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AT&T

Stephen C. Garavito
General Attorney

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June 15, 2001

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

Re: **Ex Parte:** Application for Consent to Transfer Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc., Transferor, to AT&T Corp., Transferee, CS Docket No. 99-251

Dear Ms. Salas:

Today, the attached letter was delivered to W. Kenneth Ferree, Chief, Cable Services Bureau. Please place a copy of this letter in the docket of the above-captioned proceeding.

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

Sincerely,

Stephen C. Garavito /ha

Attachment

cc: W. Kenneth Ferree
John Norton
Royce Dickens
Linda Senecal

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Stephen C. Garavito
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295 North Maple Avenue
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FAX 908-630-3424

June 15, 2001

W. Kenneth Ferree
Chief
Cable Services Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: In re Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc. to AT&T Corp., (CC Docket No. 99-251)

Dear Mr. Ferree:

Pursuant to Appendix B (the "Safeguards") regarding AT&T Corp.'s ("AT&T") compliance with the Safeguards set forth in the Commission's order approving the AT&T/MediaOne Merger (the "Order"), AT&T hereby submits the report of its independent auditor, PricewaterhouseCoopers LLP ("PwC"), regarding AT&T's compliance with the Safeguards during the period December 2, 2000 through May 19, 2001. This is a follow-up report to the report of PwC for the compliance period June 16, 2000 through December 1, 2000, whoich was submitted by AT&T to the Commission on December 15, 2000.

Because the Commission has suspended, pending further Commission order, the compliance deadlines set forth in Ordering Clause paragraphs 186, 188, and 189 of the Order, AT&T will continue to comply with the Safeguards, PwC will continue to examine AT&T's compliance with the Safeguards, and PwC will issue another compliance report at the end of the subsequent six-month compliance period or such other date as the Commission may establish.

Please contact me if you have any questions regarding this matter.

Sincerely,

Stephen C. Garavito /ha

cc: John Norton
Royce Dickens
Linda Senecal
Pam Leo – PwC
Marilyn Wasser – AT&T

PRICEWATERHOUSECOOPERS

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Report of Independent Accountants

To the Management of AT&T Corp.

We have examined management's assertion, included in the accompanying Report of Management on Compliance with the FCC Order, that AT&T Corp. (the "Company") complied with the Safeguards set forth in Appendix B of the Federal Communications Commission's Order adopted June 5, 2000 in the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc. to AT&T Corp. (CS Docket no. 99-251) (the "FCC Order") during the period December 2, 2000 through May 19, 2001. Management is responsible for the Company's compliance with the Safeguards set forth in the FCC Order. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, management's assertion that the Company complied with the Safeguards set forth in the FCC Order during the period December 2, 2000 through May 19, 2001, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers LLP

PricewaterhouseCoopersLLP

June 15, 2001

Report of Management on Compliance with the FCC Order

AT&T Corp. ("AT&T" or the "Company") management is responsible for complying with the Safeguards set forth in Appendix B of the Federal Communications Commission's Order adopted June 5, 2000 in the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc. to AT&T Corp. (CS Docket No. 99-251) (the "FCC Order").

Management has performed an evaluation of the Company's compliance with the requirements of the Safeguards set forth in the FCC Order for the period December 2, 2000 through May 19, 2001. Based on this evaluation, we assert that during this period, the Company complied with the Safeguards set forth in the FCC Order. In addition, as summarized below, AT&T provides further information regarding compliance with the Safeguards.

A. General Safeguards

1. FCC Order:
   AT&T shall appoint a Corporate Compliance Officer to
   - Oversee AT&T's implementation of and compliance with these Safeguards,
   - Monitor AT&T's compliance program,
   - Ensure that payments due under these Safeguards are timely made,
   - Consult with the Chief of the Cable Services Bureau ("CSB") on an on-going basis regarding AT&T's compliance with these Safeguards,
   - Provide auditor with copies of all documents regarding compliance that AT&T provides to the Commission and consult with the auditor regarding AT&T's compliance.

   Company's Procedure:
   The Company appointed Marilyn Wasser, Vice President of Law and Government Affairs, as Corporate Compliance Officer. Ms. Wasser designated a team to assist her in the development of a compliance plan, which was filed with the CSB on August 14, 2000, and oversaw its implementation. Ms. Wasser attended all AT&T Board Meetings from the period December 2, 2000 through May 19, 2001, and ensured that the Safeguards were complied with. The Company was not required to make any payments during this period, and consultation with the CSB was made as was necessary. Ms. Wasser appointed PricewaterhouseCoopers LLP to examine the Company's compliance with the Safeguards, and provided all necessary supporting documentation and information required by PricewaterhouseCoopers LLP to perform the examination.

2. FCC Order:
AT&T must submit a plan for compliance with these Safeguards to the CSB with 60 days of merger closing date.

Company's Procedure:
The Company filed its Compliance Plan with the CSB on August 14, 2000. No amendments have been made to the Compliance Plan, since the last reporting period and as of May 19, 2001.

B. Safeguards Relating to Time Warner Entertainment (TWE)

1. FCC Order:
No officer or director of AT&T shall also be an officer or director of TWE.

Company's Procedures:
The Company complied with these requirements by performing the following:
- AT&T appointed two employees, who are not officers or directors of AT&T and are not involved in the Video Programming activities of AT&T, to the TWE Board of Directors.
- AT&T notified, in writing, and obtained a written affirmationthat the newly appointed TWE Directors read, understood, and complied with the FCC Order.

2. FCC Order:
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.

Company's Procedure:
The Company complied with these requirements by performing the following:
- AT&T notified, in writing, and obtained a written affirmation from all members of the AT&T Board of Directors ("AT&T Directors") and AT&T Officers ("Officers") confirming their receipt, their understanding and their compliance with the Safeguards.
- To the best of AT&T's knowledge, there have been no meetings of the TWE Board and no AT&T representatives have attended any such meeting.
- AT&T has contacted and received confirmation from the senior AT&T Broadband employees who would be most likely to have had any such contact with TWE that there have been no violations of the Safeguards.
- The Company established processes to notify its employees and to monitor any events of non-compliance with its employees. During the period December 2, 2000 through May 19, 2001, AT&T notified, in writing, all AT&T employees of the Safeguards by circulating a summary of the Safeguard provisions. Employees were directed to contact the AT&T Law Division with questions or comments regarding their compliance. An employee of the Law Division was designated to handle all employee issues and update the Corporate Compliance Officer as necessary. As of May 19, 2001, AT&T was not aware of any cases of non-compliance with the FCC Order, as none of the employees have contacted the AT&T Law Division, indicating that they were not in compliance.

3. FCC Order:
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,
   - 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, or
   - 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.

   Company's Procedure:
   The Company complied with these requirements by performing the following:
   - AT&T notified, in writing, and obtained a written affirmation from all AT&T Directors and Officers confirming their receipt, their understanding and their compliance with the Safeguards.
   - To the best of AT&T's knowledge, there have been no meetings of the TWE Board and no AT&T representatives have attended any such meeting.
   - AT&T has contacted and received confirmation from the senior AT&T Broadband employees who would be most likely to have had any such contact with TWE that there have been no violations of the Safeguards.
   - The Company established processes to notify its employees and to monitor any events of non-compliance with its employees. During the period December 2, 2000 through May 19, 2001, AT&T notified, in writing, all AT&T employees of the Safeguards by circulating a summary of the Safeguard provisions. Employees were directed to contact the AT&T Law Division with questions or comments regarding their compliance. An employee of the Law Division was designated to handle all employee issues and update the Corporate Compliance Officer as necessary. As of May 19, 2001, AT&T was not aware of any cases of non-compliance with the FCC Order, as none of the employees have contacted the AT&T Law Division, indicating that they were not in compliance.

C. Safeguards Relating to Liberty Media Group ("Liberty")

1. FCC Order:
To the extent that there is a Joint Director between Liberty and AT&T,
   - 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;
   - AT&T shall take all necessary steps to ensure that the Joint Director or Officer 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;
   - No employee, officer, or director of AT&T may communicate with the Joint Director or Officer concerning the Video Programming related activities of Liberty or the Video Programming related activities of AT&T's cable systems;

   Company's Procedure:
   The Company complied with these requirements by performing the following:
   - The Company verified that there is only one Joint Director between AT&T and Liberty, Dr. John Malone, and provided Dr. Malone with the FCC Order and the

related Safeguards. The Company obtained a written affirmation from Dr. Malone that he had read, understood, and had complied with the Safeguards.

- AT&T notified, in writing, and obtained a written affirmation from all AT&T Directors and Officers confirming their understanding and compliance with this safeguard.
- The Company established processes to notify its employees and to monitor any events of non-compliance with its employees. During the period December 2, 2000 through May 19, 2001, AT&T notified, in writing, all AT&T employees of the Safeguards by circulating a summary of the Safeguard provisions. Employees were directed to contact the AT&T Law Division with questions or comments regarding their compliance. An employee of the Law Division was designated to handle all employee issues and update the Corporate Compliance Officer as necessary. As of May 19, 2001, AT&T was not aware of any cases of non-compliance with the FCC Order, as none of the employees have contacted the AT&T Law Division, indicating that they were not in compliance.

2. FCC Order:
AT&T shall take the following actions with respect to any individuals whom AT&T appointed to the Liberty Board of Directors prior to June 15, 2000, the merger closing date:
   - Within 14 days of the Merger Closing Date, AT&T shall submit to the Cable Services Bureau (the "CSB") the names of individuals who are not directors, officers, or employees of AT&T and who AT&T proposes to appoint to the Liberty Board of Directors;
   - Upon approval by the CSB 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 CSB;
   - In the event that CSB does not approve one or all proposed directors, AT&T must propose a new director within 14 days.

   Company's Procedure:
   The Company complied with these requirements by performing the following:
   - The Company removed three directors from the Liberty Board of Directors who were also officers of AT&T.
   - The Company obtained approval from the CSB regarding three appointments, Harold R. Handler, Frank J. Macchiarola, and Michael T. Ricks, to the Liberty Board of Directors. The new appointments are not Directors, officers, or employees of AT&T.
   - Since the last reporting period and as of May 19, 2001, no changes had been made to the Liberty Board of Directors.

3. FCC Order:
If a Liberty Director approved by the CSB and appointed by AT&T may no longer serve on the Liberty Board of Directors, for whatever reason, AT&T shall submit a new proposal for Directors to the CSB within 14 days of notification.

   Company's Procedures:
   - Nothing has occurred since the last reporting period and as of May 19, 2001, which would preclude the Company's new appointees from serving on the Liberty Board of Directors.

4. FCC Order:
The Liberty Directors approved by the CSB and appointed by AT&T will have duties and obligations common to corporate directors, and shall only communicate with AT&T regarding matters of waste of corporate assets, mismanagement, or fraud.

Company's Procedures:
The Company complied with these requirements by performing the following:
- The Company notified, in writing, each appointee to the Liberty Board of Directors of the Safeguards, and advised them not to communicate with AT&T regarding any matters other than those allowable and specified by the Safeguards.
- AT&T has not had any communications with the appointed directors during the period December 2, 2000 through May 19, 2001.

D. Safeguards Related to Cablevision and Rainbow

1. FCC Order:
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.

Company's Procedures:
The Company complied with these requirements by performing the following:
- AT&T notified, in writing, the Executive Vice President and General Counsel of Cablevision Systems Corp., of the FCC Order and the related Safeguards, and requested Cablevision's assistance in complying with the Order.
- Effective June 6, 2001, AT&T's directors on the Cablevision Board resigned.
- AT&T notified, in writing, and obtained a written affirmation from these former directors, Daniel E. Somers and Michael Huseby, that they understand and have complied with these Safeguards.

2. FCC Order:
No employee, officer, or director of AT&T shall, directly or indirectly, influence, or otherwise participate in, the management or operation of Rainbow.

Company's Procedures:
The Company complied with these requirements by performing the following:
- AT&T notified, in writing, and obtained a written affirmation from all AT&T Directors and Officers confirming their receipt, their understanding andtheir compliance with these Safeguards.
- AT&T has contacted and received confirmation from the senior AT&T Broadband employees who would be most likely to have had any such contact with Rainbow that there have been no violations of the Safeguards.
- The Company established processes to notify its employees and to monitor any events of non-compliance with its employees. During the period December 2, 2000 through May 19, 2001, AT&T notified, in writing, all AT&T employees of the Safeguards by circulating a summary of the Safeguard provisions. Employees were directed to contact the AT&T Law Division with questions or comments regarding their compliance. An employee of the Law Division was designated to handle all employee issues and update the Corporate Compliance Officer as necessary. As of

May 19, 2001, AT&T was not aware of any cases of non-compliance with the FCC Order, as none of the employees have contacted the AT&T Law Division, indicating that they were not in compliance.

E. Safeguards Related to iN DEMAND and the MediaOne Video Programming Interests

1. FCC Order:
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 Board of Directors or management committees of iN DEMAND and 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 DEMANDor the MediaOne Video Programming Interests during the compliance period.

   Company's Procedures:
   The Company complied with these requirements by performing the following:
   - The Company notified, in writing, iN DEMAND and each other MediaOne Video Programming Interest as to the nature of the FCC Order and the related Safeguards, and requested their assistance in complying with such restrictions.
   - The Company notified, in writing, and obtained written affirmation from the AT&T employees serving as designees on the boards or management committees of iN DEMAND and the MediaOne Video Programming Interests confirming their receipt, their understanding and their compliance with these Safeguards.

2. FCC Order:
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.

   Company's Procedures:
   The Company complied with these requirements by performing the following
   - AT&T notified, in writing, and obtained a written affirmation from all AT&T Directors and Officers confirming their understanding and compliance with these Safeguards.
   - AT&T has contacted and received confirmation from the senior AT&T Broadband employees who would be most likely to have had any such contact with iN DEMAND and the MediaOne Video Programming Interests that there have been no violations of the Safeguards.
   - The Company established processes to notify its employees and to monitor any events of non-compliance with its employees. During the period December 2, 2000 through May 19, 2001, AT&T notified, in writing, all AT&T employees of the Safeguards by circulating a summary of the Safeguard provisions. Employees were directed to contact the AT&T Law Division with questions or comments regarding their compliance. An employee of the Law Division was designated to handle all employee issues and update the Corporate Compliance Officer as necessary. As of May 19, 2001, AT&T was not aware of any cases of non-compliance with the FCC Order, as none of the employees have contacted the AT&T Law Division, indicating that they were not in compliance.

3. FCC Order:
   AT&T may file with the CSB 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 or indirectly related to the video programming activities of iN DEMAND or the MediaOne Video Programming Interests.

   Company's Procedures:
   - The Company filed an application with the CSB on January 8, 2001 indicating AT&T's intent to dispose of its interests in E! Entertainment, Digital Cable Radio, the Sunshine Network, New England Cable News, iN DEMAND, Fox Sports New England, National Cable Communications, and the Food Network, and requesting permission to engage in such discussions with the above-listed entities. The request was granted on January 22, 2001 in accordance with section II. 14 of the Safeguards. Such discussions are still ongoing.

4. FCC Order:
   These Safeguards will terminate immediately if iN DEMAND or any of the MediaOne Video Programming Interests no longer sells programming to TWE.

   Company's Procedure:
   - The MediaOne Video Programming Interests and iN DEMAND sold programming to TWE during the period of December 2, 2000 through May 19, 2001. Further, pending further Commission order, the Commission suspended compliance with the compliance deadlines set forth in paragraphs 186, 188 and 189 of the FCC Order. Accordingly, the Safeguards are still in effect and are being adhered to.