

JUN 12 2000

Federal Communications Commission
Washington, D.C. 20554FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

June 9, 2000

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Re: Applications of America Online, Inc., and Time Warner Inc. for Transfers of Control, CS Docket No. 00-30

Dear Mr. Harding and Mr. Ross:

The purpose of this letter is to inform you that Commission Staff have determined that additional information is required for a complete evaluation of the application filed by America Online, Inc. ("AOL") and Time Warner Inc. ("Time Warner") (collectively, "Applicants") for Commission approval of the proposed transfer of control of Commission licenses and authorizations from Time Warner to AOL Time Warner. Accordingly, we have attached a series of document and information requests that are intended to assist in our consideration of the merger application. These requests extend to AOL, Time Warner, and each firm's respective affiliates or subsidiaries and cover all forms of documentation, including all electronic versions and any copies with notations or interlineations. We anticipate that additional requests will be forthcoming.

Any documentary material requested that contains material deemed proprietary or confidential should be filed with the Commission pursuant to the Protective Order adopted in this proceeding on April 6, 2000 (DA 00-780). Please note that the process for filing documents containing proprietary or confidential documents will be as follows:

A party filing a confidential document must deliver in person two copies of the confidential document to Royce Dickens and Linda Senecal at 445 Twelfth Street, S.W., Room 3-A734. In addition, the party must file with the Secretary's Office one copy of the entire confidential document and two copies of the confidential document in redacted form, each with an accompanying cover letter. The confidential document and accompanying cover letter should be stamped "Confidential - Not for Public Inspection." The two copies of the redacted document

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and their accompanying cover letter should be stamped "Redacted – For Public Inspection."¹ The cover letters accompanying both sets of documents should state that the party is filing a confidential document and its redacted version. Other than having different stamps (*i.e.*, "Confidential – Not for Public Inspection" or "Redacted – For Public Inspection."), the cover letter should be the same for the confidential and redacted copies. The documents to be filed with the Secretary's Office should be delivered in person at 445 Twelfth Street, S.W., Room TW-B204 to: (i) Magalie Roman Salas, Secretary; or in her absence, (ii) William F. Caton, Deputy Secretary.

In order to expedite the Commission's review of the proposed merger, AOL and Time Warner should file these documents as they are identified, rather than waiting for all to be prepared for submission. Also, AOL and Time Warner should provide all requested information and documents within three weeks of the date of the request, *i.e.*, no later than June 30, 2000. If you have any questions or issues regarding these requests, please contact Royce Dickens at 418-7030.

Sincerely,



To-Quyen Truong
Associate Chief, Cable Services Bureau

Attachment

cc: Magalie Roman Salas
Deborah Lathen
Jim Bird

¹ Where the content of the confidential document is redacted in whole, the title of the confidential document may be submitted in place of the actual redacted document.

Applications of America Online, Inc., and Time Warner Inc. for Transfers of Control
CS Docket No. 00-30
Document and Information Request No. 1
June 9, 2000

On or before, June 30, 2000, please respond to the following document and information requests pertaining to the proposed merger.

AOL's Ownership Interest in Hughes Electronics Corporation ("Hughes")

- 1.1 At page 11 note 15 of the Supplemental Information ("SI") statement, Applicants state that AOL invested \$1.5 billion in a General Motors ("GM") equity security and that GM then invested the \$1.5 billion in a security of Hughes under similar terms. The SI further states that GM has a current market capitalization (at the date the SI was filed) in excess of \$50 billion.
 - a. What is General Motors' current market capitalization?
 - b. What is Hughes' current market capitalization?
 - c. Please produce documents to support your answers to the questions in a. and b.

- 1.2 At page 13 note 21 of your SI, Applicants state that AOL has 2,669,633 shares of GM's Series H 6.25% Automatically Convertible Preference Stock ("Preference Stock"). You state that this Preference Stock is convertible to GM's Class H common ("GMH") stock, which is a publicly held tracking stock that tracks the economic performance of Hughes.
 - a. Under what circumstances may AOL choose to convert its Preference Stock?
 - b. If AOL were to convert its Preference Stock today, how many shares of GMH stock would it have?
 - c. What percentage of GMH stock would AOL's GMH shares constitute?
 - d. What percentage of Hughes' economic value does AOL's Preference Stock represent?
 - e. What percentage of Hughes' economic value would AOL's GMH stock represent?
 - f. What effect will the GMH 3 for 1 stock split have on the value of AOL's Preference Stock? Will it increase the number AOL's possible GMH shares? If so, if AOL were to convert its Preference Stock today, how many shares of GMH stock would it have? After the GMH 3 for 1 stock split, and upon conversion of its Preference Stock to GMH stock, what will AOL's percentage voting interest in General Motors constitute? What percentage of GMH stock would AOL's GMH shares constitute?
 - g. Please produce documents to support your answers to questions in this paragraph.

- 1.3 Please identify all matters on which only GMH shareholders may vote. Please produce documents to support your response to this request.

1.4 How are the directors of Hughes and DirecTV elected? Do the GMH shareholders have the right to vote for the board of directors of Hughes and/or DirecTV?

1.5 Please produce the agreement of strategic alliance between AOL and Hughes to which you refer on pages 10-11 of your SI.

Deployment of New Services

1.6 Describe Time Warner's local telephony roll-out plans and (if applicable) its actual roll-out of such services for the following periods:

- a. pre-merger (*i.e.*, from January 1, 1998, to the date of the Merger Agreement);
- b. the present (*i.e.*, from the date of the Merger Agreement to the present);
- c. post-merger (*i.e.*, after consummation of the merger, assuming it is approved). Please specifically state how the merger would change Time Warner's prior rollout plans.

In responding to the foregoing, please identify the geographic areas that Time Warner planned to serve, actually serves, and plans to serve in the future; describe the means of offering local telephony (*e.g.*, resale of ILEC services, facilities-based service); quantify the planned and actual investment in this service; and quantify the planned and actual number of homes passed and subscribers served or planned to be served by systems offering this service.

1.7 Please provide all documents relating to the telephony plans discussed in your response to request 1.6.

1.8 Describe and quantify all AOL or Time Warner ownership interests and voting and management rights in entities providing any kind of telephony service, whether local or long distance, circuit-switched or packet-switched (*e.g.*, Net2Phone), and describe and quantify the ownership interests and voting and management rights of all other entities holding ownership interests of 5% or more in those entities.

1.9 Describe Time Warner's roll-out plans and (if applicable) its actual roll-out of high-speed Internet access services for the following periods:

- a. pre-merger (*i.e.*, from January 1, 1998, to the date of the Merger Agreement);
- b. the present (*i.e.*, from the date of the Merger Agreement to the present);
- c. post-merger (*i.e.*, after consummation of the merger, assuming it is approved). Please specifically state how the merger would change Time Warner's prior rollout plans.

In responding to the foregoing, please identify the geographic areas that Time Warner planned to serve, actually serves, and plans to serve in the future; quantify the planned and actual investment in this service; and quantify the planned and actual number of homes passed and subscribers served or planned to be served by systems offering this service.

1.10 Please provide all documents relating to the high-speed Internet access plans discussed in your response to request 1.9.

- 1.11 Describe Time Warner's roll-out plans and (if applicable) its actual roll-out of digital cable television services for the following periods:
- a. pre-merger (*i.e.*, from January 1, 1998, to the date of the Merger Agreement);
 - b. the present (*i.e.*, from the date of the Merger Agreement to the present);
 - c. post-merger (*i.e.*, after consummation of the merger, assuming it is approved). Please specifically state how the merger would change Time Warner's prior rollout plans.

In responding to the foregoing, please identify the geographic areas that Time Warner planned to serve, actually serves, and plans to serve in the future; quantify the planned and actual investment in this service; and quantify the planned and actual number of homes passed and subscribers served or planned to be served by systems offering this service.

- 1.12 Please provide all documents relating to the digital cable rollout plans discussed in your response to request 1.11.

Instant Messaging

- 1.13 According to commenters, AOL originally pledged to work with the instant messaging ("IM") industry to create an interoperability standard, but has since ceased participation in the standard setting process. Please provide a narrative response to the following questions.
- a. Is AOL actively working with other IM providers to set standards for interoperability? If not, why? If so, in what capacity?
 - b. Can other IM providers' customers currently connect with AOL's IM customers?
 - c. If not, how is this beneficial to AOL and its IM customers?
 - d. If so, are the alternate IM providers required to sign a licensing agreement that includes payment to AOL for access to AOL customers?
 - e. Does AOL pay for access to alternative IM providers' customers?

Please produce all documents generated since January 1, 1998, relating to AOL's involvement in, and analysis of, the IM standard setting process, including any analysis of the costs and benefits to AOL and its customers (and the customers of alternative IM providers) of an IM industry-wide interoperability standard vs. no industry standard. Please produce all documents discussing actual or proposed terms for any and all licensing agreements that AOL has entered, negotiated, or otherwise discussed with alternate IM providers for access to each other's customers.

General Corporate Information

- 1.14 Please provide copies of the 1999 annual reports and SEC 10-K filings for AOL and Time Warner.