- --		

13. SUBSEQUENT EVENTS (UNAUDITED)

MERGER AGREEMENT WITH EXCITE, INC.

On January 19, 1999 the Company entered into a merger agreement with Excite, Inc. ("Excite"), a global Internet media company that offers consumers and advertisers comprehensive Internet navigation services with extensive personalization capabilities. Under the terms of the merger agreement, the Company will issue approximately 54.9 million shares of its Series A common stock for all of the outstanding common stock of Excite based on an exchange ratio of approximately 1.041902 shares of the Company's Series A common stock for each share of Excite's common stock. The Company may issue up to approximately 15.3 million additional shares of Series A common stock in connection with the assumption of obligations under Excite's stock option and employer stock purchase plans and outstanding warrants. The transaction will be accounted for as a purchase. The Company's preliminary unaudited estimate of the total purchase consideration is approximately \$6,964 million, based on the fair value at the time of announcement of the merger, of Series A common stock to be issued and stock option, stock purchase plan and warrant obligations assumed, plus estimated transaction costs.

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AT HOME CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The merger has been approved by the boards of directors of At Home and Excite, but the acquisition is subject to several conditions, including approval by both companies' stockholders and the expiration of applicable waiting periods under certain antitrust laws.

The following unaudited pro forma condensed financial information presents the combined results of operations of the Company and Excite, including the amortization of goodwill and other intangible assets, as if the merger had occurred at the beginning of each year presented (in thousands).

DECEMBER 31,	YEAR ENDED
-----	-----
1997	1998
-----	-----

described
in Note 1.

11. RETIREMENT PLAN

The Company has a retirement plan under Section 401(k) of the Internal Revenue Code. Under the retirement plan, participating employees may defer a portion of their pretax earnings up to the Internal Revenue Service annual contribution limit. The Company may make contributions to the plan at the discretion of the Board of Directors. To date, no such contributions have been made by the Company.

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AT HOME CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. FINANCIAL INSTRUMENTS

Financial instruments which subject the Company to concentrations of credit risk consist primarily of cash and trade accounts receivable. The Company maintains its cash with three domestic financial institutions with high credit standings. The Company performs periodic evaluations of the relative credit standing of this institution. The Company conducts business with companies in various industries throughout the United States. The Company performs ongoing credit evaluations of its corporate customers and generally does not require collateral. Reserves are maintained for potential credit losses and such losses to date have been within management's expectations.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts receivable and accounts payable: The carrying amounts reported in the balance sheet for accounts receivable and accounts payable approximate their fair value.

Investment securities: The fair values for available-for-sale securities are based on quoted market prices.

Convertible debentures: The fair values of the Company's convertible debentures are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Company's financial instruments are as follows: (in thousands)

DECEMBER 31, 1997		DECEMBER 31, 1998	
CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
-----	-----	-----	-----
-----	-----	-----	-----

Cost and amortization of distribution agreements.....	45,078	
3,767		
Accrued costs and expenses.....	6,054	
--		
Capitalized start-up costs.....	2,462	
3,357		
Other.....	480	
1,106		
-----		----

Total gross deferred tax assets.....	92,468	
33,714		
Less valuation allowance.....	(92,468)	
(33,181)		
-----		----

Deferred tax assets.....	--	
533		
-----		----

Deferred tax liabilities:		
Property and equipment.....	--	
533		
-----		----

Total gross deferred tax liabilities.....	--	
533		
-----		----

Net deferred tax assets.....	\$ --	\$
--		
	=====	

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which are uncertain. Accordingly, a valuation allowance, in an amount equal to the net deferred tax assets as of December 31, 1998 and 1997 has been established to reflect these uncertainties. The valuation allowance increased by \$59,287,000, \$22,324,000 and \$9,714,000 in 1998, 1997 and 1996, respectively.

At December 31, 1998, the Company had net operating loss carryforwards for federal and state tax purposes of approximately \$94,227,000. These carryforwards will expire beginning in 2010 and 2003 for federal and state purposes, respectively, if not utilized.

10. RELATED PARTY TRANSACTIONS

For the years ended December 31, 1998, 1997 and 1996, the Company purchased services of approximately none, \$215,000 and \$2,726,000, respectively, from certain stockholders.

The Company entered into an OEM software license agreement under which the Company paid the vendor none, \$2,275,000 and \$1,388,000 during the years ended December 31, 1998, 1997 and 1996, respectively, as nonrefundable license fees, prepaid support and services. A member of the Company's Board of Directors is also an executive officer of the vendor.

Related party transactions with principal cable stockholders are

share -- as adjusted..... \$ (1.46) \$ (0.55) \$
 (0.26)

The weighted-average fair value of options granted during the years ended December 31, 1998, 1997 and 1996 was \$28.01, \$3.29 and \$0.01, respectively. The weighted-average fair value of ESPP rights granted during the years ended December 31, 1998 and 1997 was \$5.33 and \$3.97, respectively.

9. INCOME TAXES

The Company's income tax benefit differs from the income tax benefit determined by applying the U.S. federal statutory rate to the net loss as follows (in thousands):

	YEAR ENDED DECEMBER 31,	
1998	-----	
-----	1998	1997
1996	-----	-----

Income tax benefit at U.S. statutory rate.....	\$(50,463)	\$(19,501)
\$(8,334)		
Valuation allowance for deferred tax assets.....	50,463	19,501
8,334	-----	-----

Income tax benefit.....	\$ --	\$ --
\$ --	=====	=====
=====		

AT HOME CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities for federal and state income taxes at are as follows (in thousands):

	AS OF DECEMBER	
31,	-----	
-----	1998	-----
1997	-----	-----

Deferred tax assets:		
Net operating loss carryforwards.....	\$ 38,394	\$
25,484		

ended December 31, 1996 and 1997, prior to the Initial Public Offering, was estimated using the minimum value method. Options granted subsequent to the Initial Public Offering have been valued using the Black-Scholes option pricing model. Among other things, the Black-Scholes model considers the expected volatility of the Company's stock price, determined in accordance with FAS 123, in arriving at an option valuation. The minimum value method does not consider stock price volatility. Further, certain other assumptions necessary to apply the Black-Scholes

AT HOME CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

model may differ significantly from assumptions used in calculating the value of options granted in 1996 and 1997, prior to the Initial Public Offering, under the minimum value method.

The fair value of the Company's stock-based awards to employees was estimated assuming no expected dividends and the following weighted-average assumptions:

ESPP	OPTIONS			
	YEAR ENDED DECEMBER 31,			YEAR ENDED
	1998	1997	1996	1998
Expected life of options..... 7 months	4 years	4 years	4 years	6 months
Expected volatility..... 0.72	1.00	0.71	N/A	1.00
Risk free interest rate..... 5.09%	4.69%	6.00%	6.50%	4.50%

31,	YEAR ENDED DECEMBER	
	1998	1997
Net loss as reported..... \$(24,513)	\$ (144,179)	\$ (55,717)
Pro forma net loss..... \$(24,520)	\$ (166,401)	\$ (56,746)
Pro forma basic and diluted net loss per share -- as reported..... (0.26)	\$ (1.26)	\$ (0.54)
Pro forma basic and diluted net loss per		

PRICE						
\$ 0.05 - \$ 4.00	1,164,716	8.31	\$ 2.41	1,140,404	\$	
2.38						
\$ 4.40 - \$ 8.00	194,186	8.77	\$ 5.79	119,335	\$	
5.74						
\$18.44 - \$33.00	2,310,880	9.10	\$23.14	334,654		
\$19.53						
\$33.13 - \$34.44	2,119,612	9.36	\$33.91	9,750		
\$33.89						
\$37.00 - \$46.34	2,663,375	9.74	\$38.57	10,250		
\$41.84						
\$47.06 - \$71.50	1,560,526	9.97	\$65.89	2,000		
\$56.85						
\$ 0.05 - \$71.50	10,013,295	9.36	\$33.44	1,616,393	\$	
6.69						

At December 31, 1998, outstanding options to purchase 763,224 shares were vested and 2,258,953 shares of nonvested common stock issued pursuant to exercises of options were subject to repurchase at the Company's option in the event of employee terminations.

The Company recorded deferred compensation of \$5,257,000 and \$346,000 during the years ended December 31, 1997 and 1996, respectively, for the difference between the exercise or purchase price and the deemed fair value of certain of the Company's stock options granted and stock issued under stock purchase agreements. These amounts are being amortized by charges to operations over the vesting periods of the individual stock options and stock purchase agreements, which are generally four years. A portion of the shares issued under certain stock purchase agreements during the year ended December 31, 1996 vested immediately. As a result the related compensation charge for the vested shares was recorded in the period in which the shares were issued.

EMPLOYEE STOCK PURCHASE PLAN

The 1997 Employee Stock Purchase Plan ("ESPP") was established in July of that year to provide employees with an opportunity to purchase common stock of the Company through payroll deductions. The Company initially reserved 400,000 shares of common stock for issuance to participants and an additional 600,000 shares were reserved during the year ended December 31, 1998. Under the ESPP, the Company's employees, subject to certain restrictions, may purchase shares of common stock at the lesser of 85 percent of the fair market value at either the beginning of each two-year offering period or the end of each six-month purchase period within the two-year offering period. In February and July 1998, employees purchased 117,027 and 114,918 shares, respectively.

PRO FORMA DISCLOSURES OF THE EFFECT OF STOCK-BASED COMPENSATION PLANS

Pro forma information regarding results of operations and loss per share is required by Statement No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") for stock-based awards to employees as if the Company had accounted for such awards using a valuation method permitted under FAS 123.

The value of the Company's stock-based awards to employees in the years

A summary of activity under the Company's stock option plans is as follows:

	YEAR ENDED DECEMBER 31,				
	1998		1997		
	NUMBER	WEIGHTED AVERAGE PRICE	NUMBER	WEIGHTED AVERAGE PRICE	NUMBER
	OF SHARES	OF EXERCISE PRICE	OF SHARES	OF EXERCISE PRICE	OF SHARES
1996					
Balance at beginning of year.....	3,058,135	\$10.26	223,000	\$ 0.06	
Options granted.....	7,647,652	\$40.73	5,158,001	\$ 6.30	
5,296,500 \$0.06					
Options exercised....	(424,553)	\$ 7.01	(2,170,586)	\$ 0.25	
(4,875,500) \$0.06					
Options cancelled....	(267,939)	\$18.83	(152,280)	\$ 3.78	
(198,000) \$0.05					
Balance at end of year.....	10,013,295	\$33.44	3,058,135	\$10.26	
223,000 \$0.06					
Options exercisable at year-end.....	1,616,393		1,641,885		
223,000					

AT HOME CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes information about stock options outstanding at December 31, 1998:

EXERCISABLE	OPTIONS OUTSTANDING			OPTIONS	
	NUMBER	WEIGHTED-AVERAGE CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE PRICE	NUMBER	EXERCISABLE
WEIGHTED RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED-AVERAGE CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE PRICE	NUMBER	EXERCISABLE

Plan,
and in July 1996, the Company adopted the 1996 Incentive Stock Option Plan No. 2 (collectively, the "1996 Plans"). The 1996 Plans provide for incentive stock options, as defined by the Internal Revenue Code, to be granted to employees, at an exercise price not less than 100% of the fair value at the grant date as determined by the

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AT HOME CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Board of Directors. The 1996 Plans also provide for nonqualified stock options to be issued to nonemployee officers, directors and consultants at an exercise price of not less than 85% of the fair value at the grant date.

The options granted under the 1996 Plans were exercisable immediately upon issuance and generally have a term of ten years. Upon termination of employment, unvested shares may be repurchased by the Company at the original purchase price. Fully vested shares could have been repurchased by the Company at the higher of the original purchase price or the fair market value of the shares as determined by the Board of Directors. The repurchase right for vested shares expired upon the completion of the Initial Public Offering. Stock options generally vest at the rate of 25% after one year and ratably on a monthly basis for three years thereafter.

The Company's 1997 Equity Incentive Plan ("1997 Plan") was adopted by the Board of Directors in May 1997 and approved by the stockholders in July 1997 as the successor to the 1996 Plans. The 1997 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock awards and stock bonuses to employees, directors and consultants of the Company. Options under the 1997 Plan generally vest at the rate of 25% after one year and ratably on a monthly basis for three years thereafter. The total number of shares of Series A common stock reserved for issuance under the 1997 Plan is 25,775,000 less the total number of shares issued or issuable to employees, officers, directors and consultants under restricted stock purchase agreements, the 1996 Plans and shares issued under the 1997 Employee Stock Purchase Plan, discussed below.

The Company's 1998 Equity Incentive Plan ("1998 Plan"), was adopted by the Board of Directors in December 1998. The 1998 Plan provides for the grant of 450,000 shares of the Company's common stock and 447,300 options were granted to existing Narrative employees on December 30, 1998. Options vest under the 1998 Plan vest at the rate of 25% after one year and ratably on a monthly basis for three years thereafter.

As a result of the Narrative acquisition (Note 3), the Company assumed options outstanding under the Narrative 1995 Stock Option Plan exercisable for 141,273 shares of the Company's Series A common stock (based on the merger exchange ratio). These options are included in the following table under options granted in the year ended December 31, 1998. Options generally vest at the rate of 25% after one year and ratably on a quarterly basis for three years thereafter.

Cablevision is subject to certain exclusivity obligations that prohibit it from obtaining high-speed (greater than 128 kilobits per second) residential consumer Internet services from any source other than the Company, Cablevision is under no obligation to upgrade its cable systems to two-way cable infrastructure and is under no affirmative obligation to roll out, market, promote or carry any of the Company's services. The exclusivity obligations in favor of the Company expire in June 2002, and may be terminated sooner under certain circumstances. These exclusivity obligations also are subject to exceptions that would permit Cablevision to engage in certain activities which could compete, directly or indirectly, with the activities of the Company.

The Agreement provides for the issuance to Cablevision and CSC Parent of a warrant to purchase up to 7,875,784 shares of the Company's Series A Common Stock at an exercise price of \$0.50 per share (the "Warrant"). The Warrant was immediately exercisable, subject to the receipt of all necessary governmental consents or approvals. The Agreement provides for the issuance of an additional warrant to Cablevision and CSC Parent to purchase up to 3,071,152 shares of the Company's Series A common stock at an exercise price of \$0.50 per share under certain conditions (the "Contingent Warrant"). The Contingent Warrant is not immediately exercisable and will become exercisable as and to the extent certain cable television systems are transferred from TCI and its controlled affiliates to CSC, CSC Parent or their controlled affiliates. During the year ended December 31, 1997, the Company recorded the fair value of the Warrant, \$172,600,000, as an intangible asset, which is being amortized ratably over 56 months, the remaining term of the exclusivity obligations. During the year ended December 31, 1998, the Contingent Warrant became exercisable for 2,355,514 shares of common stock. The Company capitalized the fair value of the Contingent Warrant, \$74,500,000, as an intangible asset, which is being amortized ratably over 51 months, the remaining term of the exclusivity obligations. As of December 31, 1998 and 1997, accumulated amortization of the cost of the distribution agreement totaled approximately \$60,837,000 and \$9,246,000, respectively.

In February 1998, the Company issued performance-based warrants to Rogers Cablesystems Limited ("Rogers") and Shaw Cablesystems Ltd. ("Shaw") to purchase up to 2,900,000 and 2,100,000 shares of Series A common stock, respectively, at an exercise price of \$10.50 per share. Warrants to purchase 919,768 shares of common stock became exercisable when Rogers and Shaw met certain subscriber performance milestones during the year ended December 31, 1998. The Company recorded non-cash charges to operations for the fair value of these warrants of \$49,794,000.

In May and June 1998, the Company issued performance based warrants to certain other cable operators to purchase an aggregate of up to 5,272,100 shares of Series A common stock, respectively, at an exercise price of \$10.50 per share. As of December 31, 1998 none of these had vested as the performance milestones had not been met. In the event the performance milestones are met, the Company will incur non-cash charges to operations in future periods based on the difference between the then fair market value of the Company's Series A common stock and the exercise price of \$10.50 per share.

STOCK OPTIONS

In January 1996, the Company adopted the 1996 Incentive Stock Option

of his vested common shares during a five-year guarantee period beginning in July 2000 at an average price less than \$5.00 per share, if the Company's stock is publicly traded, the Company is obligated to pay the officer the difference between \$5.00 per share and the average price for each share sold. At December 31, 1998, the officer owned 2,098,225 shares of Series A common stock. At December 31, 1998, the officer owned 1,000,000 shares of Series K common stock.

WARRANTS

In October 1996, the Company issued a warrant to its facilities lessor that gives the lessor the right to purchase 200,000 shares of Series A common stock for \$15.00 per share. The warrant is exercisable for a five-year period beginning in October 1997. The Company deemed the warrant to have insignificant fair value at the time of issuance. During the year ended December 31, 1998, the lessor acquired 158,625 shares under the terms of the warrant.

In April 1997, the Company also issued warrants to purchase 2,000,000 shares of Series C preferred stock at a price of \$10.00 per share to certain of the Series C preferred stock investors that are also cable system operators. The warrants are exercisable from June 2004 or earlier, subject to certain performance standards being met by the cable systems operators, as specified in the agreement. The Company deemed the warrants to have insignificant fair value at the time of issuance. At December 31, 1998, 1,060,351 warrants were exercisable.

In July 1997, the Company issued a warrant to Intel Corporation in connection with a development agreement that gives Intel Corporation the right to purchase 100,000 shares of Series A common stock for \$10.00 per share ("Intel Warrant 1"). The shares exercisable under Intel Warrant 1 vest 25% on the six month anniversary of the agreement and the remainder vests monthly for two years thereafter. The warrant is exercisable through September 2002. In September 1997, the Company, in an amendment to the development agreement, issued a second warrant ("Intel Warrant 2") that gives Intel Corporation the right to purchase 100,000 shares of Series A common stock for \$21.00 per share. The shares exercisable under Intel Warrant 2 vest on an accelerated basis from September 2004 or earlier, subject to certain performance standards being met by Intel Corporation, as specified in the amended development agreement. In September 2004, all unvested shares will automatically vest. The Company deemed the warrants to have insignificant fair value at the time of issuance. At December 31, 1998, 133,333 warrants were exercisable.

AT HOME CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In October 1997, the Company entered into a contract with Cablevision Systems Corporation ("Cablevision"), and its parent, CSC Parent Corporation ("CSC Parent"), Comcast Corporation ("Comcast"), Cox Enterprises, Inc. ("Cox"), Kleiner, Perkins, Caufield & Byers and Tele-Communications, Inc. ("TCI") (the "Agreement"). The Agreement provides that Cablevision will enter into a Master Distribution Agreement for the distribution of the Company's @Home service on substantially the same terms and conditions as TCI, Comcast and Cox. Although

123,272,867 118,603,220

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The holders of Series A, B and K common stock have one, ten and one vote(s) per share, respectively. Each share of Series B and K common stock is convertible into one share of Series A common stock at the option of the holders.

As of December 31, 1998, one principal cable stockholder controlled approximately 71% of the voting power of the Company as a result of its ownership in Series A and Series B common stock.

PREFERRED STOCK

The Board of Directors is authorized, subject to any limitation prescribed by Delaware law, to issue, from time to time, in one or more series, up to 9,650,000 shares of preferred stock, with such designation, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in a Board resolution or resolutions providing for the issue of such series without any further vote or action by the stockholders. The Board may authorize the issuance of such preferred stock with voting or conversion rights that could adversely affect the voting power or other

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AT HOME CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

rights of the holders of common stock. Thus, the issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of the Company. No shares of preferred stock were issued or outstanding at December 31, 1998 or 1997.

STOCK PURCHASE AGREEMENTS

During 1996, the Company entered into stock purchase agreements with certain employees, officers, directors and consultants under which the Company issued 7,527,000 shares of Series A common stock at prices ranging from \$0.01 to \$0.10 per share, and 50,000 shares of Series K preferred stock at \$10.00 per share. Proceeds from the issuance of the restricted stock were received in the form of cash or five-year secured promissory notes bearing interest at a rate of approximately 5.9% per annum. Certain of the agreements provide that the unvested shares are subject to repurchase by the Company upon termination of employment at the original price paid for the shares. The shares generally vest at the rate of 25% after one year and ratably on a monthly basis for three years thereafter. During the year ended December 31, 1997, the Company repurchased 519,350 shares of common stock pursuant to such agreements. As of December 31, 1998, 1,947,483 shares were subject to repurchase. Under the terms of an employment agreement with an executive officer, so long as the officer is employed by the Company, and for 90 days thereafter if his employment is terminated without cause, to the extent the officer sells any

rate of 0.5246% per annum on the principal amount due at maturity, \$437,000,000, is payable semiannually commencing June 28, 1999. The effective annual interest rate on the debentures, excluding accretion of original issuance discount and amortization of the issuance costs, is approximately 4%.

TERM LOAN AGREEMENT

The Company has available a \$15,000,000 term loan agreement with a bank to finance the acquisition of property, equipment and improvements, and to collateralize letters of credit. Borrowings under this term loan bear interest at the Company's option of the lender's prime rate or Libor plus 2.5%. Under the terms of the term loan, the Company is required to meet certain financial covenants. The term loan expires in October 19, 2002.

As of December 31, 1998, there were no borrowings under this term loan although there were outstanding letters of credit in the amount of \$3,500,000 million issued as security deposits on real property leases.

8. STOCKHOLDERS' EQUITY

COMMON STOCK

On July 11, 1997, the Company completed its Initial Public Stock Offering ("Initial Public Offering") and issued 10,350,000 shares (including 1,350,000 shares issued in connection with the exercise of the underwriters' over-allotment option) of its common stock to the public at a price of \$10.50 per share. The Company received net proceeds of approximately \$99,800,000 in cash. Concurrent with the Initial Public Offering, each share of preferred stock converted to common stock on a 20-for-1 basis. Shares of Series AT, AX, AM, and C preferred stock converted into 64,974,600 shares of Series A common stock. Shares of Series T preferred stock converted into 15,400,000 shares of Series B common stock. Shares of Series K preferred stock converted into 14,877,660 shares of Series K common stock.

Common stock consists of the following at:

SHARES ISSUED OUTSTANDING DECEMBER 31,	SERIES	SHARES AUTHORIZED AT DECEMBER 31,		SH AND AT
		1998	1997	1998
1997				
A.....		200,000,000	200,000,000	
105,263,160	88,325,560			
B.....		15,400,000	15,400,000	
15,400,000	15,400,000			
K.....		14,877,660	14,877,660	
2,609,707	14,877,660			
		230,277,660	230,277,660	

	=====
Less amounts representing interest.....	
1,998	---

Present value of minimum capital lease obligations.....	
26,401	
Less current portion.....	
12,045	---

Noncurrent portion.....	
\$14,356	===
====	

In September 1997 and March 1998, the Company exercised build-to-suit options requiring the landlord to build additional facilities of approximately 360,000 square feet on adjacent property. All facilities constructed under the Company's build-to-suit options will be subject to leases of up to 15 years in length, have base rent determined in relation to construction costs and will include tenant improvements paid for by the Company. The build-to-suit options that have been exercised to date provide for monthly rental payments beginning upon the phased completion of the buildings. Occupancy of the first phase is scheduled to occur during the second half of 1999 and occupancy of the second phase is scheduled to occur early in the year 2000.

In addition to our build-to-suit options, in December 1998 we exercised our right to purchase one land parcel from the landlord. The purchase price of the exercised option is payable in two installments, one of \$278,000, which was paid in December 1998, and a second installment of \$5,288,000, which is due in the first half of 1999.

The Company is also committed to make expenditures for tenant improvements estimated to be approximately \$9,723,000 in 1999.

Facility rent expense amounted to approximately \$3,593,000, \$1,245,000, and \$600,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

7. CONVERTIBLE DEBENTURES AND TERM LOAN AGREEMENT

CONVERTIBLE DEBENTURES

On December 28, 1998, the Company issued \$437,000,000 of Convertible Subordinated Debentures in a private offering within the United States to qualified institutional investors. The issue price of each \$1,000 debenture was \$524.64 (52.464% of principal amount at maturity), or approximately \$229,300,000. Issuance costs were approximately \$6,900,000, resulting in net proceeds to the Company of approximately \$222,400,000. The issuance costs were recorded as other assets and are being amortized by charges to interest expense ratably over the term of the debentures. Each debenture is convertible at the option of the holder at any time prior to maturity, unless redeemed or otherwise purchased, into 6.55 shares of the Company's Series A common stock. The debentures mature on December 28, 2018, and interest on the debentures at the

	-----	-----
	72,903	42,715
Less: accumulated depreciation and amortization....	23,663	9,654
	-----	-----
	\$49,240	\$33,061
	=====	=====

Equipment and improvements include amounts for assets acquired under capital leases, principally computer equipment and software and furniture and fixtures of approximately \$40,023,000 and \$24,443,000 at December 31, 1998 and 1997, respectively. Accumulated amortization of these assets was approximately \$15,843,000 and \$7,339,000 at December 31, 1998 and 1997, respectively.

6. COMMITMENTS

The Company leases certain office facilities under non-cancelable operating leases that expire at various dates through 2008, and which require the Company to pay operating costs, including property taxes, insurance and maintenance. These facility leases generally contain renewal options and provisions adjusting the lease payments based upon changes in the consumer price index and increases in real estate taxes and

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AT HOME CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

operating expenses or in fixed increments. Rent expense is reflected on a straight-line basis over the terms of the leases. The Company also has obligations under a number of capital equipment leases.

Future minimum lease payments under non-cancelable operating and capital leases having terms in excess of one year as of December 31, 1998 are as follows (in thousands):

CAPITAL LEASES	OPERATING LEASES
-----	-----
Year ending December 31,	
1999.....	\$ 5,506
\$14,911	
2000.....	7,622
9,650	
2001.....	7,686
3,563	
2002.....	7,136
275	
2003.....	7,317
--	
Thereafter.....	74,284
--	
-----	-----
28,399	
Total minimum lease payments.....	\$109,551

securities classified as available-for-sale is also included in interest income.

The following is a summary of available-for-sale securities (in thousands):

	DECEMBER 31,	
	1998	1997
Corporate bonds and notes.....	\$280,429	\$74,867
Market auction preferred stock.....	98,609	21,000
U.S. government obligations.....	8,760	5,772
Money market instruments.....	620	2,789
Certificates of deposit.....	9,388	15,004
	397,806	119,432
Less: Included in cash and cash equivalents.....	279,219	43,266
Included in short-term investments.....	\$118,587	\$76,166
	=====	

Unrealized gains and losses at December 31, 1998 and 1997 and realized gains and losses for the years then ended were not material. Accordingly, the Company has not made a provision for such amounts in its consolidated balance sheets. The cost of securities sold is based on the specific identification method. All available-for-sale securities at December 31, 1998 have maturity dates in 1999.

5. PROPERTY, EQUIPMENT AND IMPROVEMENTS

The components of property, equipment and improvements are as follows (in thousands):

	DECEMBER 31,		
ESTIMATED	1998	1997	
USEFUL LIVES			
Computer equipment and software.....	\$56,004	\$32,318	3-4 years
Furniture and fixtures.....	7,271	5,278	5 years
Leasehold improvements.....	9,628	5,119	Lease term

To determine the value of purchased technology, the expected future cash flows of the existing developed technologies were discounted taking into account the characteristics and applications of the product, the size of existing markets, growth rates of existing and future markets as well as an evaluation of past and anticipated product-life cycles.

The following unaudited pro forma summary represents the consolidated results of operations as if the acquisitions of Narrative and Full Force had occurred at the beginning of the each year presented and excludes 2,758,000 of purchased in process research and development charges related to these acquisitions (in thousands, except per share data).

DECEMBER 31,	YEAR ENDED	
-----	-----	
1997	1998	
-----	-----	--
Pro forma revenues.....	\$ 49,261	\$
8,279		
	=====	
Pro forma net loss.....	\$ 173,810	
\$(88,285)		
	=====	
Pro forma net loss basic and diluted per share.....	\$ (1.51)	\$
(0.76)		
	=====	
Number of shares used in pro forma basic and diluted per		
share calculation.....	115,483	
115,483		
	=====	
	=====	

The pro forma results of operations are not necessarily indicative of the results that would have occurred if the acquisitions had occurred at the beginning of each year presented and are not intended to be indicative of future results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

SHORT-TERM INVESTMENTS

The Company has classified all short-term investments as available-for-sale. Available-for-sale securities are carried at amounts that approximate fair market value based on quoted market prices. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in interest income. Interest on

Basic and diluted net loss per share..... \$ (1.26) \$ (0.54) \$
(0.26)
=====

3. BUSINESS COMBINATIONS

The Company completed acquisitions of Full Force and Narrative in November and December 1998, respectively. These acquisitions were each accounted for as a purchase.

Narrative is a provider of advertising solutions for the Internet. The purchase consideration was approximately \$93,800,000, comprising the issuance of 1,205,333 shares of the Company's Series A common stock with an aggregate fair value of approximately \$84,212,000, the assumption of options to purchase 141,273 shares of the Company's Series A common stock with an aggregate fair value of approximately \$9,169,000, and \$419,000 of acquisition costs.

Full Force is a developer of set-top applications for interactive television. The purchase consideration was approximately \$1,672,000, comprising of the issuance of 38,190 shares of the Company's Series A common stock with an aggregate fair value of approximately \$1,572,000 and \$100,000 of acquisition costs.

AT HOME CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The purchase consideration was allocated to the acquired assets and assumed liabilities based on fair values as follows (in thousands):

	NARRATIVE	FULL FORCE
	-----	-----
Cash.....	\$ 77	\$ 69
Accounts receivables and other assets.....	584	60
Property and equipment.....	520	5
Purchased technology.....	22,900	215
Other identified intangible assets.....	1,050	101
Goodwill.....	68,404	1,318
Purchased in-process research and development.....	2,700	58
Liabilities assumed.....	(2,435)	(154)
	-----	-----
Total purchase consideration.....	\$93,800	\$ 1,672
	-----	-----

The value assigned to purchased in-process technology in these acquisitions was determined by identifying the research projects for which technological feasibility had not been achieved and assessing the date of completion of the research and development effort. The state of completion was determined by estimating the costs and time incurred to date relative to those costs and time to be incurred to develop the in-process technology into commercially viable products. The estimated discounted net cash flows included only net cash flows resulting from the percentage of research and development efforts complete at the date of acquisition. The discount rate included a factor that took into account the uncertainty surrounding the successful development of the in-process technology projects.