August 28, 2000

Ms. Royce Dickens
Deputy Chief, Policy and Rules Division
Cable Services Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: **REDACTED: FOR PUBLIC INSPECTION**
Applications of America Online, Inc., and Time Warner Inc.
for Transfers of Control (CS Docket No. 00-30)
Response to Document and Information Request of August 14, 2000

Dear Ms. Dickens:

This letter sets forth the narrative responses of America Online, Inc. ("AOL") and Time Warner Inc. ("Time Warner") to your letter of August 14, 2000, requesting certain documents and information. In accordance with the instructions set forth in the letter to us from To-Quyen Troung, Associate Chief, Cable Services Bureau, dated June 9, 2000, and the Protective Order adopted by the Cable Services Bureau on April 6, 2000, the parties are filing the documents which accompany these narrative responses under separate cover letter.

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<u>Interactive Television</u>

3.1 Please explain fully what method is used to determine where a video programming network appears on the AOLTV Program Guide, including where a network appears within categories of the AOLTV Program Guide (e.g., "movies"). Do video-programming networks negotiate with AOLTV for placement on the AOLTV Program Guide and/or for where the network will appear on the guide?

AOLTV's program guide is designed to serve as an intuitive, easily operated navigation device to improve the consumer's television viewing experience. AOLTV's premise is that consumers will value a navigation tool shaped by the interests of viewers. Accordingly, AOL does not view channel positioning within the AOLTV Program Guide as an appropriate means of generating revenue, and therefore does not negotiate or sell channel positioning on its program guide. Nor does AOLTV make channel positioning decisions based on ownership of the video programmer.

AOL categorizes the video programming channels it passes through from a subscriber's MVPD solely on the basis of the type of content offered—*i.e.*, Networks/Local, News, Money, Sports, Kids & Family, Movies, Interests, Music, Shopping, Pay-Per-View, and Local Access. Within each category, the AOLTV program guide will list all the channels in the order of their numerical position on the subscriber's MVPD service. Although AOLTV originally contemplated listing channels in alphabetical order within each category, ongoing consumer research has suggested that many consumers – while still valuing categorization of channels – might not welcome the confusion of a channel numbering system unique to AOLTV and different from that on all the other TV sets throughout their household. AOL anticipates, however, offering an alphabetical listing as a future subscriber option.

3.2 In your response to question 2.1(a) of the Commission Document and Information Request No.2, you state that AOL is entering into agreements with video programming networks (your "ITV partners") for the creation of interactive content for the AOLTV service. Will a video programming network that is not an ITV "partner" be required to negotiate a contract with AOLTV in order for its interactive services to be carried on AOLTV? Will the AOLTV Program Guide provide a link to an interactive programming channel that is not an ITV partner?

The ultimate success of AOLTV will depend in large part upon the availability of interactive content. Accordingly, AOL built AOLTV around open standards in order to ensure compatibility with the broadest possible range of content. Thus, while AOL is actively pursuing interactive content agreements with video programmers, the open nature of AOLTV guarantees that any video programmer—regardless of whether it is an "ITV partner" or, indeed, has any agreement or relationship with AOL—can reach AOLTV subscribers with its interactive content.

To ensure compatibility with the broadest possible range of available interactive content, AOLTV incorporates Liberate Technologies' open platform and supports the Advanced Television Enhancement Forum ("ATVEF") Enhanced Content Specification. This specification allows non-ITV partners to offer interactive content to AOLTV subscribers simply by incorporating ATVEF "triggers" into their video signal. In this way, unaffiliated video programmers can, using the HTML open Internet standard, develop their own interactive content that can be accessed by consumers using the AOLTV service. Upon activation of the ATVEF "trigger" by an AOLTV subscriber—*i.e.*, when a user "clicks" on the on-screen icon indicating that interactive content is available—the unaffiliated video programmer's content is displayed in the way configured by that video programmer, which may include displaying their interactive content as a "wrap-around" contemporaneously with its video programming (via picture-in-picture) in the same way that an AOLTV partner's content is displayed.

The AOLTV Program Guide assists subscribers in navigating and selecting programming options. It currently provides direct links to interactive content only as found on AOL virtual channels, and does not currently provide a direct link to Interactive content from either an ITV partner or an unaffiliated video programmer.

3.3 Will the manner in which an AOLTV customer accesses the interactive content of an ITV partner differ from the manner in which the customer accesses the

interactive content of a non-ITV partner? If so, how?

Subscribers can readily access the interactive content of ITV partners and non-ITV partners alike. For an ITV partner, when an AOLTV user selects interactive content, the AOLTV set-top box presents the ITV partner's video programming in a picture-in-picture window and retrieves (currently via a dial-up modem connection) the wrap-around content from the AOLTV service. For a non-ITV partner, when an AOLTV user selects interactive content by activating the ATVEF "trigger," the AOLTV set-top box presents the non-ITV partner's programming in whatever way it is configured by that video programmer, which may include displaying their interactive content as a "wrap-around" contemporaneously with its video programming (via picture-in-picture). In addition, the interactive content for both ITV partners and non-ITV partners can be accessed by typing in the URL for that interactive content. Thus, from the subscriber's perspective, interactive content will be readily accessible from ITV partners and non-ITV partners alike.

3.4 Will AOLTV permit AOLTV customers to access the ATVEF signals provided by non-ITV partners? If so, how?

The AOLTV set-top box passes through unaltered the signal it receives—including any ATVEF "triggers"—from the subscriber's MVPD. Moreover, as described above, the AOLTV service is built around Liberate Technologies' open platform and is designed to be fully capable of interpreting data via ATVEF streams. Thus, when an ATVEF trigger is present within a video programmer's signal, the AOLTV set-top box displays an icon within the display to let the AOLTV user know that interactive content is available. The subscriber can then "click" on that icon using his or her remote control or wireless keyboard to access that interactive content.

3.5 Will AOLTV permit AOLTV customers to click ATVEF buttons provided by non-ITV partners and provide non-ITV partners with a return path to the Internet?

Yes. As noted above, AOLTV is specifically designed to enable the ATVEF buttons—*i.e.*, on-screen icons indicating the availability of interactive content—embedded within the video signal of any video programmer received from a subscriber's MVPD, regardless of whether that video programmer is an ITV partner or not. AOLTV users can then "click" on these buttons using their remote control or wireless keyboard, thereby instructing the AOLTV set-top box to transmit information to the appropriate interactive content site via the return path to the Internet (currently a dial-up modem connection).

3.6 Do any of Time Warner's retransmission consent agreements permit ATVEF signals to be carried? If so, please provide copies of all such agreements.

Time Warner Cable ("TWC") interprets all of its retransmission consent agreements to permit carriage of any ATVEF signals embedded in the broadcaster's digital stream.

3.7 Please give a detailed description of AOL's and/or Time Warner's investment in ReplayTV, Inc. and/or any other personal video recorder ("PVR") company (other than TiVo) and agreements that AOL and/or Time Warner has with ReplayTV

and/or any other PVR company (other than TiVo), including:

- **a.** **What rights the investment grants AOL and/or Time Warner, including but not limited to appointment of directors and company officers, and discounts on purchases of equipment.**
- **b.** **The size of the investment.**
- **c.** **The percentage voting stock.**
- **d.** **The obligations that any agreements impose on AOL and/or Time Warner, including but not limited to volume of purchases and exclusivity of equipment.**
- **e.** **What obligations any agreements impose on the PVR company, including exclusivity of selling to AOL and/or Time Warner, or certain features of equipment that can only be offered to AOL and/or Time Warner.**
- **f.** **Identify the other owners of the PVR company.**
- **g.** **Please produce all agreements between AOL and/or Time Warner and the PVR company.**
- **h.** **Please describe your plans with regard to ReplayTV before the merger was announced, after the merger was announced, and after the merger is closed.**

On July 30, 1999, Time Warner made an investment in Replay Networks, Inc. (subsequently renamed Replay TV, Inc.) ("Replay") of $10 million in exchange for 1,333,334 shares of Replay Series E Preferred Stock. This investment represents approximately 3.3% of Replay's fully diluted equity and represents equivalent voting rights. This investment does not carry the right to appoint any Replay directors, although Time Warner does have observer rights at Replay board meetings. In addition, Time Warner holds three seats on Replay Advisory Council, which meets quarterly to discuss trends in industry and technology, but has absolutely no governance or management role with Replay. Time Warner holds no investment in any other personal video recorder ("PVR") company.

The only current agreement between Replay and any Time Warner affiliate is a Network Service Agreement between Replay and Turner Broadcasting System, Inc. ("Turner") that sets forth certain mutual rights and obligations with respect to the non-exclusive license for distribution of Turner Network programming and content through the Replay TV Platform and the Replay Network Service. Significantly, this agreement provides no exclusivity to any Time Warner video programming or content. Such agreement obligates Time Warner to exercise best efforts to cause other Time Warner programming divisions to enter into similar non-exclusive agreements. No agreement imposes any obligation on Time Warner relating to volume of purchases or exclusivity of any Replay equipment. No agreement provides Time Warner with any rights relating to discounts on purchases of any Replay equipment, and no such purchases of equipment by Time Warner are contemplated.

The subscription documents executed concurrently with Time Warner's purchase reflect other investors acquiring shares of that series (Series E) and such documents are being submitted under separate cover letter. Time Warner is not privy to the identity of any investors who may have acquired interests in Replay either prior or subsequent to Time Warner. However, Time Warner understands that the principal stockholders of Replay are set forth in Amendment No. 5 to ReplayTV, Inc.'s Form S-1 Registration Statement filed with the SEC on May 1, 2000.

Time Warner's plans relating to its minority investment in Replay have not been affected by the merger announcement. Time Warner expects that it will continue to work with its programming divisions to achieve agreements with Replay similar to that entered into by Turner. Time Warner is submitting documents in response to this request under separate cover letter.

AOL does not have any investments in a PVR company other than TiVo, which investment was detailed in the response to Question 2.27 of the Commission's Second Request for documents and information.

Multiple ISP Carriage

For Time Warner

3.8 Please produce all documents, including, but not limited to, business plans or competitive analyses, produced by Time Warner or any third-parties at the request of Time Warner, that supported Time Warner's decision to sign an exclusive contract with Road Runner for the provision of ISP services over Time Warner's cable modem platform. Please include all documents that opposed the decision to sign an exclusive contract and supported open access, as well as any documents that contrasted the business case for an exclusive contract versus open access.

The decision to enter into arrangements resulting in de facto exclusivity[1] for Road Runner for the provision of cable modem service over TWC and MediaOne cable systems was not based on any business plan that included a competitive analysis relating to exclusivity produced either by Time Warner or by any third party at the request of Time Warner. Moreover, Time Warner is unaware of any documents opposing such exclusivity for Road Runner, or contrasting the business case for exclusive status versus multiple ISP availability.

Given the significant risks associated with this new business, however, including uncertain consumer demand, substantial capital requirements and major technological challenges, the Road Runner partners, and the technological partners in particular (Microsoft and Compaq), agreed that Road Runner should be afforded preferential status at least through the end of 2001. The initial period of protected status granted to Road Runner was consistent with the roll out of other new and inherently risky services,[2] and it was similar as well to arrangements entered into by other cable operators with @Home.

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[1]The Road Runner agreement is not "exclusive" in the sense that it does not prohibit any Road Runner customer from subscribing to any additional ISP services. But the Road Runner agreement requires that any cable modem customer must first subscribe to Road Runner. Thus, the contract can more properly be considered as incorporating a "buy through" requirement rather than exclusivity. The ultimate effect of this provision has been to impose a barrier to the offering of multiple ISPs.

[2]See New England Cable News, 9 FCC Rcd 3231, 3236 (1994) ("Where a programmer requires the ability

3.9 Please produce all documents, including, but not limited to, business plans or competitive analyses, created between the time that the exclusive contract with Road Runner was signed and the merger with AOL was announced that supported a renegotiations of the Road Runner contract in favor of open access to Time Warner's cable modem platform.

Any such documents have been produced by Time Warner in response to Question 2.35 of FCC Document and Information Request No. 2.

3.10 Please produce all documents related to the business decision, referred to by CEO Gerald Levin at the Commission's July 27, 2000 en banc hearing, to renegotiate the exclusive contract with Road Runner. This should include all documents, including, but not limited to, business plans or competitive analyses, that support the decision to pursue open access.

Such documents have been produced by Time Warner in response to Question 2.35 of FCC Document and Information Request No. 2. In particular, Time Warner refers the Commission to the February 8, 2000 paper by Mr. Britt for the analysis leading Time Warner to the decision to pursue open access, and to the Justice Department order that AT&T divest its interest in Road Runner for the document precipitating the discussions to restructure the Road Runner partnership.[3] Any additional documents are being produced under separate cover letter.

For AOL

3.11 Please produce all documents, including, but not limited to, business plans or competitive analyses, produced by AOL or any third-parties at the request of AOL, that support the stated decision to provide open access on Time Warner's cable modem platform post merger.

AOL is producing documents responsive to this request under separate cover letter.

Instant Messaging

For Time Warner

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to offer an added incentive to attract investment, carriage and support of the service, such that without the incentive the programming service could not be launched or become viable, exclusivity may be in the public interest.").

[3] See United States of America v. AT&T Corp., and MediaOne Group, Inc., Final Judgment, Civil Action No. 1:00CV01176, slip op. at 4-6 (D. D.C. May 25, 2000) ("Justice Department's AT&T/MediaOne Final Judgment").

3.12 In a document entitled "Industry White Paper on AOL's Submissions to the IETF and the FCC" dated July 21, 2000 (page 3), a group of instant messaging ("IM") providers write:

> **No one should doubt the emerging importance of the IM market. At the recent Morgan Stanley Dean Witter conference entitled "Digital Media Conference: The Impact of the Internet on the Media Industry" [which was held June 26, 2000 at the Hilton Hotel in New York, NY], Time Warner Chairman Gerry Levin was asked [during a "Fireside Chat" hosted by Mary Meeker] what would be the most valuable asset of a merged AOL/TW. Mr. Levin answered that the number one asset of a merged AOL/TW would be IM. He proceeded to describe IM as being in an embryonic state, with features such as status detection offering tremendous future value. Mr. Levin said that IM would go well beyond the capabilities it has today.**

Please confirm whether Mr. Levin addressed the issue of IM at the above-described conference. If he did so, please recount what Mr. Levin said regarding IM at the conference. Please explain Mr. Levin's views of IM as an asset of the merged company and why it would be the most valuable asset. Please explain Mr. Levin's views on IM's "status detection" features.

Mr. Levin did address the issue of instant messaging ("IM") at the Morgan Stanley Dean Witter conference on June 26, 2000. This issue arose in the course of a discussion where Mr. Levin was giving his perspective on AOL's businesses and the value that the combined company could derive from those businesses. Contrary to the representation contained in the IM White Paper, Mr. Levin did not state that IM would be the most valuable or "number one" asset. Instead, Mr. Levin agreed with Ms. Meeker that AOL's most valuable asset is its customer base for the flagship AOL ISP service. Mr. Levin then went on to describe IM as an unrecognized asset. Mr. Levin also noted that an important component of IM's potential was its "status detection" feature, and that this feature may be used to develop other commercial applications.

3.13 Please produce all documents concerning instant messaging, presence detection protocols and/or buddy lists that have been created since the public announcement of the proposed merger.

Other than filings made jointly with AOL to governmental authorities in connection with the merger approval process, Time Warner's search of the files of individuals most likely to be involved in such matters has revealed no documents concerning instant messaging, presence detection protocols and/or buddy lists created by Time Warner since the public announcement of the proposed merger.

<u>For AOL</u>

3.14 Please produce all documents concerning instant messaging, presence detection protocols and/or buddy lists, created since the public announcement of the proposed

merger, that are in the files of, were prepared by, and/or were prepared for the officers and/or directors of AOL.

AOL is producing documents responsive to this request under separate cover letter.

3.15 Please state, to the best of your ability, the names, numbers of customers (however measured), and dates of commencement of operation of your competitors in Instant Messaging useable by persons in the United States. To the extent you have such knowledge, please identify how the customer numbers are measured (e.g., registered users, active users, or simultaneous users). Using all forms of measurement for which you have information, please also separately quantify the numbers of instant messaging users who use AOL, AIM and/or ICQ.

Below is a chart that reports—but does not attempt to characterize or evaluate—information made publicly available by competing IM providers that is responsive to Question 3.15. Please note that any information regarding the numbers of customers is presented exactly as it is made available by these companies on their web sites.

Name	Number of Customers	Date of Commencement
MSN Messenger messenger.msn.com	18 million regular users	7/21/99
Yahoo! Messenger messenger.yahoo.com	155 million cumulative registrations for Yahoo! member services (as of 7/11/00)[4]	3/9/98
PowWow www.tribal.com	over 8 million users	10/25/95
Peoplelink www.peoplelink.com	4 million registered users (as of 11/19/99)	n/a
Paltalk www.paltalk.com	750,000 registered users (as of 5/21/00)	early 1998
Palace: Visual Chat www.thepalace.com	600,000 active registered users	1995
Gooey	500,000 registered	6/15/99

[4] Yahoo! does not report user numbers for its specific services, including IM; instead, this number represents the total number of Yahoo! registrations. Although the specific number of Yahoo!'s IM users is unknown, press reports generally acknowledge that it is one of the top three IM providers. *See, e.g.*, Reshma Kapadia, "AOL Looks Safe on Instant Messaging—Analysts," <http://news.excite.com/news/r/000824/20/media-aol-instantmessaging>.

Name	Number of Customers	Date of Commencement
www.gooey.com	users (as of 2/8/00)	
Odigo www.odigo.com/index.html	50,000 new registered users between 1/24/00 and 2/8/00	7/22/99
Jabber jabber.org jabber.com jabbercentral.com	over 10,000 client downloads from jabbercentral.com (as of 7/24/00)	1998
WorldChat home.sunrise.ch/compag/sds/wchatfw.html	1,500 downloads (as of 12/8/97)	11/11/97
AbbottChat www.abbottsys.com/atchat.html	n/a	n/a
ACD Express Communicator www.acdsystems.com/products/express/expcom.htm	n/a	12/1/99
Ahoy! www.quicomm.com/AHOY/ahoy.html	n/a	1/28/96 (Macintosh) 7/22/97 (Windows 95/NT)
Altavista Messenger (powered by PowWow) tools.altavista.com/s?spage=t/mess.htm	n/a	6/19/00
AT&T I M Here Service (powered by PowWow) www.att.net/comm_center/instant_messaging/	n/a	n/a
Bantu Messenger	n/a	early 1999
ChitChat members.aol.com/chinyu/chitchat	n/a	n/a
Excite PAL talk.excite.com/communities/excite/pal	n/a	5/12/97
Get Paid Instant Messenger	n/a	6/2/00

Name	Number of Customers	Date of Commencement
ichat Pager www.ichat.com	n/a	5/5/97
Infoseek Messenger (powered by PeopleLink) www.peoplelink.com/v1/down_infoseek	n/a	n/a
Instant Rendezvous	n/a	8/17/99
Joe Galaxy joegalaxy.net	n/a	6/99
MmChat www.erols.com/clintg	n/a	n/a
NetPopUp www.vtoy.fi/~malo/netpopup.html	n/a	1996
Peerchat www.peerchat.com	n/a	n/a
Pink Notes Plus www.pinknotesplus.com	n/a	n/a
QuickFlash www.arm-group.com	n/a	n/a
ScreenFire www.screenfire.com	n/a	n/a
Shizzam home.xnet.com/~soliday1/shizzam	n/a	n/a
Socket	n/a	3/22/00
TalkR www.acacia-net.com/romain/talkr.htm	n/a	n/a
Vypress Messenger www.vypress.com	n/a	1997

AOL has 23 million subscribers, a majority of which take advantage of the IM feature. With respect to AIM, below are usage statistics according to various forms of measurement for which we have information:

AIM Key Metrics (as of 8/2/00)	
Total Registrations (Cumulative)	65,495,637
Average Active Users (30 days)	13,798,393
Average Active Users (45 days)	15,711,367
Average Active Users (60 days)	17,236,302

The following chart provides user data for the ICQ service using various forms of measurement for which we have information. Please note that, while precise information is not available, we estimate that some two-thirds or more of ICQ users are located outside of the United States.

ICQ Key Metrics (as of 8/2/00)	
Total Registrations (Cumulative) (mostly non-U.S.)	73,091,216
Average Active Users (30 days)	20,357,447
Average Active Users (45 days)	22,661,645
Average Active Users (60 days)	24,632,301

AOL Anywhere

3.16 Please produce a map that identifies the service areas of the DSL providers with whom you have contracts to provide ISP service via DSL.

We have found this information best depicted in Figure 14 of the FCC's just-released *Deployment of Advanced Telecommunications Capability: Second Report,* a copy of which is attached. This map indicates the DSL service areas for both Verizon and SBC, with whom (as explained below) AOL has agreements to provide the AOL ISP service via DSL. (This map also includes the service areas of other DSL providers with whom AOL does not have agreements.)

a. Please identify the DSL providers with whom AOL has contractual rights to offer DSL.

AOL has previously entered into non-exclusive strategic alliances with Bell Atlantic, GTE, Ameritech, and SBC to offer consumers broadband access to the AOL service via DSL. As the Commission knows, Bell Atlantic and GTE have merged to form Verizon, and Ameritech was acquired by SBC.

b. Identify the DSL providers with whom AOL had such contracts before the merger was announced.

AOL's contracts with GTE, Bell Atlantic, Ameritech, and SBC existed prior to the date the merger was announced.

c. Identify the DSL providers with whom AOL entered into such contracts after the merger was announced.

As described in more detail below, AOL is continuing to pursue contracts with other DSL providers, but has not yet consummated any new agreements since the date the merger with Time Warner was announced.

d. Have any contracts with DSL providers been terminated? If so, please explain why.

No.

e. Please produce all contracts identified in response to this request.

AOL produced copies of all contracts identified in response to this request in response to Question 2.11 of the Commission's Second Request for Information.

3.17 Please identify non-DSL providers, including, but not limited to computer manufacturers, with whom AOL has contractual arrangements to promote and/or market AOL ISP service over DSL.

a. Please explain the nature of these contracts.

AOL has entered into the following agreements to promote and/or market the AOL ISP over DSL:

- AOL has a contract with Compaq regarding the promotion and distribution of AOL DSL software on certain Compaq computers.

- AOL has an agreement with Gateway to promote and offer AOL service via DSL in Gateway Country stores.

- AOL has an agreement with Circuit City pursuant to which Circuit City will, among other things, assist AOL's efforts to market AOL's ISP service over DSL.

- AOL has an agreement with Office Depot whereby, among other things, Office Depot will sell AOL Plus with DSL registrations in its stores.

b. Please identify whether any such contracts have been entered into after the merger was announced.

The AOL agreement with Office Depot described in response to 3.17(a) above was entered into after the merger was announced.

c. Have any such contracts been terminated? If so, please explain why.

No, none of AOL's contracts described in response to 3.17(a) has been terminated.

3.18 Please identify and provide documentation of any promotional and/or advertising materials encouraging consumers to sign up for AOL ISP service via DSL that AOL has offered since the merger was announced. Please identify the manner in which these materials were disseminated.

The parties are producing documents in response to this request under separate cover letter. In order to preserve the AOL member experience by offering service only to members who are pre-qualified for DSL service – based on a customer's line quality and distance from the LEC's central office – our principal marketing initiatives have been through direct marketing channels. We are currently offering DSL service and equipment to members whose phone numbers are loop qualified for DSL service through the use of pop-up advertisements, e-mail and telemarketing in the SBC and Verizon footprints.

3.19 Can a DSL customer obtain AOL ISP service via DSL even if AOL has no contractual arrangement with the DSL provider? Please explain your answer.

Under AOL's Bring Your Own Access (or "BYOA") offering, any consumer with a DSL connection may become an AOL BYOA subscriber even if AOL itself has no contractual arrangement with the DSL provider. BYOA offers consumers who already have an Internet connection the ability to access all of the content of the AOL flagship service at a reduced subscription rate. As is the case with subscribers to AOL's ISP service, AOL is able to detect if a BYOA customer using AOL version 5.0 or above has a high-speed Internet connection; thus, customers who bring their own access can take advantage of AOL Plus, the high-speed enhancement to regular AOL service described more fully below. In this way, any offerings of broadband content customized for the AOL service would in fact be available to customers of any DSL provider (and any other broadband provider). BYOA customers' access to AOL, by definition, remains subject to the gating function of another ISP (the customer's Internet access provider), both in terms of the user interface and network performance.

Access to AOL content is, of course, distinct from access to AOL ISP service per se. AOL ISP service means, for example, that a customer receives an IP address from AOL, uses the AOL network to connect to online content, and uses the AOL client to establish sessions with parental controls. Consumers cannot obtain AOL ISP service via DSL in regions where AOL does not have an arrangement with a DSL provider. A local telephone company must configure the DSL connection to use a specific ISP: the configuration of these DSL modems and the DSLAM in the central office are matched to the network interface of a specific ISP, and the DSL modem in the home is then associated to that specific ISP. This only occurs for ISPs with an existing arrangement in place with the DSL provider.

3.20 Please describe AOL's current efforts to seek contracts with DSL providers with whom it does not already have a contractual relationship.

AOL has continued efforts to maximize the availability of the AOL service over as many platforms as possible. To that end, AOL continues to seek agreements with additional DSL providers. [

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3.21 Please explain whether the AOL Plus service is the only AOL service a consumer who wishes to use AOL as its DSL ISP can receive. If not, please identify other AOL ISP services delivered via DSL.

As described more fully in response to Question 3.26 below, AOL Plus is not a distinct offering for which consumers separately sign up; rather, it is an enhancement of the standard AOL service available to anyone utilizing AOL 5.0 or above and accessing the service using a high-speed connection. AOL Plus offerings appear automatically to AOL subscribers who have logged on from a broadband connection. The first time an existing AOL member (using AOL 5.0 or above) logs on over a high-speed connection, he or she is prompted by a pop-up notification that AOL Plus enhancements are available, and the customer then chooses whether or not to install these enhancements. After the one-time installation, the broadband content and features of AOL Plus are then offered automatically to the customer when the connection speed is determined to be sufficient for these services. There is no additional cost for the use of AOL Plus offerings.

Thus, a consumer accessing AOL via DSL would have available the same AOL flagship service available to any other AOL subscriber, and, as explained above and in response to Question 3.26, the same AOL Plus offerings available to any other AOL broadband user (*e.g.*, via cable modem).

3.22 Will AOL offer AOL Plus, or any other AOL-offered ISP service delivered via DSL, to NorthPoint DSL subscribers now that Verizon has acquired NorthPoint?

Verizon has indicated that, while the company has not yet finalized exactly how its DSL services will operate in combination with NorthPoint, AOL's current agreement with Verizon will remain in place. Further, AOL is optimistic that Verizon's acquisition of NorthPoint will facilitate a commercially attractive arrangement for AOL with the DSL offerings of this nationwide CLEC, thereby advancing AOL's efforts to offer the nationwide DSL footprint it has eagerly pursued.

3.23 In your July 17, 2000 response to question 2.8(d), AOL indicates that it is "actively exploring new opportunities to provide its services as broadly as possible." Please explain these "new opportunities" in greater detail.

AOL has continued to seek to provide the AOL service over as many distribution platforms as possible in order to reach the widest number of consumers over the platform of their choosing. As indicated above, AOL is actively seeking to obtain contracts with additional DSL vendors. AOL has also been pursuing distribution via new wireless and satellite agreements, and remains eager to pursue other opportunities on these or any other new platforms or connectivity options that may develop.

To illustrate, AOL has recently announced several new initiatives for wireless access. In June, AOL reached an agreement with Sprint to distribute the AOL Mobile suite of wireless services via Sprint PCS Internet-ready phones. Also in June, AOL announced an agreement to deliver enhanced AOL MovieFone information to wireless customers using Palm handheld devices. In late July, AOL announced an agreement with AT&T Wireless in which AOL will provide its content and features via the AT&T Digital PocketNet service beginning this fall. All of these agreements provide consumers with nationwide mobile access to AOL content and thus advance the company's AOL Anywhere strategy.

3.24 What are the anticipated revenues and margins for a merged AOL and Time Warner for the following: a. an AOL customer who subscribes to AOL Plus service and/or any other AOL offered ISP service over Time Warner cable, b. an AOL customer who subscribers to AOL Plus service and/or any other AOL offered ISP service over DSL.

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3.25 Are there any conditions in AOL's contracts with its AOL Plus partners, or partners in any other AOL-offered ISP service delivered via DSL, that would require AOL to offer itself over multiple platforms, or prevent it from eliminating one or more platforms?

There are no conditions or limits present in AOL contracts that would require AOL to offer its service over multiple platforms or prevent it from eliminating one or more platforms. However, AOL has entered into binding contracts with DSL providers reaching approximately 65% of the U.S. These DSL distribution agreements provide, in some instances, direct economic penalties for AOL failure to fulfill its contractual commitments.

3.26 Please describe the AOL Plus service. In particular, please describe the services that AOL Plus provides that AOL ISP service over narrowband does not provide. Describe new services that you expect that AOL Plus will provide by December 31, 2001 and give timetables for deployment where possible. Explain how the proposed merger will affect the development of AOL Plus services that are capable of taking advantage of broadband.

As noted in response to Question 3.21 above, AOL Plus is not a distinct AOL service to which consumers separately subscribe. AOL Plus delivers enhanced multimedia content, such as full-motion video, streaming CD-quality audio, and other popular multimedia features, to all AOL subscribers who use AOL software versions 5.0 or above over any type of high-speed connection – TCP/IP, DSL, cable, or satellite. AOL 5.0's "speed detect" feature automatically downloads the technology to enable AOL members using broadband connections to enjoy the enhanced multimedia content via the "AOL Plus Tower." The AOL Plus Tower is a pop-up box that will immediately appear in the lower right corner of the screen whenever a customer signs on with a high-speed broadband connection. As a customer navigates through the AOL service, the AOL Plus Tower will update with relevant links. Clicking on any link in the AOL Plus Tower takes the customer directly to the enhanced content.

AOL Plus presently provides content and features from an array of industry providers of broadband-enhanced news and entertainment programming, including: CBS Sportsline, CBS MarketWatch.com, CNET Networks, CNN, FOXNews.com, FOXSports.com, House of Blues, MovieFone, Spinner, Travelocity.com, and weather.com. For example, while members employing a narrowband connection can view the text of FOX news, AOL Plus allows broadband users to take advantage of streaming video news coverage from FOXNews.com. Additionally, while narrowband users can read about travel destinations, the extent and variety of the enhanced content available with AOL Plus enables broadband users to view full-motion videos from Travelocity.com.

AOL Plus is AOL's first broadband offering and is still very much in development. For all the reasons explained in our prior submissions, AOL expects and intends to use the combined resources of the merged AOL Time Warner and to work with other content providers to fuel the development of greatly enhanced and wholly new forms of enticing and useful interactive broadband content both for AOL subscribers and Internet users in general. We describe these in further detail in our August 22, 2000 *ex parte* letter to Cable Services Bureau Chief Deborah Lathen regarding the public interest benefits of our merger.

Other

3.27 Please list and describe each existing joint venture and/or contract between Time Warner and/or AOL and/or AT&T (please exclude contracts between AT&T and Time Warner for the sale of video programming). Separately list those joint ventures or contracts offering service in the United States, and those offering service outside of the United States. Please include in your description (where applicable): the business type (e.g., cable, wireline phone service, etc.); number of subscribers; terms of the agreements (e.g., how profits and costs are allocated); ownership percentages; ownership responsibilities (e.g., which company manages the property); and the purpose of the joint venture or contract.

AOL:

Existing joint ventures or contracts between AOL and AT&T are described below:

- The Mobile Channel Agreement between AOL and AT&T Wireless Services, Inc. ("ATTWS"), dated as of June 22, 2000, provides for the distribution of the AOL Mobile Channel via the AT&T Digital PocketNet Service ("PocketNet Service"). The PocketNet Service provides customers with digital voice communications and access to the wireless Internet. The AOL Mobile Channel will include, at a minimum, the Moviefone mobile product, AOL email service, and the AOL branded portal. [

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- AOL has also entered into a Non-Disclosure Agreement pertaining to AOL and AT&T's discussions surrounding AOL's possible participation in AT&T's broadband cable trial in Boulder, Colorado, as discussed in response to Question 3.32.

- AOL has also entered into an Internet peering agreement with AT&T, under which AOL and AT&T exchange traffic bound for one another's IP networks.

TIME WARNER:

As explained in its July 17, 2000 responses to the Commission's Document and Information Request No. 2, Time Warner is a highly diversified and decentralized company, with numerous divisions operating largely autonomous businesses. Subject to the same caveats regarding information collection procedures set forth therein, attached as Exhibit 3.27 is a description of all joint venture, contractual or other equity ownership relationships between Time Warner and AT&T that Time Warner has complied through the exercise of due diligence and to the best of its ability. Each of the entities listed on Exhibit 3.27 attached hereto has been previously disclosed to the Commission in response to Question 2.23 of the Commission's

Document and Information Request No. 2.

Not included are any contracts between affiliates of AT&T and Time Warner for the sale of cable video programming or any contracts for the provision of telecommunications services by AT&T (or any affiliate) in its capacity as an interexchange carrier. Also excluded are any foreign or domestic investments by Time Warner, Time Warner Entertainment Company, L.P. ("TWE") or their affiliates whereby any interest held by AT&T is purely derivative of its interest in Time Warner or TWE. Moreover, any entities that are inactive and/or hold no assets have been excluded. Each of the entities listed on Exhibit 3.27 principally operate in the United States, with the exception of Time Warner Entertainment Japan, Inc. Time Warner, TWE and their affiliates, of course, are engaged in significant business activities outside the United States in addition to their domestic activities.

3.28 Please list each joint venture and/or contract considered or proposed since 1997 involving Time Warner and/or AOL and/or AT&T.

Consistent with the direction of FCC Staff, the parties are providing all necessary information in its responses to Questions 3.31, 3.32, and 3.33 below regarding any contracts or joint ventures currently under discussion with AT&T, as well as in its responses to Questions 3.27 and 3.29 regarding actual joint ventures, contracts, or equity relationships with AT&T.

3.29 Please list each company in which either Time Warner and/or AOL currently hold common ownership with AT&T. Please identify respective ownership percentages, the number of each company's board seats, and each company's respective voting rights.

AOL:

The only company we have identified in which AOL holds a 5% or greater ownership interest and in which AT&T also has an ownership interest is Net2Phone, Inc.[5] As explained more fully in AOL's responses to Questions 1.8 of the FCC's First Request for Information and Question 2.23 of the FCC's Second Request for Information, AOL owns 4.63% of Net2Phone's outstanding capital stock and 5.14% of the voting power.

A representative of AOL is entitled to attend all Net2Phone board meetings in a nonvoting observer capacity, but AOL does not have the right to appoint board members. AOL has sole voting power with respect to its shares.

As of August 11, 2000, AT&T, through its wholly-owned subsidiary ITelTech, owns approximately 32% of Net2Phone's outstanding capital stock, and controls 39% of the aggregate

[5] AOL's knowledge of AT&T's ownership interest in Net2Phone is based on Net2Phone's publicly available filings with the Securities and Exchange Commission.

voting power of Net2Phone's capital stock.[6] AT&T's wholly-owned subsidiary ITelTech and IDT will enter into a voting agreement with respect to the election of mutually acceptable nominees to the board of directors. So long as they agree on nominees, AT&T's wholly-owned subsidiary and IDT will collectively control approximately 60% of Net2Phone's voting power and will therefore likely control the election of all of Net2Phone's directors; however, if they are unable to agree on acceptable nominees, the votes of other stockholders will determine the election of Net2Phone's directors. This agreement terminates by its terms no later than August 1, 2003.

Initially, AT&T, through its wholly-owned subsidiary ITelTech, also will have the right to designate three individuals to be appointed as directors on Net2Phone's eleven-person board, one of whom shall be elected to fill the vacancy created by the resignation of a director currently designated by IDT. AT&T's wholly-owned subsidiary and IDT have each agreed to use its best efforts, so long as it beneficially owns between 15% and 85% of Net2Phone's voting power, to assure that Net2Phone's board consists of at least five directors who are not employees of or affiliated with Net2Phone, IDT, AT&T or any of their affiliates. These "independent" directors will take action on behalf of the Net2Phone board on matters involving or relating to its relationship with IDT, AT&T and other interested parties.

TIME WARNER:

With regard to Time Warner, see response to Question 3.27 above.

3.30 Please identify each agreement and/or proposed business plan (formal or informal) to provide carriage of AOL's ISP service on AT&T's cable systems or to offer AT&T's local telephone service on Time Warner cable systems. Please produce any such agreements or plans.

AOL:

AOL has no such agreement or proposed business plan to provide carriage of AOL's ISP service on AT&T's cable systems.

TIME WARNER:

As explained in Time Warner's June 26, 2000 response to Question 1.6.a. of Document and Information Request No. 1, in February 1999, TWC and AT&T agreed upon a preliminary letter of intent for a cable telephony joint venture. The proposed terms of such venture are described in Time Warner's public filings with the Securities and Exchange Commission. See Time Warner Inc. 10-K, SEC File #: 001-12259 (March 26, 1999), at I 1-2, F 17-18. The terms of that letter of intent called for the negotiation and execution of definitive documents to create the joint venture, and that did not occur prior to the expiration of the letter of intent. While there have been periodic further discussions between TWC and AT&T regarding the provision of

[6] *See* Net2Phone, Inc. SEC Form SC 13D, General Statement of Beneficial Ownership, filed Aug. 22, 2000.

residential telephony to cable subscribers, no material discussions have taken place subsequent to our June 26 response, other than a discussion on June 30 of possible additional joint marketing opportunities analogous to the Albany/Syracuse joint marketing agreement described under item 3 in response to Question 3.27 above.

3.31 Please describe the status of any discussions that Time Warner and/or AOL are having with AT&T regarding the provision of local telephone service.

AOL:

AOL and AT&T are not engaged in any discussions regarding the provision of local telephone service.

TIME WARNER:

With regard to Time Warner, see response to Question 3.30 above.

3.32 Please describe the status of any discussions that Time Warner and/or AOL are having with AT&T regarding the carriage of AOL's ISP service on AT&T's cable systems.

AOL:

AOL continues to seek an agreement with AT&T for carriage of the AOL service on AT&T's cable systems and is presently engaged in preliminary discussions with AT&T to determine what the terms and structure of a viable deal might be. AOL is also presently reviewing and analyzing documentation related to AT&T's planned six-month multiple ISP trial to be conducted in Boulder, Colorado.

TIME WARNER:

Time Warner has had no material discussions with AT&T regarding the carriage of AOL's ISP service on AT&T's cable systems.

3.33 Please describe the status of any discussions that Time Warner and/or AOL and/or AT&T are having with regard to any service.

AOL:

[

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TIME WARNER:

With companies having the size and breadth of Time Warner and AT&T, discussions routinely occur about a variety of matters. However, in addition to the single meeting regarding potential future joint marketing agreements referred to in response to Question 3.30 above, the only material discussions that might be relevant to this proceeding that are ongoing between Time Warner and AT&T relate to the restructuring of the Road Runner partnership and the restructuring of the TWE partnership.

In any event, the consent decree between the Justice Department and AT&T/MediaOne entered into by both parties in consideration of the Justice Department's approval of the AT&T/MediaOne merger requires the merged AT&T/MediaOne to obtain the prior consent of the Justice Department with regard to certain transactions between AT&T/MediaOne and Time Warner. Specifically, prior to the earlier of December 31, 2003 or two years after AT&T/MediaOne's divestiture of its interest in Road Runner, AT&T/MediaOne must obtain prior approval of the Justice Department for the following transactions:

(1) Any contractual or other arrangement with Time Warner to jointly offer or provide any wholesale or retail residential broadband service.

(2) Any contractual or other arrangement with Time Warner that has the purpose or effect of preventing AT&T, MediaOne, their affiliates, or Time Warner from offering or providing a wholesale or retail residential broadband service in any geographic region or to any group of customers.

(3) Any contractual or other arrangement with Time Warner that has the purpose or effect of preventing:

(a) AT&T, MediaOne, their affiliates or Time Warner from including any content, services, capabilities or features in any wholesale or retail cable modem service offered by AT&T, MediaOne, their affiliates, or Time Warner, or

(b) AT&T, MediaOne or their affiliates from granting preferential treatment in any wholesale or retail cable modem service offered by AT&T, MediaOne or their affiliates to content, services, capabilities, or features offered by any person other than Time Warner, or Time Warner from granting preferential treatment in any wholesale or retail cable modem service offered by Time Warner to content, services, capabilities, or features offered by any person other than AT&T, MediaOne, or their affiliates.[7]

* * *

In conjunction with the documents the parties will be providing under separate cover letter, this completes AOL and Time Warner's response to the requests made in your letter of August 14, 2000. Please do not hesitate to contact the undersigned if you have any questions regarding this letter or the documents produced herewith.

Respectfully submitted,

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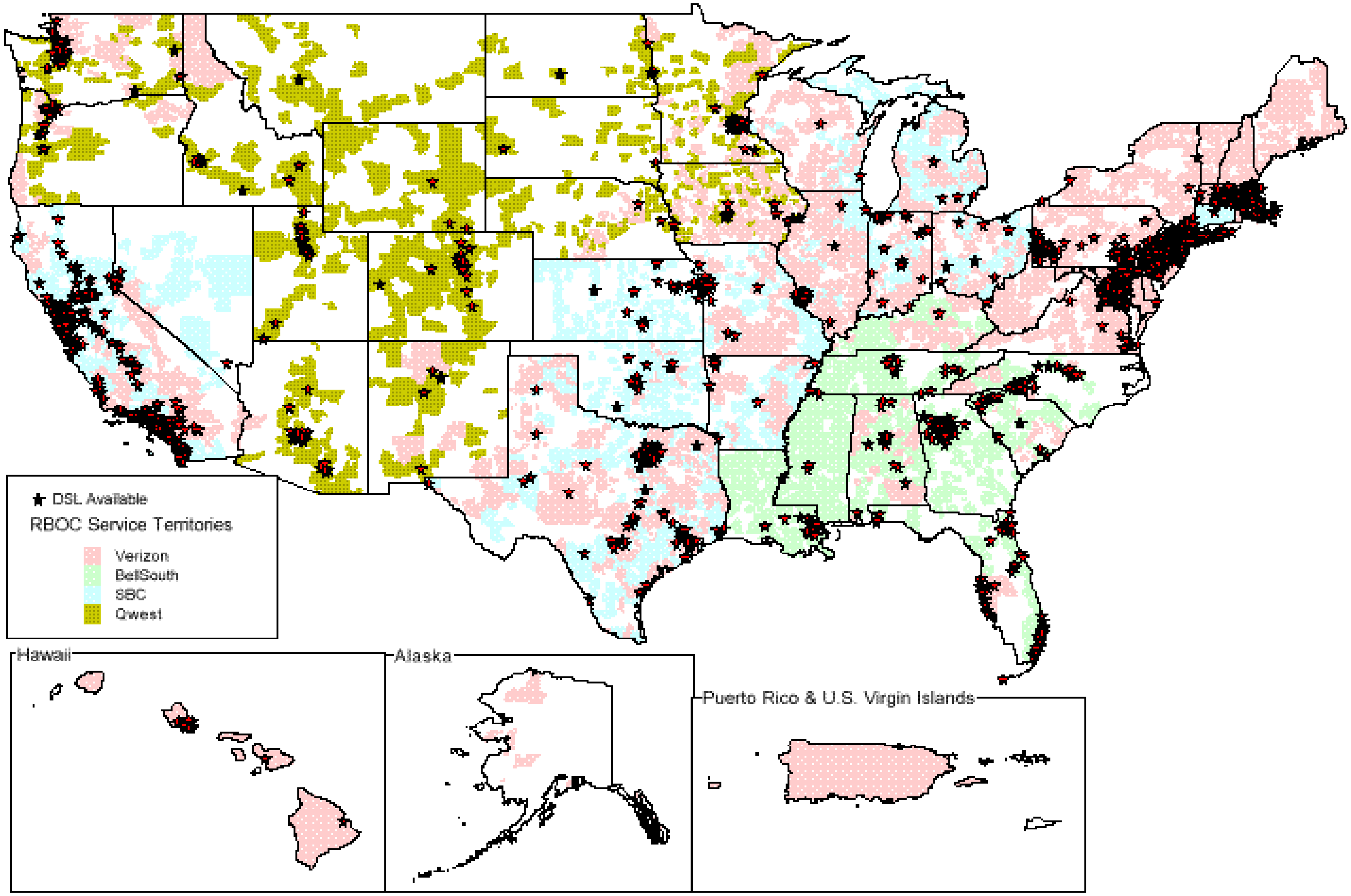
[7] See Justice Department's AT&T/MediaOne Final Judgment at 6-7.

Exhibit 3.16

Figure 14
DSL Deployment by RBOCs and DLECs



Source: "Advanced Telecommunications in Rural America," NTIA, RUS; NECA Tariff 4; websites of Bell Atlantic, US West, Covad, Northpoint, and Rhythms.

<u>EXHIBIT 3.27</u>

1) Time Warner Inc. ("Time Warner")

As explained in the Reply Comments submitted by Time Warner and AOL to the FCC on May 11, 2000, AT&T holds an equity interest in Time Warner Inc. amounting to approximately 9% of total equity, representing less than 1% of the voting power of Time Warner. The FCC has determined that AT&T's interest in Time Warner is non-attributable.[1] Upon consummation of the AOL/Time Warner merger, because Time Warner shareholders will receive 45% of the stock of the combined AOL Time Warner on a fully diluted basis, AT&T's equity interest in AOL Time Warner will be diluted to approximately 4%, and its *de minimis* voting rights will be further diminished.

Time Warner's lines of business are detailed at pages 7-9 of the Supplemental Information filed by both AOL and Time Warner with the Commission on March 21, 2000.

2) Time Warner Entertainment Company, L.P. ("TWE")

As the Commission is aware, AT&T has acquired the approximate 25% limited partnership interest formerly held by MediaOne Group, Inc. ("MediaOne") in TWE. Pursuant to the Commission's Order approving the AT&T/MediaOne transaction, it is anticipated that the TWE partnership will be restructured to eliminate or otherwise fully insulate AT&T's interest in TWE such that AT&T will no longer hold any attributable interest in TWE.[2] Moreover, as the Commission is also aware, in order to facilitate the AT&T/MediaOne merger, MediaOne has already forfeited its co-management rights under the TWE agreement, including its representation on the TWE management committee.[3]

TWE's lines of business are detailed at pages 8-9 of the Supplemental Information filed by both AOL and Time Warner with the Commission on March 21, 2000.

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[1] <u>See</u> <u>In re Applications of Turner Broadcasting System, Inc. and Time Warner Inc.</u>, <u>Memorandum Opinion and Order</u>, 11 FCC Rcd 19595, ¶¶ 17-19 (1996); <u>In the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Tele-Communications, Inc., Transferor to AT&T Corp., Transferee</u>, <u>Memorandum Opinion and Order</u>, 14 FCC Rcd 3160, ¶ 133 n.376 (1999).

[2] <u>See</u> <u>In the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc., Transferor, to AT&T Corp. Transferee</u>, <u>Memorandum Opinion and Order</u>, CS Docket No. 99-251, FCC 00-202, ¶¶ 4, 71 (released June 6, 2000) ("<u>AT&T/MediaOne Order</u>").

[3] <u>Id</u>. at ¶ 26.

3) Road Runner

As explained in the Supplemental Information submitted by Time Warner and AOL to the Commission on March 21, 2000, Time Warner holds an approximate 40 percent indirect ownership interest in Road Runner, which provides high-speed Internet service and, as of that date, was available in cable systems passing over 13 million homes, with over 550,000 subscribers, of which 330,000 were in communities served by Time Warner cable systems. Upon consummation of its acquisition of MediaOne, AT&T has now acquired ultimate ownership of the 31.4 percent interest in Road Runner formerly held by MediaOne. However, as part of its approval of the AT&T/MediaOne merger, the Justice Department has ordered AT&T to divest its interest in Road Runner by December 31, 2001.[4]

Road Runner is operated by ServiceCo LLC ("ServiceCo"). Compaq and Microsoft each holds a 10% interest in ServiceCo through subsidiaries. The remaining 80% interest in ServiceCo is owned by Cable HoldCo, a limited liability corporation. The ownership of Cable HoldCo is as follows: AT&T has a 31.38% interest, Time Warner has an indirect 10.7% interest, TWE has a 24.99% interest, and Time Warner Entertainment-Advance/Newhouse Partnership ("TWE-A/N") has a 32.93% interest.

The Time Warner and AT&T representatives on the Member's Committee currently have joint governance rights over ServiceCo, subject to certain approval rights afforded other Members with respect to extraordinary transactions. Generally, profits and losses at ServiceCo are allocated to Members in proportion to their capital account balances and percentage interests, except that losses are allocated to Cable HoldCo on a preferential basis until its capital account balance is reduced to zero. Each of Time Warner and AT&T has a voting representative on the Member's Committee of ServiceCo.

4) Time Warner Telecom Inc. ("TWT")

As explained in the June 26, 2000 response to FCC Document and Information Request No.1, Time Warner indirectly holds an interest accounting for approximately 47.05 percent of the equity and 66.68 percent of the voting power of TWT, a publicly-traded corporation. TWT is a leading fiber facilities-based integrated communications provider offering local business "last mile" broadband connections for data, high-speed Internet, local voice and long distance services. TWT offers a wide range of business telephony services, primarily to medium- and large-sized telecommunications-intensive business end-users, long distance carriers, Internet service providers, wireless communications companies and governmental entities. These business telephony services include dedicated transmission, local switched, long distance, data and video transmission services and high-speed dedicated Internet services.

As further explained in Time Warner's June 26, 2000 response, on May 1, 2000 MediaOne closed the sale of 9 million of its shares in TWT. Pursuant to that sale, MediaOne lost the right to appoint directors to TWT's board, and accordingly

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[4] See United States of America v. AT&T Corp., and MediaOne Group, Inc., Final Judgment, Civil Action No. 1:00CV01176, slip op. at 4-6 (D. D.C. May 25, 2000).

MediaOne's board representatives have resigned. Upon completion of that sale, MediaOne continued to own 6,289,842 shares of TWT Class B stock, which represents less than 6 percent of TWT's total outstanding shares and less than a 10 percent voting interest in TWT. Pursuant to the consummation of the AT&T/MediaOne merger, MediaOne's residual interest in TWT is now held by AT&T.

5) Albany/Syracuse Joint Marketing Agreement

As explained in the June 26, 2000 response to the Commission's Document and Information Request No. 1, on March 8, 2000, Time Warner Cable and AT&T announced a joint marketing agreement. Pursuant to this agreement, in the Spring of 2000, incentives were offered to consumers in Albany and Syracuse, NY who choose both Time Warner cable service and AT&T communications service. This joint marketing promotion has now expired.

6) Kansas City Cable Partners

A. Parties. Kansas City Cable Partners is a Colorado general partnership among TWE, TCI of Missouri, Inc., formerly known as Liberty Cable of Missouri, Inc. ("TCI Missouri") and TCI of Overland Park, Inc. ("TCI Overland Park", and together with TCI Missouri, the "TCI Partners").

B. Business/Purpose/Number of Subscribers. Kansas City Cable Partners owns and operates cable television systems in Missouri and Kansas serving 55 franchise communities and an additional number of adjacent non-franchised communities (approximately 311,086 total subscribers).

C. Ownership Percentages. TWE has a 50% general partner interest in Kansas City Cable Partners, and TCI Missouri and TCI Overland Park, the two other general partners, have a 46.211% and a 3.789%, respectively, general partner interest in Kansas City Cable Partners.

D. Allocations of Profit and Loss. In general, net profit and net loss of Kansas City Cable Partners for any fiscal year is allocated among the Partners in accordance with their respective percentage interests in Kansas City Cable Partners.

E. Governance. Kansas City Cable Partners is governed by a six-member Management Committee, consisting of three members designated by TWE and three members designated by the TCI Partners. Each member of the Management Committee has one vote, and all actions or decisions of the Management Committee must have unanimous approval. Certain extraordinary actions (such as material asset purchase or sale transactions and significant changes affecting Kansas City Cable Partners) require the approval of the Management Committee.

F. Management. Time Warner Cable, a division of TWE, is the General Manager of Kansas City Cable Partners, provides the overall day-to-day management of Kansas City Cable Partners, and has exclusive responsibility for the management, operation, maintenance and supervision of the cable television systems, subject to prior consent of the Management Committee of Kansas City Cable Partners with respect to certain extraordinary actions requiring Management Committee approval.

7) Texas Cable Partners, L.P.

A. Parties. Texas Cable Partners, L.P., is a Delaware limited partnership formed by TWE-A/N and TWE-A/N Texas Cable Partners General Partner LLC ("TWE-A/N GP", and together with TWE-A/N, the "Time Warner Partners"), TCI Texas Cable Holdings LLC ("TCI") and TCI Texas Cable, Inc. ("TCI GP", and together with TCI, the "TCI Partners").

B. Business/Purpose/Number of Subscribers. Texas Cable Partners owns and operates cable television systems in Texas serving 157 franchise communities and an additional number of adjacent non-franchised communities (approximately 1,044,000 total subscribers).

C. Ownership Percentages. TWE-A/N and TCI, the two limited partners in Texas Cable Partners, each have a 49.5% limited partner interest in Texas Cable Partners, and TWE-A/N GP and TCI GP, the two general partners in Texas Cable Partners, each have a 0.5% general partner interest in Texas Cable Partners.

D. Allocations of Profit and Loss. In general, net profit and net loss of Texas Cable Partners for any fiscal year is allocated among the Partners in accordance with their respective percentage interests in Texas Cable Partners (*i.e.*, presently 50/50).

E. Governance. Texas Cable Partners is governed by a six-member Management Committee, consisting of three members designated by the Time Warner Partners and three members designated by the TCI Partners. Each member of the Management Committee has one vote, and all actions or decisions of the Management Committee must have unanimous approval. Certain extraordinary actions (such as material asset purchase or sale transactions and significant changes affecting Texas Cable Partners) require the approval of the Management Committee.

F. Management. Time Warner Cable, a division of TWE, is the General Manager of Texas Cable Partners, provides the overall day-to-day management of Texas Cable Partners, and has exclusive responsibility for the management, operation, maintenance and supervision of the cable television systems, subject to prior consent of the Management Committee of Texas Cable Partners with respect to certain extraordinary actions requiring Management Committee approval.

G. Related Entities. TCP Security Company LLC, a wholly owned subsidiary of Texas Cable Partners, owns and operates Texas Cable Partners' security business serving areas in and around Houston, Texas.

H. Related Transactions. Pursuant to an Asset Exchange Agreement dated August 23, 2000 between Texas Cable Partners and certain wholly-owned, indirect subsidiaries of AT&T, the parties intend to exchange AT&T's Corpus Christi cable system for Texas Cable Partners' Dallas Metro, Commerce, Graham, Greenville and Palestine cable systems. Concurrently, the parties have entered into a Management Agreement whereby Texas Cable Partners will provide certain management services with respect to the Corpus Christi cable system.

8) CAT Partnership

This partnership owns the cable television systems serving Watertown, NY (14,095 subscribers) and Hattiesburg, MS (24,510 subscribers). The partnership is owned 1/6 by TWE; 1/6 by a wholly-owned subsidiary of Time Warner, 1/3 by Comcast and 1/3 by AT&T. The profits and costs are allocated in accordance with the ownership percentages. The partnership is managed by a 3-member management committee, one member designated by each partner. The Hattiesburg system is managed by Comcast and the Watertown system is managed by Time Warner Cable.

The partnership is in the process of being dissolved pursuant to an arrangement whereby AT&T's direct 1/3 interest would be bought out, Time Warner would acquire the Watertown system and Comcast would acquire the Hattiesburg system.

9) iNDEMAND (formerly Viewer's Choice)

As set forth in Exhibit 2.23(e) submitted with the July 17, 2000 response to FCC Document and Information Request No. 2, TWE-A/N holds a 33 1/3% interest in Viewer's Choice, L.L.C. ("Viewer's Choice"). Through its acquisition of TCI Communications, Inc., AT&T now holds a 33 1/3% interest in Viewer's Choice. On January 1, 2000, Viewer's Choice was renamed iNDEMAND. iNDEMAND provides pay-per-view movies and events to multichannel video programming distributors. iNDEMAND reports that, as of July 31, 2000, its service was available to approximately 27.4 million subscribers, of which approximately 6.4 million were served by systems operated by Time Warner Cable.

Ownership interests are as follows:

Time Warner Entertainment-Advance/Newhouse Partnership	33 1/3%
Comcast Programming Ventures, Inc.	11 1/9%
Cox Communications Holdings, Inc.	11 1/9%
MediaOne of Delaware, Inc.	11 1/9%
TCI Communications, Inc.	33 1/3%

iNDEMAND is managed by a 3 member Management Committee; one designated by TCI (AT&T), one designated by TWE-A/N and one designated jointly by Cox, MediaOne and Comcast.

Generally, a product of the average of each Members' quarterly income fraction and the net profits of the company are allocated to the Members in accordance with their respective revenue percentages for the taxable year, with any remaining profits allocated among the Members in accordance with the respective participation percentages of their interests for the taxable period. Losses are allocated to the Members in accordance with the respective participation percentages of their interests for the taxable period, except that any allocation of losses that would cause a Member's capital account to be reduced below zero will be allocated to the remaining Members in proportion to those Members' positive capital account balances.

10) Courtroom Television Network LLC ("Court TV")

This entity produces and distributes the cable programming network "Court TV." Court TV is carried on cable systems serving approximately 45 million subscribers. Ownership is 50% Time Warner (indirect) and 50% Liberty (indirect).[5] Subject to unanimous voting requirements for certain key issues (for example, without limitation, budget approval, material programming changes, termination or amendment of Management Agreement, significant acquisitions or dispositions), as general manager, Time Warner has full management authority for Court TV. With respect to matters requiring a vote, each member is entitled to designate two (2) individuals to act as representatives of the member voting group for purposes of exercising such member's votes. Generally, profits and losses are allocated to members in accordance with their ownership interests (e.g., 50/50).

11) National Cable Communications LLC (successor to National Cable Advertising, L.P.)

This entity was formed to sell and distribute national advertising on various cable programming networks. Ownership interests are as follows:

Time Warner Entertainment Company, L.P.	10.3334%
Time Warner Entertainment-Advance/ Newhouse Partnership	6.3333%
Comcast Cable Communications, Inc.	16.6666%
Cox Cable NCC, Inc.	16.6666%
Katz Cable Corporation	16.6666%
MediaOne of Delaware, Inc.	16.6666%
TCI Cable Management Corporation	16.6666%

Management is by a Governing Board which consists of a number of representatives equal to the number of Members. Each representative has one vote. However, if any Members are affiliated, the affiliated Members are treated as a single Member, with just one representative and one vote. Thus, Time Warner currently holds one of five seats on the Governing Board.

[5]As the Commission has recognized, AT&T wholly owns Liberty Media Group through its 100% ownership of the outstanding capital stock of Liberty Media Corporation, which in turn wholly owns Liberty Media Group. AT&T/MediaOne Order at ¶ 15.

Generally, profits and losses are allocated to the Members in proportion to their respective percentage interests for that fiscal year.

12) Cincinnati Cable Advertising Interconnect, L.P.

This partnership was formed to sell and distribute local advertising on various cable television systems serving the greater Cincinnati area. Ownership interests and voting rights are as follows:

TWE	60%	GP	0.6%	LP
TCI Cablevision of Ohio, Inc.	21%	GP	0.2%	LP
TCI/TKR Limited Partnership	18%	GP	0.2%	LP

Management is by the General Partners through a Governing Board with two representatives per partner, but no more than two representatives per affiliated partner. Thus, TWE now holds two seats on the four member Governing Board. TWE is the Managing Partner.

Generally, profits and losses are allocated to the Partners in proportion to their respective individual GP purchase prices and LP purchase prices for that fiscal year.

13) Interconnect of the Twin Cities

This entity was formed to sell and distribute local advertising on various cable systems in and around Minneapolis, MN. Ownership interests (as well as profit and cost allocation) and voting rights are as follows:

KBL Ventures Incorporated (Time Warner)	25%
Cable TV North Central (MediaOne)	25%
Continental Cablevision of St. Paul, Inc. (MediaOne)	25%
King Videocable Company – Minnesota (MediaOne)	25%

Time Warner understands that the interests listed as held by an affiliate of MediaOne are now controlled by AT&T. The Time Warner affiliated entity is the managing partner of this entity. Profit and cost allocations are adjusted periodically to reflect each party's pro rata share of total subscribers reached by the interconnect.

14) The Detroit Cable Interconnect L.P.

This entity was formed to sell and distribute local advertising on various cable television systems in and around Detroit, MI. Ownership interests and voting rights are as follows:

Time Warner Entertainment-Advance/ Newhouse Partnership	24.75%	GP	.025%	LP
Comcast	24.75%	GP	.025%	LP

Continental	24.75% GP	.025% LP
TCI	24.75% GP	.025% LP

Time Warner understands that any interests listed as held by Continental or TCI are now controlled by AT&T. Generally, profits and losses are allocated to the Partners in proportion to their respective individual GP purchase prices and LP purchase prices for that fiscal year.

The business and affairs are carried on, controlled by and managed by the General Partners acting through a Governing Board. The Governing Board has two representatives from each General Partner, with one collective vote. However, if any General Partners are affiliated, the affiliated partners are treated as a single general partner, with just two representatives and one vote for the group. Thus, TWE-A/N currently controls two of the six representatives and one of the three votes on the Governing Board.

15) Greater Birmingham Interconnect

This entity was formed to sell and distribute local advertising on cable systems in and around Birmingham, AL. Ownership interests and voting rights are as follows:

Time Warner Entertainment - Advance/Newhouse Partnership	33.33% GP
Marcus	33.33% GP
TCI	33.33% GP

Time Warner understands that the interest listed as held by TCI is now controlled by AT&T. Generally, profits and losses are allocated to the Partners in proportion to their percentage shares, except that no Partner is allocated any profits or losses that arise out of advertisements that were not carried on such Partner's cable system.

The entity is managed by a Management Committee. The Management Committee has one representative with one vote from each partner. Any affiliated partners are collectively entitled to only one representative with one vote. Thus, TWE-A/N currently controls one of three votes on the Management Committee.

16) Adlink Cable Advertising (successor to Cable Advertising Partners)

This entity was formed to sell and distribute local advertising on various cable television systems in California. Ownership interests and voting rights are as follows:

Dickinson Pacific Cablesystems (Time Warner)	4%
KBL Cablesystems of the Southwest, Inc. (Time Warner)	1%
KBL Ventures Incorporated (Time Warner)	1%
Paragon Communications (Time Warner)	3%
Time Warner Entertainment-Advance/Newhouse Partnership	4%
CableRep, Inc. (Cox)	11%
Century Advertising Sales Corp.	16%

Charter Communications Entertainment II, L.P.	11%
Comcast Cablevision Corporation of California	9%
Copley Colony, Inc. (MediaOne)	6%
DHN, Inc.	1%
King Video Cable Company (MediaOne)	4%
MediaOne of Los Angeles, Inc.	14%
United Cable Television Ad-Link, Inc. (TCI)	15%

Time Warner understands that any interests listed as held by affiliates of TCI or MediaOne are now controlled by AT&T. Generally, profits and losses are allocated to Members in proportion to their respective individual Class A purchase prices and Class B purchase prices for that fiscal year.

Managerial control is vested in the Members as Managers (as defined in the Delaware Limited Liability Company Act); the business affairs and management shall be carried on, controlled and managed by the Managers. If a Member is an affiliate of any other Member, such affiliated Members shall designate a single representative and have a single vote.

17) West Coast Portability Services, LLC ("West Coast")

West Coast is a telephone number portability company, designed to make it possible for people to keep their phone numbers when they move or change phone companies. West Cost is owned 8.33% by Time Warner Telecom of California, L.P., which in turn is wholly owned by Time Warner Telecom. Time Warner's ownership in Time Warner Telecom is described in response to item 4 above. The other owners of West Coast are:

AT&T Communications of California, Inc.	8.33%
Cox California PSC, Inc.	8.33%
Cox California Telcom, Inc.	8.33%
Electric Lightwave, Inc.	8.33%
GTE California Incorporated	8.33%
MCI Metro Access Transmission Services, Inc.	8.33%
MFS Communications, Inc.	8.33%
Pacific Bell	8.33%
Sprint Spectrum L.P.	8.33%
Teleport Communication Group	8.33%
TCI Telephony Services of California, Inc.	8.33%

Management is by the Members; each Member has one representative.

18) Time Warner Entertainment Japan, Inc. ("TWE Japan")

TWE Japan owns 9.9% of Chofu Cable Television KK, a cable company serving approximately 12,000 subscribers in Chofu and Sotagaya, Japan. TWE Japan also owns 10% of Towani KK; 10% of Warner Bros. Studio Stores Japan, Inc.; and 20% of Japan

Entertainment Network KK. TWE Japan is owned 37.25% by Time Warner (indirectly) and 12.75% by AT&T (through an interest held by MediaOne). Voting rights are proportionate to ownership interests, and profits and costs are allocated pro rata in accordance with equity accounting. Time Warner is entitled to one seat on the TWE Japan board, but otherwise has no management rights.

19) Contracts between Time Warner affiliates and entities in which AT&T holds an ownership interest.

Time Warner knows of no complete list of every entity in which AT&T, either directly or thorough affiliates such as Liberty Media Group, holds an ownership interest. Nevertheless, based on publicly available information regarding such interests, the only contracts falling within the scope of question 3.27 that Time Warner has discovered involve the purchase of electronic equipment and other hardware from equipment suppliers in which AT&T apparently holds an ownership interest, including Motorola, Inc. and Antec Corporation.