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MINTZ LEVIN
COHN FERRIS
GLOVSKY AND
POPEO PC

Boston
Washington
Reston
New York

701 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
202 434 7300
202 434 7400 fax
www.mintz.com

Howard J. Symons

Direct Dial 202 434 7305
hjsymons@mintz.com

March 24, 2000

HAND DELIVERY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, D.C. 20554

Re: Notice of Ex Parte Communication

In the Matter of Applications for Transfer of Control to AT&T Corp. ("AT&T") of Licenses and Authorizations Held by MediaOne Group, Inc. ("MediaOne")

CS Docket 99-251

Dear Ms. Salas:

In accordance with Section 1.1206(b)(1) of the Commission's rules, I am submitting two copies of the attached letter from Susan Eid, Vice President, Federal Relations, of MediaOne Group, Inc. for filing in the above-referenced docket. We are also providing copies of this letter to the Commission staff listed below.

Sincerely,

Howard J. Symons

Howard J. Symons

Attachment

cc: To-Quyen Truong
Royce Dickens
Linda Senecal

No. of Copies rec'd 0+1
List ABCDE

Susan M.Eid
Vice President, Federal Relations

1919 Pennsylvania Ave., N.W.
Suite 610
Washington, D.C. 20006

Phone 202/261-2001
FAX 202/293-7159
seid@mediaone.com

EX PARTE OR LATE FILED

MediaOne Group

March 24, 2000

BY MESSENGER

To-Quyen Truong, Esq.
Cable Services Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Ex Parte Presentation

In the Matter of Applications for Transfer of Control to AT&T Corp. ("AT&T") of Licenses and Authorizations Held by MediaOne Group, Inc. ("MediaOne")

CS Docket No. 99-251

Dear Ms. Truong:

This letter responds to your request for additional information on the timing of MediaOne's sale of its interest in Time Warner Telecom Inc. ("TWT").

As you know, MediaOne owns 15,277,627 Class B shares of TWT, representing approximately a 14.7 percent ownership interest and an 18.3 percent voting interest, as well as 12,215 of the publicly-traded Class A shares of TWT. Commission staff has expressed a concern that AT&T's acquisition of MediaOne, including this ownership interest, would implicate Section 652(b) of the Communications Act[1/] because TWT provides local exchange service in certain of AT&T's cable franchise areas.[2/] MediaOne does not believe that Section 652(b) applies to acquisitions of competitive local exchange

1/ Section 652(b), 47 U.S.C. § 572(b), prohibits a cable operator from acquiring "more than a 10 percent financial interest, or any management interest, in any local exchange carrier that provides telephone exchange service within the cable operator's franchise area."

2/ As disclosed in the chart provided to you on January 12, 2000 (Bates Stamp Nos. AT&T002544-AT&T002547), overlaps occur in six franchise areas. Two of these franchise areas -- Dallas and Houston -- are served by AT&T cable systems. The remaining four, in Northern New Jersey, are served by Cablevision Systems Corp., in which AT&T has an attributable interest.

carriers like TWT[3] but, as we have informed you, the issue is moot because MediaOne has commenced steps to sell its interest in TWT and commits to complete this sale as expeditiously as possible but no later than 12 months after the closing of the AT&T-MediaOne merger.[4] For the reasons set forth below, there is ample justification for the grant of a 12-month period to complete the sale.

MediaOne's plan is to sell its interest in TWT through a registered public offering.[5] As you know, however, the success of a public offering is dependent on the size and price of the offering and the capacity of the capital markets to fund it. TWT's investment bankers will weigh these factors in determining the maximum permissible size and timing of any TWT offering. Additionally, before the offering can close, TWT officials also will need to make "road show" presentations to potential investors in this country and abroad to support the investment bankers' efforts to reach agreements with purchasers. This process will take anywhere from several weeks to several months.

If MediaOne is unable to sell a sufficient amount of stock through a registered public offering to bring its financial interest in TWT to 10 percent, it could sell shares in the public market. The public sale of stock is closely regulated by the SEC, however. Because MediaOne is an "affiliate" of TWT under SEC rules, any sale of TWT shares is subject to certain volume limitations based on historic TWT trading levels that make it impracticable for MediaOne to sell its TWT shares in the public market absent a registered offering. Currently, very few TWT shares trade on any given day in comparison to MediaOne's ownership level. The average number of TWT shares traded daily is approximately 300,000 shares; by contrast, MediaOne holds more than 15 million shares of TWT. As a practical matter, MediaOne could not simply offer all 15 million shares in the market at once. Rather, the public sale of these shares would have to be

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3 *Cf. Applications of Ameritech Corp., Transferor, and SBC Communications Inc., Transferee*, 14 FCC Rcd. 14712 ¶¶ 563-64 (section 652 is not applicable to ILEC's purchase of a cable overbuilder in its telephone service area).

4/ MediaOne respectfully requests a grant of 12 months to complete the sale without a specific finding that Section 652(b) applies to the acquisition of competitive local exchange carriers. Such a finding is unnecessary, in light of MediaOne's commitment to divest its TWT holdings, and premature, given the lack of public comment on the matter and its obvious significance.

5/ At the request of MediaOne, TWT filed an S-1 registration statement with the Securities and Exchange Commission ("SEC") on March 23, 2000, to cover a public offering of MediaOne's TWT shares, which it will convert from Class B to publicly-traded Class A stock. MediaOne may not be able to sell all of its shares or may decide not to sell all of its shares, but it will not retain any management interest in TWT and any financial interest it retains in TWT will be less than 10 percent.

carefully controlled over an extended period of time in order to comply with SEC rules and to avoid depressing the market price for TWT.[6/]

MediaOne believes that a 12-month period will provide it with sufficient time to complete the divestiture of its interest in TWT. In particular, market conditions are expected to be sufficient to enable them to accomplish the sale through the registered offering or the combination of an offering and the sale of stock in the public market without adversely affecting the price of TWT's shares.[7/] The 12-month window will allow the merged entity to bring the benefits of increased local telephone competition to the public immediately, while concurrently completing the sale of the TWT interest.

The Commission often has recognized the need for sufficient time to sell off such interests, and has granted such requests in the past. In the *US WEST* proceeding,[8/] the parties sought an 18-month period[9/] in which to divest Continental's in-region cable systems. The Commission found that such temporary relief was warranted due first, to the harm to the public interest benefits that would result from a delay in the consummation of the merger,[10/] and second, because requiring immediate divestment of the in-region systems might result in a "fire sale" of those systems for less than their full market value.[11/] The Commission recognized that such a "fire sale" would discourage

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6/ The Commission has recognized that forcing a rapid sale can result in a large quantity of stock inundating the market, which depresses the divested asset's value and impairs the ability of the company whose stock is sold to raise capital and compete effectively. *See, e.g., Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Tele-Communications, Inc., Transferor to AT&T Corp., Transferee,* 14 FCC Rcd 3160, ¶¶ 103-106 (1999).

7/ The uncertainties described above that warrant the requested 12-month period for divestiture also make it impossible for MediaOne to guarantee that it could sell off enough stock to bring its TWT holdings below 10 percent by a date prior to the expiration of the 12-month period.

8/ *In the Matter of US WEST, Inc. and Continental Cablevision, Inc., Petition for Special Relief,* 11 FCC Rcd. 13260 ("*US West*").

9/ The parties later amended their request to ask for a more limited (10-12 month) time period, reflecting their intention to close the transaction earlier than expected.

10/ *See US West* ¶ 30; *see also Time Warner Entertainment Co., L.P. and US WEST Communications, Inc.*, 8 FCC Rcd 7106 ¶¶ 7-9 (1993) (18-month period to divest overlapping assets is warranted where the merger will offer significant public interest benefits, such as "technological innovation, increased consumer choice and enhanced competition").

11/ *See US WEST* ¶ 34; *see also Cox Cable Communications, Inc. and Times Mirror Co. -- Transfer of Control and Petition for Special Relief,* 10 FCC Rcd 1559, ¶ 26 (1994); *Golden West Associates, L.P. et al. (Transferors) and Tribune Broadcasting Co. (Transferee) for transfer of control of Golden West Television,* responsible buyers, who would shy away from bidding if they were unable to engage in the appropriate due diligence, arrange financing, and take the other steps necessary to evaluate and complete a complex transaction. This in turn would decrease the possibility of the systems being sold to the party best able to develop them and expand their offerings.[12] Such a result, the Commission concluded, would not be in the best interests of consumers.

Disposing of a billion-dollar investment is a complex matter. Requiring divestment of MediaOne's interest in TWT prior to approving the AT&T-MediaOne merger would unnecessarily delay the demonstrated public interest benefits of the merger, and requiring an immediate sale of this interest would raise the same "fire sale" concerns recognized by the Commission in prior cases. For the reasons set forth herein, MediaOne requests 12 months after the close of the AT&T-MediaOne merger to complete the sale of its holdings in TWT as described above.

Please let us know if you require any additional information.

In accordance with Section 1.1206(b)(1) of the Commission's Rules, we are submitting two copies of this letter to the Secretary.

Very truly yours,

Susan M. Eid

Susan M. Eid

cc: Magalie Roman Salas
Royce Dickens
Linda Senecal

Inc., 59 RR2d 125, ¶ 20 (1985) (granting 18-months to divest overlapping assets in order to avoid "fire sale").

12/ *US WEST* ¶ 34.