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April 18, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Ex Parte* Filing: In the Matter of Applications for Transfer of Control to AT&T Corp. of Licenses and Authorizations Held by MediaOne Group, Inc., CS Docket No. 99-251; MM Docket No. 92-264

Dear Ms. Salas:

Earlier today, Betsy Brady and Mark Rosenblum of AT&T Corp. ("AT&T"), Susan Eid of MediaOne, and the undersigned met with To-Quyen Truong, Darryl Cooper, and Royce Dickens of the Cable Services Bureau in connection with the above-captioned proceeding. We discussed safeguards that address concerns about the impact of the AT&T-MediaOne merger on the video programming market. At the request of the Commission staff, attached is a document describing the safeguards we discussed.

An original and two (2) copies of this letter and attachment are submitted herewith in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

Michael H. Hammer

No. of Copies rec'd 0+2
List ABCDE

Attachment

cc: Parties on attached service list

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Washington, DC
New York
Paris
London

PROPOSED SAFEGUARDS RELATING TO VIDEO PROGRAMMING

I. BACKGROUND AND DEFINITIONS

1. As a condition of exercising the grant of the merger application, AT&T shall, during the Compliance Period, comply with the following enumerated safeguards. These safeguards shall become effective at the Merger Closing Date. The safeguards shall be null and void if AT&T and MediaOne do not merge and there is no Merger Closing Date.

2. For purposes of these safeguards, the following definitions shall apply:

a) "**AT&T**" means AT&T Corp., all of its wholly owned subsidiaries, and any entities controlled by AT&T Corp. AT&T shall not include Liberty Media Corp.

b) "**Cablevision**" means Cablevision Systems Corp.

c) "**Compliance Period**" means the period of time commencing on the Merger Closing Date and continuing for a period to be defined by the Commission in the order approving the AT&T-MediaOne merger application, or until the safeguards described herein terminate pursuant to paragraph 19 below.

d) "**Corporate Compliance Officer**" means an employee of AT&T appointed pursuant to paragraph 16 below who shall be responsible for overseeing AT&T's compliance with these safeguards.

e) "**Liberty**" means Liberty Media Corp.

f) "**MediaOne**" means MediaOne Group, Inc.

g) "**MediaOne Video Programming Interests**" means those Video Programming entities in which MediaOne has an attributable interest, specifically E! (including Style), Food Network - TVFN, Fox Sports New England, iN DEMAND (previously Viewer's Choice), Music Choice, New England Cable News, Outdoor Life, Speedvision, and Sunshine Network.

h) "**Merger Closing Date**" means the day on which, pursuant to their merger agreement, AT&T and MediaOne cause a certificate of merger to be executed, acknowledged, and filed with the appropriate state.

i) "**Rainbow**" means Rainbow Media Sports Holdings, Inc., a majority-owned subsidiary of Cablevision Systems Corp.

j) "**TWE**" means Time Warner Entertainment Company, L.P.

k) "**Video Programming**" means video programming as defined in 47 U.S.C. § 522(20) and the Commission's implementing regulations as of January 1, 2000.

II. PROPOSED SAFEGUARDS

SAFEGUARDS RELATING TO TWE

3. No officer or director of AT&T shall also be an officer or director of TWE. AT&T may appoint an employee (who is not an officer or director of AT&T) to the TWE Board of Directors, provided that such employee is not involved in the Video Programming activities of AT&T.

4. No officer, director, or employee of AT&T shall, directly or indirectly, influence or attempt to influence, or otherwise participate in, the management or operation of the Video Programming activities of TWE. In particular, no member of the TWE Board of Directors appointed by AT&T shall be involved in the following matters:

a) the decisions of TWE regarding which Video Programming services are purchased for or carried on TWE's cable systems;

b) negotiation of the prices paid by TWE for Video Programming carried on TWE's cable systems;

c) setting the schedule for rollout of Video Programming by TWE's cable systems;

d) marketing by TWE of Video Programming carried on TWE's cable systems;

e) setting the budget for the Video Programming operations of TWE's cable systems (except that AT&T may be involved in setting the overall TWE budget for Video Programming operations provided that AT&T's access to TWE budget information does not include information concerning individual budget components of TWE's Video Programming operations, e.g., personnel, overhead, marketing, and program purchasing);

f) selecting the electronic programming guide used by TWE's cable systems;

g) the hiring, firing, or supervising of TWE employees directly involved in the Video Programming activities of TWE's cable systems; or

h) assessing the performance of any Video Programming service carried by TWE's cable systems.

5. AT&T may not receive information from TWE regarding the price, terms, and conditions which TWE negotiates for the carriage of Video Programming on the TWE cable systems, or provide information to TWE regarding the price, terms, and conditions which AT&T negotiates for the carriage of Video Programming on the AT&T cable systems. AT&T may not obtain from any Video Programming vendor a volume discount or other favorable terms and conditions as a result of TWE's purchase of Video Programming for, or carriage on, TWE's cable systems.

SAFEGUARDS RELATING TO LIBERTY

6. To the extent that there is a director, officer, or employee of Liberty that also is a director of AT&T ("Joint Director"), the following safeguards shall apply:

a) The Joint Director may not, directly or indirectly, influence or attempt to influence, or otherwise participate in, matters relating to the Video Programming activities of AT&T, including the following:

1) the decisions of AT&T regarding which Video Programming services are purchased for or carried on AT&T's cable systems;

2) negotiation of the prices paid by AT&T for Video Programming carried on AT&T's cable systems;

3) setting the schedule for rollout of Video Programming by AT&T's cable systems;

4) marketing by AT&T of Video Programming carried on AT&T's cable systems;

5) setting the budget for the Video Programming operations of AT&T's cable systems (except that the Joint Director may be involved in setting the overall AT&T budget for Video Programming operations provided that the Joint Director's access to AT&T budget information does not include information concerning individual budget components of AT&T's Video Programming operations, e.g., personnel, overhead, marketing, and program purchasing);

6) selecting the electronic programming guide used by AT&T's cable systems;

7) the hiring, firing, or supervising of AT&T employees directly involved in the Video Programming activities of AT&T's cable systems; or

8) assessing the performance of any Video Programming service carried by AT&T's cable systems.

b) AT&T shall take all necessary steps to ensure that the Joint Director does not participate in, or have access to information, documents, or other materials of any kind concerning, the Video Programming related activities of AT&T's cable systems; and

c) No employee, officer, or director of AT&T may communicate with the Joint Director concerning the Video Programming related activities of Liberty or the Video programming related activities of AT&T's cable systems.

7. AT&T shall take the following actions with respect to any individuals whom AT&T appointed to the Liberty Board of Directors prior to the Merger Closing Date:

a) within 14 days of the Merger Closing Date, AT&T shall submit to the Cable Services Bureau the names of individuals who are not directors, officers, or employees of AT&T and whom AT&T proposes to appoint to the Liberty Board of Directors;

b) upon approval by the Cable Services Bureau of these proposed new directors, AT&T will remove the current directors it has appointed to the Liberty Board of Directors and replace them with the directors approved by the Cable Services Bureau; and

c) in the event that the Cable Services Bureau notifies AT&T in writing that it does not approve one or all of the proposed new directors, AT&T will submit to the Cable Services Bureau the name of a new proposed director (or directors) within 14 days of such notice. Upon approval by the Cable Services Bureau of the alternative new director(s), AT&T will remove the current director(s) it has appointed to the Liberty Board of Directors and replace such director(s) with the alternative new director(s) approved by the Cable Services Bureau.

8. If, for whatever reason, a Liberty director approved by the Cable Services Bureau and appointed by AT&T pursuant to the previous paragraph may no longer serve on the Liberty Board of Directors, AT&T shall, within 14 days of learning that such director may no longer serve on the Liberty Board of Directors, submit to the Cable Services Bureau the name of an individual it proposes to appoint as a replacement to the Liberty Board of Directors. AT&T shall appoint such replacement director pursuant to the terms for appointing directors described in the previous paragraph.

9. The Liberty directors approved by the Cable Services Bureau and appointed by AT&T will have duties and obligations common to corporate directors. However, such directors shall only communicate with AT&T regarding matters of waste of corporate assets, mismanagement, or fraud.

SAFEGUARDS RELATING TO CABLEVISION AND RAINBOW

10. AT&T shall take all necessary steps to ensure that any directors it appoints to the Cablevision Board of Directors are recused from any and all involvement in the management or operation of Rainbow.

11. No employee, officer, or director of AT&T shall, directly or indirectly, influence or attempt to influence, or otherwise participate in, the management or operation of Rainbow.

SAFEGUARDS RELATING TO iN DEMAND AND THE MEDIAONE VIDEO PROGRAMMING INTERESTS

12. AT&T shall have no role in the management or operation of iN DEMAND or the MediaOne Video Programming Interests during the Compliance Period. AT&T shall instruct its representatives serving on the Boards of Directors or management committees of iN DEMAND and the MediaOne Video Programming Interests not to attend any Board or other management committee meetings, receive any materials or other information, or otherwise have any contact with iN DEMAND or the MediaOne Video Programming Interests during the Compliance Period.

13. No officer, director, or employee of AT&T shall, directly or indirectly, influence or attempt to influence, or otherwise participate in, the management or operation of iN DEMAND or the MediaOne Video Programming Interests.

14. Notwithstanding the previous two paragraphs, AT&T may file with the Cable Services Bureau a written request to participate in matters that would have a significant impact on iN DEMAND or the MediaOne Video Programming Interests but which are not directly related to the Video Programming activities of iN DEMAND or the MediaOne Video Programming Interests. If the Bureau does not deny the request within 14 days of receipt of the request, the request shall be deemed granted. In the event such request is granted (either by issuance of an order granting the request or by a failure to deny the request within 14 days), AT&T's ability to participate in iN DEMAND or the MediaOne Video Programming Interests shall be limited to the specific matters that are the subject of the request.

15. The safeguards in the preceding three paragraphs shall terminate immediately to the extent that iN DEMAND or any of the MediaOne Video Programming Interests no longer sell programming to TWE.

III. ENSURING COMPLIANCE WITH AND ENFORCEMENT OF THESE SAFEGUARDS

16. Corporate Compliance Officer

a) AT&T shall appoint a Corporate Compliance Officer to oversee AT&T's implementation of and compliance with these safeguards; to monitor AT&T's compliance program; to ensure that payments due under these safeguards are timely made; and to consult with the Chief of the Cable Services Bureau and other appropriate individuals as the Chief deems necessary on an on-going basis regarding AT&T's compliance with these safeguards. The

Corporate Compliance Officer shall provide to the independent auditor (described in the next paragraph) copies of all documents regarding compliance that AT&T provides to the Commission and consult with the independent auditor regarding AT&T's compliance with these safeguards. The audit committee of AT&T's Board of Directors shall oversee the Corporate Compliance Officer's fulfillment of these responsibilities. The requirements of this subparagraph shall remain in effect until all other safeguards set out herein have expired or terminated.

b) The Corporate Compliance Officer shall notify the independent auditor and the Chief of the Cable Services Bureau immediately upon discovering a material failure on the part of AT&T to comply with any of the safeguards described herein.

c) Not later than 60 days after the Merger Closing Date, AT&T shall submit to the Cable Services Bureau a plan for compliance with these safeguards. The compliance plan shall be afforded confidential treatment in accordance with the Commission's normal processes and procedures. A letter providing notice of the filing shall be filed the same day with the Secretary of the Commission for the public record.

d) The Corporate Compliance Officer shall designate AT&T's corporate secretary to attend AT&T Board of Directors meetings on his or her behalf and to carry out the duties of the Corporate Compliance Officer during such meetings. The Corporate Compliance Officer shall meet with the corporate secretary prior to AT&T Board of Directors meetings to review the safeguards described herein, and after AT&T Board of Directors meetings to ensure that the safeguards were adhered to during the meetings.

e) The Corporate Compliance Officer shall meet with AT&T's appointees to the TWE Board of Directors prior to TWE Board of Directors meetings to review the safeguards described herein, and after TWE Board of Directors meetings to ensure that the safeguards were adhered to during the meetings.

17. Independent Auditor

a) Within 30 days of the Merger Closing Date, AT&T shall, at its own expense, engage an independent auditor to conduct an examination resulting in a positive opinion (with any exceptions noted) regarding AT&T's compliance with these safeguards during the Compliance Period. The engagement shall be supervised by persons licensed to provide public accounting services and shall be conducted in accordance with the relevant standards of the American Institute of Certified Public Accountants ("AICPA"). The independent auditor shall be acceptable to the Chief of the Cable Services Bureau. The independent auditor shall file a report regarding AT&T's compliance with the safeguards described herein every 6 months from the Merger Closing Date until the end of the Compliance Period.

b) The independent auditor shall have access to books, records, and operations of AT&T, and key AT&T personnel, which are necessary to fulfill the audit requirements of this section. The independent auditor shall notify AT&T's Corporate Compliance Officer of any inability to obtain such access.

c) The independent auditor may verify AT&T's compliance with these safeguards through contacts with the Commission, or with TWE, Liberty, Cablevision, Rainbow, iN DEMAND, or the MediaOne Video Programming Interests.

d) The independent auditor shall notify the Corporate Compliance Officer and the Chief of the Cable Services Bureau immediately upon discovering a material failure on the part of AT&T to comply with any of the safeguards described herein.

e) The independent auditor's reports shall include a discussion of the scope of the work conducted, a statement regarding AT&T's compliance or non-compliance with these safeguards, and a description of any limitations imposed on the auditor in the course of its review by AT&T, or other circumstances that might affect the auditor's opinion. The independent auditor's report shall be made publicly available, except for any confidential material it may include.

f) For 6 months following submission of the final audit report, the Commission shall have access to the working papers and supporting materials of the independent auditor at a location in Washington, D.C. that is selected by AT&T and the independent auditor. Copying of the working papers and supporting materials by the Cable Services Bureau shall be allowed but shall be limited to copies required to verify compliance with and to enforce these safeguards. Any copies made by the Cable Services Bureau shall be returned to AT&T by the Cable Services Bureau no later than 12 months after the submission of the final audit report. The Cable Services Bureau's review and/or copying of the working papers and supporting materials shall be kept confidential pursuant to the Commission's rules and procedures.

18. Enforcement

a) The specific enforcement mechanisms established by these safeguards do not abrogate, supersede, limit, or otherwise replace the Commission's powers under the Communications Act. Compliance or non-compliance with these safeguards by AT&T does not in itself constitute compliance or non-compliance with any federal, state, or local law or regulation, except AT&T's obligation to comply with these safeguards.

b) Penalties During The Compliance Period

1) If the Chief of the Cable Services Bureau issues a written determination that during the Compliance Period a failure to comply with one or more of these safeguards has occurred, the Bureau Chief may, at his or her discretion, impose penalties as follows:

(i) for the first failure, a forfeiture not to exceed $100,000; and

(ii) for additional failures, forfeitures not to exceed $250,000 per each such failure.

2) If the Chief of the Cable Services Bureau issues a written determination that during the Compliance Period there has been a continuing failure to comply

with one of the safeguards described herein, then the Chief may, at his or her discretion, impose the penalties described in the previous subparagraph (if such penalties have not previously been imposed for such failures), plus the following additional penalties:

(i) a maximum of $10,000 per day from the start of such continuing failure (such starting date to be determined by the Chief of the Cable Services Bureau); and

(ii) to the extent that AT&T does not file with the Cable Services Bureau within 5 business days of receiving the written determination of a continuing failure a document providing adequate assurance, as determined by the Cable Services Bureau, that such continuing failure has been cured, a maximum of $100,000 per day for each day beyond the 5 day cure period.

c) Penalties At The End Of The Compliance Period

1) No later than 60 days before the end of the Compliance Period, AT&T shall file a written document with the Cable Services Bureau indicating that:

(i) AT&T will come into compliance with the Commission's cable horizontal ownership limit by the end of the Compliance Period and describing the method by which it will come into compliance; or

(ii) AT&T will not come into compliance with the cable horizontal ownership limit by the end of the Compliance Period. In this event, AT&T will also describe the extent to which it will not be in compliance, identify such assets, including cable system interests and/or Video Programming interests, that, if divested, would bring AT&T into compliance, and submit a proposed irrevocable trust agreement for the purpose of sale of any assets to be placed into trust pursuant to the next subparagraph.

2) If AT&T will not be in compliance with the cable horizontal ownership limit at the end of the Compliance Period, then the Bureau shall have authority to require that by the end of the Compliance Period AT&T will transfer into an irrevocable trust for the purpose of sale the assets AT&T designated pursuant to the previous subparagraph as being necessary to bring AT&T into compliance with the cable horizontal ownership limit (such requirement shall become effective at the end of the Compliance Period or within 14 days after AT&T's receipt of a written order from the Bureau imposing this requirement, whichever is later).

d) In determining the appropriateness and extent of any penalties imposed pursuant to these safeguards, including the requirement to place certain assets in trust, the Chief of the Cable Services Bureau shall take into account the materiality of the failure to comply with such safeguards, and the good faith efforts and reasonable commercial diligence of AT&T in attempting to comply with such safeguards. Any determination by the Chief of the Cable Services Bureau pursuant to the safeguards described herein is appealable by AT&T to the Commission.

e) AT&T shall be strictly obligated to make the payments for failure to comply as required by these safeguards, and no showing of a willful violation shall be necessary in

order to enforce such payments. AT&T shall not be liable for any payments, however, if the Chief of the Cable Services Bureau grants a waiver request filed by AT&T in which AT&T will have the burden of proof to demonstrate that the failure to meet a safeguard was caused by a *force majeure* event or an Act of God. If the Chief of the Cable Services Bureau refuses to grant a waiver, AT&T may appeal that decision to the Commission.

f) AT&T shall make payments due under these safeguards within 10 business days of a determination by the Chief of the Cable Services Bureau or the Commission that payment is due. If the Commission has not taken an action to designate or administer a fund in order for AT&T to make a payment required under these safeguards, AT&T shall make its payment into an interest bearing escrow account pending such action. If AT&T's obligation to make a payment is disputed by AT&T, AT&T shall make the disputed payment into an interest bearing escrow account within 10 business days of the date the payment was due. Within 10 business days of making a payment of a disputed amount into escrow, AT&T shall file with the Cable Services Bureau a verified statement of the grounds on which payment is not required. Subject to rights of rehearing and appeal, the escrowed payments (including any accrued interest) shall be returned to AT&T or paid to the appropriate fund in accordance with the final and non-appealable Commission or judicial order resolving the dispute.

IV. SUNSET

19. All safeguards set out herein shall terminate immediately upon any of the following events:

a) An appellate court of competent jurisdiction issues a final and non-appealable decision that the cable horizontal ownership statute and/or the Commission's cable horizontal ownership rules are unconstitutional or otherwise unenforceable;

b) AT&T informs the Commission that it has taken steps that bring it into full compliance with the Commission's cable horizontal ownership rules; or

c) For whatever reason, the cable horizontal ownership statute or the Commission's cable horizontal ownership rules or attribution rules are amended, and AT&T informs the Commission that it is in full compliance with the amended statute or rules.

CERTIFICATE OF SERVICE

I, Robin Smith, do hereby certify that I caused one copy of the foregoing *Ex Parte* letter and attachment of AT&T Corp. to be served by hand delivery on all parties on the attached service list, this 18th day of April, 2000.

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