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RECORDS AND REPORTING

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** **FLORIDA PUBLIC SERVICE COMMISSION** **

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

Application Form for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida

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Instructions

- This form is used as an application for an original certificate and for approval of assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 16).

- Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **$250.00** to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

  Note: **No filing fee is required** for an assignment or transfer of an existing certificate to another company.

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Regulatory Oversight
  Certification Section
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6480

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

DOCUMENT NUMBER-DATE
04124 APR-3 ō
FPSC-RECORDS/REPORTING

1. This is an application for (check one):

   (x) **Original certificate** (new company).

   ( ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

   ( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

   ( ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:
   AT&T Broadband Phone of Florida, LLC

3. Name under which applicant will do business (fictitious name, etc.):
   Additional registered d/b/a's:
   AT&T Digital Phone

4. Official mailing address (including street name & number, post office box, city, state, zip code):
   188 Inverness Drive West
   Englewood, CO 80112

5. Florida address (including street name & number, post office box, city, state, zip code):
   101 N. Monroe Street, Suite 700
   Tallahassee, Florida 32301

6. Select type of business your company will be conducting (check all that apply):

   (x) **Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

(x) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

( ) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

( ) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers resold service by enrolling unaffiliated customers.

(x) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization;

( ) Individual	( ) Corporation
( ) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership

(x) Other: Foreign Limited Liability Corporation

8. **If individual,** provide: Not applicable
Name:
Title:
Address:
City/State/Zip:
Telephone No.: **Fax No.:**
Internet E-Mail Address:
Internet Website Address:

9. **If incorporated in Florida,** provide proof of authority to operate in Florida:

   (a) **The Florida Secretary of State Corporate Registration number:**
   Not applicable

10. **If foreign corporation,** provide proof of authority to operate in Florida:

   (a) **The Florida Secretary of State Corporate Registration number:**
   M01000000499

11. **If using fictitious name-d/b/a,** provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

   (a) **The Florida Secretary of State fictitious name registration number:**
   G00339900263

12. **If a limited liability partnership**, provide proof of registration to operate in Florida:

   (a) **The Florida Secretary of State registration number:**
   Not applicable

13. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.
Not applicable.

Name:
Title:
Address:
City/State/Zip:
Telephone No.: **Fax No.:**
Internet E-Mail Address:
Internet Website Address:

14. **If a foreign limited partnership,** provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

    (a) **The Florida registration number:**
    Not applicable

15. Provide **F.E.I. Number** (if applicable):
04-3172563

16. Provide the following (if applicable):

    (a) Will the name of your company appear on the bill for your services?
    (x) Yes ( ) No

    (b) If not, who will bill for your services?

    Name:
    Title:
    Address:
    City/State/Zip:
    Telephone No.: Fax No.:

    (c) How is this information provided?
    Not applicable.

17. Who will receive the bills for your service?

(x) Residential Customers
(x) Business Customers
( ) PATs providers
( ) PATs station end-users
( ) Hotels & motels
( ) Hotel & motel guests
( ) Universities
( ) Universities dormitory residents
( ) Other: (specify)

18. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Tiffany Russo
Title: Director of Regulatory Compliance and Implementation
Address: 188 Inverness Drive West
City/State/Zip: Englewood, CO ~~80122~~ 80112
Telephone No.: (303) 858-3350 Fax No.: (303) 858-5465
Internet E-Mail Address: russo.tiffany@broadband.att.com
Internet Website Address: http://www.broadband.att.com

(b) Official point of contact for the ongoing operations of the company:

Name: Tiffany Russo
Title: Director of Regulatory Compliance and Implementation
Address: 188 Inverness Drive West
City/State/Zip: Englewood, CO ~~80122~~ 80112
Telephone No.: (303) 858-3350 Fax No.: (303) 858-5465
Internet E-Mail Address: russo.tiffany@broadband.att.com
Internet Website Address: http://www.broadband.att.com

(c) Complaints/Inquiries from customers:

Name: Kimberly Rowe-Van Allen
Title: Executive Supervisor, Customer Care
Address: 6805 Southpoint Parkway
City/State/Zip: Jacksonville, FL 32216
Telephone No.: 904-374-7701 **Fax No.:** 904-374-8404
Internet E-Mail Address: krvallen@broadband.att.com
Internet Website Address: http://www.broadband.att.com

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.
None.

(b) has applications pending to be certificated as an interexchange telecommunications company.
None.

(c) is certificated to operate as an interexchange telecommunications company.
None.

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.
None.

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.
None.

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.
None.

20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.
No.

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

Yes. The director and officers of the former MediaOne Florida Telecommunications, Inc. are the director and officers of the current company.

21. The applicant will provide the following interexchange carrier services _ (check all that apply):

a. **MTS with distance sensitive per minute rates**

Method of access is FGA
Method of access is FGB
Method of access is FGD
Method of access is 800

b. **MTS with route specific rates per minute**

Method of access is FGA
Method of access is FGB
Method of access is FGD
Method of access is 800

c. x **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

Method of access is FGA
Method of access is FGB
x Method of access is FGD
Method of access is 800

d. **MTS for pay telephone service providers**

e. x **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f. x **800 service (toll free)**

g. **WATS type service (bulk or volume discount)**

Method of access is via dedicated facilities
Method of access is via switched facilities

h. **Private line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

I. **Travel service**
Method of access is 950
Method of access is 800

j. **900 service**

k. x **Operator services**
x Available to presubscribed customers
Available to non presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
Available to inmates

l. **Services included are:**

- x Station assistance
- x Person-to-person assistance
- x Directory assistance
- x Operator verify and interrupt
- Conference calling

22. Submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed). Proposed tariff attached.

23. Submit the following:

A. **Managerial capability;** give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each. See attachment A.

B. **Technical capability;** give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance. See Attachment B.

C. **Financial capability.**
The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated. See Attachment C.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet;

2. income statement; and

3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) *should be provided:*

1. **A written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. **A written explanation** that the applicant has sufficient financial capability to maintain the requested service.

3. **A written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

AT&T Broadband is a wholly-owned subsidiary of AT&T Corp. The attached financial reports of AT&T Corp. provide ample evidence that AT&T Broadband, through its parent corporation, possesses the financial capability to provide and maintain interexchange service in Florida. Additionally, AT&T Corp. also is the parent corporation of AT&T Communications of the Southern States, Inc., and thus has shown its financial capability to provide long distance service in the State of Florida, to maintain the service, and to meet its lease and ownership obligations.

(This page intentionally left blank)

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Tiffany L. Russo
Print Name

T. Russo
Signature

Director of Regulatory Compliance and Implementation
Title

March 26, 2001
Date

#303-858-3350 #303-858-5465
Telephone No. **Fax No.**

Address: ATT Broadband
188 Inverness Drive, West
Suite 400
Englewood, CO 80112

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be provided in one of the following ways (applicant, please √ check one):

(√) The applicant will **not** collect deposits nor will it collect payments for service more than one month in advance.

(   ) The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month.
(The bond must accompany the application.)

UTILITY OFFICIAL:

Tiffany L. Russo
Print Name

Tiffany L. Russo
Signature

Director of Regulatory Compliance and Implementation
Title

March 26, 2001
Date

#303-858-3350
Telephone No.

#303-858-5465
Fax No.

Address: ATT Broadband
188 Inverness Drive, West
Suite 400
Englewood, CO 80112-5202

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide interexchange telecommunications service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Tiffany L. Russo
Print Name

Tiffany L. Russo
Signature

Director of Regulatory Compliance and Implementation
Title

March 26, 2001
Date

#303-858-3350
Telephone No.

#303-858-5465
Fax No.

Address: ATT Broadband
188 Inverness Drive, West
Suite 400
Englewood, Co 80112

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Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

CURRENT FLORIDA INTRASTATE SERVICES

Applicant **has** (✓) or **has not** ( ) previously provided intrastate telecommunications in Florida.

If the answer is has, fully describe the following:

a) What services have been provided and when did these services begin?

Predecessor company MediaOne Florida Telecommunications, Inc. holds (and continues to hold) ALEC Certificate No. 4404 since 1996.

b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL:

Tiffany L. Russo
Print Name

Signature

Director of Regulatory Compliance and Implementation
Title

March 26, 2001
Date

#303-858-3350
Telephone No.

#303-858-5465
Fax No.

Address: ATT Broadband
188 Inverness Drive, West
Suite 400
Englewood, CO 80112

CERTIFICATE TRANSFER, OR ASSIGNMENT STATEMENT

Illustrative Tariff

TITLE SHEET
FLORIDA TELECOMMUNICATIONS TARIFF

TARIFF SCHEDULES

APPLICABLE TO

INTEREXCHANGE SERVICES OF

AT&T BROADBAND PHONE OF FLORIDA, LLC

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications service provided by AT&T Broadband Phone of Florida, a Delaware Corporation, with principal offices at 600 North Pine Island Road, Plantation, Florida 33324. This tariff applies for services furnished within the state of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

Illustrative Tariff

CHECK SHEET

The sheets listed below, which are inclusive of this tariff, are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date at the bottom of this page.

SHEET	REVISION		SHEET	REVISION	
1	Original	*	16	Original	*
2	Original	*	17	Original	*
3	Original	*	18	Original	*
4	Original	*	19	Original	*
5	Original	*	20	Original	*
6	Original	*	21	Original	*
7	Original	*	22	Original	*
8	Original	*	23	Original	*
9	Original	*	24	Original	*
10	Original	*	25	Original	*
11	Original	*	26	Original	*
12	Original	*			
13	Original	*			
14	Original	*			
15	Original	*			

* New or Revised Page.

Illustrative Tariff

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SHEET

Illustrative Tariff

TABLE OF CONTENTS (Cont'd)

Ron Lindemann, Director
600 N. Pine Island Rd.,
Plantation, Florida 33324

Illustrative Tariff

EXPLANATION OF SYMBOLS

The following symbols shall be used in this Tariff for the purpose indicated below:

D - Delete or discontinue.

I - Change resulting in an increase to a customer's bill.

M - Moved from another Tariff location.

N - New.

R - Change resulting in a reduction to a customer's bill.

T - Change in text or regulation but no change in rate or charge.

Illustrative Tariff

TARIFF FORMAT

A. Sheet Numbering

Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers

Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the FPSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc, the FPSC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

C. Paragraph Numbering Sequence

There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.1.A.1.(a).I.
2.1.1.A.1.(a).I.(i).
2.1.1.A.1.(a).I.(i).(1)

D. Check Sheets

When a tariff filing is made with the FPSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the FPSC.

Illustrative Tariff

1. Technical Terms and Abbreviations

1.1 Explanation of Abbreviations and Acronyms

Cont'd	-	Continued
DID	-	Direct-Inward-Dialing
DOD	-	Direct-Outward-Dialing
FPSC	-	Florida Public Service Commission
IXC	-	Interexchange Carrier
ICO	-	Independent Company
LATA	-	Local Access and Transport Area
LEC	-	Local Exchange Company
MTS	-	Message Telecommunication Service
NPA	-	Numbering Plan Area
PIC	-	Primary Interexchange Carrier
TDD	-	Telephone Device for the Deaf
TRS	-	Telecommunications Relay Service

1. TECHNICAL TERMS AND ABBREVIATIONS

1.2 DEFINITION OF TERMS

Access Line

An arrangement which connects the customer's location to the Company's designated point of presence or network switching center.

Account

The customer who has agreed, verbally or by signature, to honor the terms of service established by the Company. An account may have more than one access line billed to the same customer address.

Authorization Code

A predefined series of numbers to be dialed by the customer or end user upon access to the Company's system to notify the caller and validate the caller's authorization to use the services provided. The customer is responsible for charges incurred through the use of his or her assigned Authorization Code.

Authorized User

A person, firm or corporation, or any other entity authorized by the customer to communicate utilizing the Company's services.

Channel

The individual segment(s) of a circuit.

Circuit

Facilities and/or equipment necessary to provide a specific service.

Commission

The Florida Public Service Commission.

Company

Refers to AT&T Broadband Phone of Florida, LLC..

1. Technical Terms and Abbreviations

1.2 Definition Of Terms (Cont'd)

Customer

A person or legal entity who has applied for, been accepted, and is currently receiving service.

Equal Access

A form of dialed access provided by local exchange companies whereby telephone calls dialed by the customer are automatically routed to the Company's network. Presubscribed customers may also route telephone calls to the Company's network by dialing an access code supplied by the Company.

Exchange

A specified geographic area established for the furnishing of communication service. It may consist of one or more central offices together with the associated plant used in furnishing service within that area.

Facilities

Supplemental equipment, apparatus, wiring, cables and other materials and mechanisms necessary to or furnished in connection with communications service.

Local Access and Transport Area (LATA)

A geographic area established for the provision and administration of communications service. It encompasses one or more designated exchanges, which are grouped to serve common social, economic and other purposes.

Long Distance Call

Any call extending beyond the exchange of the caller which is rated on a long distance schedule by a long distance provider.

1. TECHNICAL TERMS AND ABBREVIATIONS

1.2 DEFINITION OF TERMS (Cont'd)

Monthly Rate

A recurring charge, for a period of thirty days, made in conjunction with the provision of a service.

Nonrecurring Charge

A one time charge made under certain conditions to recover all or a portion of the cost of installing facilities or providing service.

Personal Account Code

See "Authorization Code".

Point of Presence

Location of the serving central office associated with access to the Company's network.

User

A customer, or any other person authorized by a customer to use service provided under this Tariff.

Illustrative Tariff

2. RULES AND REGULATIONS

2.1 UNDERTAKING OF THE COMPANY

2.1.1 GENERAL

A. The Company's services and facilities are furnished for communications originating at specified points within the state of Florida under the terms of this tariff.

B. The Company installs, operates, and maintains the communications services provided herein in accordance with the terms and conditions set forth under this tariff. It may act as the customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the customer, to allow connection of a customer's location to the Company's network. The customer shall be responsible for all charges due for such service arrangement.

2.1.2 MINIMUM SERVICE PERIOD

The Company's services and facilities are provided on a monthly basis unless ordered on a longer term basis, and are available twenty-four hours per day, seven days per week.

Illustrative Tariff

2. RULES AND REGULATIONS

2.1 UNDERTAKING OF THE COMPANY (Cont'd)

2.1.3 LIMITATIONS

A. Service is offered subject to the availability of facilities and provision of this tariff. The Company's obligation to furnish facilities and service is dependent upon its ability to secure and retain, without unreasonable expense, suitable facilities from the underlying carrier, if an underlying carrier is involved.

B. The Company shall not be required to furnish, or continue to furnish, facilities or service where the circumstances are such that the proposed use of the facilities or service would tend to adversely affect the Company's property, service or economic conditions.

C. The Company reserves the right to refuse an application for service made by a present or former customer who is indebted to the Company for service previously rendered pursuant to this Tariff until the indebtedness is satisfied.

D. The Company reserves the right to discontinue furnishing service (or limit the use of service) when: necessitated by conditions beyond its control, or when the customer is using service in violation of the law or the provisions of this tariff.

E. All facilities provided under this tariff are directly controlled by the Company and the customer may not transfer or assign the use of service or facilities, except with the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.

F. Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions for service.

G. Services provided under this Tariff are not offered for resale or rebilling.

2. Rules and Regulations

2.1 Undertaking of the Company (Cont'd)

2.1.4 Liability

A. General

The liability of the Company for any claim or less, expense or damage, due to any interruption, delay, error, omission, or defect in any service, facility, or transmission provided under this tariff shall not exceed an amount equivalent to the proportionate charge to the customer for the period of service or the facility provided during which such interruption, delay, error, omission, or defect occurs. In no event will the Company be liable for any indirect, consequential, or special damages, or for any lost profits, even if advised of the possibility of the same.

B. Terms and Conditions

1. The Company shall not be liable for any claim or loss, expense or damage, due to any interruption, delay, error, omission, or other defect in service, facility, or transmission provided under this tariff, if caused by any person or entity other than the Company, any malfunction of any service or facility provided by any other carrier, act of God, fire, war, civil disturbance, act of government or by any other cause beyond the Company's control.

2. The Company shall not be liable for and shall be fully indemnified and held harmless by the customer against any claim of loss, expense, or damage, including indirect, special, or consequential damage for:

(a) Defamation, libel, slander, invasion of privacy, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, unfair competition, interference with or misappropriation, or violation of any contract, proprietary or creative right, or any other injury to any person, property, or entity arising from the material, data, information, or content revealed to, transmitted, processed, handled or used by the Company under this tariff;

(b) Connecting, combining, or adapting the Company's facilities with the customer's apparatus or systems;

(c) Any act of omission by the customer; or

(d) Any personal injury or death of any person or for any loss of or damage to a customer's premises or any other property, whether owned by the customer or others, caused directly or indirectly by the installation, maintenance, location, condition, operation, failure, presence, use, or removal of equipment or wiring provided by the Company, if not caused by gross negligence of the Company.

Illustrative Tariff

2. RULES AND REGULATIONS

2.1 UNDERTAKING OF THE COMPANY

2.1.4 LIABILITY

B. Terms and Conditions (Cont'd.)

3. No agent or employee of any other carrier shall be deemed to be an agent or employee of the Company.

4. The Company makes no warranty regarding the provision of service pursuant to this Tariff, including but not limited to the implied warranties of merchantability and fitness for a particular purpose.

5. The Company shall not be liable for any claim, loss or refund as a result of loss or theft of authorization codes or personal account codes issued for use with the Company's services.

2. Rules and Regulations

2.2 Interruption or Disconnection of Service

2.2.1 Credit Allowance

A. Credit allowance for the interruption of service which is not due to the Company's testing or adjusting, negligence of the customer, or to the failure of channels or equipment provided by the customer, are subject to the general liability provisions set forth in 2.1.4 herein.

It shall be the customer's obligation to notify the Company immediately of any service interruption for which a credit allowance is desired. Before giving such notice, the customer shall ascertain that the trouble is not being caused by any action or omission by the customer within his control; or by any equipment or facilities furnished by the customer and connected to the Company's facilities.

B. No refund or credit will be made for the time that the Company stands ready to repair the service and the subscriber does not provide access to the Company for such restoration work.

C. No credit shall be allowed for an interruption of a continuous duration of less than twenty-four (24) hours after the subscriber notifies the Company.

D. The customer shall be credited for an interruption of more than twenty-four hours as follows:

Credit Formula:

Credit = A/720 x C

"A" - outage time in hours
"720" - total hours in month
"C" - total monthly charge for affected facility

2. RULES AND REGULATIONS

2.2 INTERRUPTION OR DISCONNECTION OF SERVICE (Cont'd)

2.2.2 DISCONNECTION OF SERVICE

A. The Company, upon five (5) working days written notice to the customer, may discontinue service or cancel an application for service without incurring any liability for any of the following reasons:

1. Non-payment of any sum due to the Company for regulated service for more than thirty (30) days beyond the date of rendition of the bill for such service.

2. A violation of any regulation governing the service under this tariff.

3. A violation of any law, rule, or regulation of any government authority having jurisdiction over such service.

4. The Company has given the customer notice and has allowed a reasonable time to comply with any rule, or remedy, and deficiency as stated in Rule 25-4.113, F.A.C., Refusal or Discontinuance of Service by Company.

5. Service may be disconnected without notice for tampering with Company equipment, for interfering with the service to other customers, for fraud, or in the event of a hazardous condition.

2.3 DISPUTED AMOUNTS

All charges due by the subscriber are payable at any agency duly authorized to receive such payments. Any objection to billed charges should be promptly reported to the Company. Adjustments to customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate.

2.4 DEPOSITS

The Company does not require a deposit from the customer.

2. Rules and Regulations

2.5 Advance Payments

For customers from whom the Company feels an advance payment is necessary, the Company reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and if necessary a new advance payment will be collected for the next month.

2.6 Taxes

All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed on customer bills as separate line items and are not included in the quoted rates.

2.7 Late Payment

Interest charges of 1.5% per month will be assessed on all unpaid balances more than thirty (30) days old.

2.8 Returned Checks

A returned check charge of $25.00 will be assessed for checks returned for insufficient funds.

2.9 Restoration of Service

A reconnection fee of $25.00 per occurrence applies when service is re-established for a customer whose service has been disconnected for non-payment.

Illustrative Tariff

3. Description of Service

3.1 Message Telecommunication Service

3.1.1 Application

A. Message Telecommunication Service (MTS) applies to all toll calls made between two or more rate centers and furnished or made available by the Company over facilities within the state.

B. MTS provides telecommunication beyond the local service area. MTS charges cover the service furnished between the calling and called stations.

3.1.2 Terms And Conditions

A. Scope

1. MTS is that of furnishing facilities for telecommunication between station lines in different local service areas in accordance with the terms, conditions, and rates specified in this Tariff.

2. The Company does not undertake to transmit messages but furnishes the use of its facilities to its customers for communications.

B. Use

1. Use of Service

   The service is provided for use by the customer and may be used by others, when so authorized by the customer, providing that such use shall be subject to the provisions of this Tariff.

3. DESCRIPTION OF SERVICE

3.1 MESSAGE TELECOMMUNICATION SERVICE
3.1.2 TERMS AND CONDITIONS

B. Use (Cont'd)

2. Abuse and Fraudulent Use

The service is furnished subject to the condition that there will be no abuse or fraudulent use of the service. Abuse or fraudulent use of service includes:

(a) The use of service or facilities of the Company to transmit a message or to locate a person or otherwise to give or obtain information, without payment of the charge applicable for service;

(b) The obtaining, or attempting to obtain, or assisting another to obtain or to attempt to obtain MTS, by rearranging, tampering with, or making connection with any facilities of the Company, or by any trick, scheme, false representation, or false credit device, or by or through any other fraudulent means or device whatsoever, with intent to avoid the payment, in whole or in part, of the regular charges for such service;

(c) The use of service or facilities of the Company for a call or calls, anonymous or otherwise, if in a manner reasonably to be expected to frighten, abuse, torment, or harass another;

(d) The use of profane or obscene language;

(e) The use of the service in such a manner as to interfere unreasonably with the use of the service by one or more other customers.

3. Unlawful Purposes

The service is furnished subject to the conditions that it will not be used for an unlawful purpose. Service will be discontinued, upon five days written notice, if any law enforcement agency acting within its jurisdiction, advises that such service is being used or will be used in violation of law. If the Company receives other evidence giving reasonable cause to believe that such service is being or will be so used, it will deny the service or refer the matter to the appropriate law enforcement agency.

4. For nonpayment of any sum due the Company, or for abuse or fraudulent use of the service, the Company may either suspend, terminate without suspension, or refuse service without incurring any liability.

3. Description of Service

3.2 MTS Service Offerings

3.2.1 Class of Calls

Charges apply according to the class of call the calling person selects as defined below.

A. Dial Station-to-Station

Applies when the calling person dials the desired telephone number without the assistance of a Company operator and the call is billed to the calling number. This includes calls forwarded by call forwarding equipment.

B. Dial Station-to-Station also applies when the operator:

- Records the calling telephone number for areas without automatic recording equipment.
- Reaches the called telephone number because of trouble on the network or because dial completion is not available.
- Places a call for a calling party who is identified as being disabled and is unable to dial the call because of that disability.
- Reestablishes a dialed call when there is a service fault that interrupts a call after the called person has been reached.

3.2 MTS SERVICE OFFERINGS
3.2.1 CLASS OF CALLS (CONT'D)

C. Customer Dialed Calling Card Station-to-Station

Applies to Station-to-Station calls where equipment is available and the calling person dials zero, the telephone number desired, and the calling card or special billing number without the assistance of an operator and to Station-to-Station calls where equipment is not available and operator assistance is required to complete the call. This also applies when the calling person dials zero, plus the telephone number to complete the call and operator assistance is limited to recording the calling card number for billing purposes.

D. Operator-Assisted Person-to-Person

Applies when a calling station names the particular party to be reached by an operator. Person-to-Person also applies when the calling party cannot speak to the intended person or station but agrees to speak to someone else or requests an operator to make arrangements with a person to receive a call at a specified time.

E. Collect Calls

Charges for Person-to-Person and Operator-Assisted Station-to-Station telephone calls may be billed against or collected from the called line (i.e., charges may be reversed), if the charges are accepted by the called party. This collect call may be billed to a calling card or third party number, unless restricted from accepting this call type.

F. Third Party

Denotes a billing arrangement by which a call may be charged to an authorized customer line, as determined by the Company, other than the line originating the call or the line where the call is terminated.

G. Operator assisted charges will apply when a customer requests a time and charges quote for a toll call.

3. Description of Service

3.2 MTS Service Offerings (Cont'd)

3.2.2 Timing of Calls

A. On Dial Station-to-Station, Customer Dialed Calling Card Station-to-Station and Operator-Handled Station-to-Station, the timing of a call begins when the called party picks up the receiver, (i.e. when 2-way communication, often referred to as "conversational time" is possible). When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as usage of the network.

B. On Person-to-Person calls, the timing of a call begins when the calling person is connected to a specified person, station or an agreed upon alternate.

C. Chargeable time ends when the connection is terminated at any point.

D. The timing of a call does not include time lost because of service faults or defects that are reported to the Company. No charge applies for incomplete calls where a connection is not made.

E. MTS rates are quoted in terms of first and additional minutes.

1. The initial minute is the first minute or any fraction after connection is made.
2. The first minute and additional minute MTS rates shown in the rate schedule(s) in Section 4, following, are applied on the basis of whole minute intervals. The billing interval is determined by rounding up partial minutes to the next whole minute.

3. Description of Service

3.2 MTS Service Offerings (Cont'd)

3.2.3 Determination of Airline Mileage

A. Rates for Message Telecommunications Service are not distance sensitive.

3.2.4 Minimum Call Completion Rate

A. A customer can expect a call completion rate (number of calls completed / number of calls attempted) of not less than 90% during peak use periods for all Feature Group D services ("1+" dialing).

3.2.5 Determination of Charges

A. The charges for MTS calls are determined by the:

- Class of call
- Duration of call

B. The total amount of the call will be rounded to the nearest cent if the computed rate of the call results in a fractional charge.

4. Rates and Charges

4.1 MTS Service Offerings (Cont'd)

4.1.1 Basic MTS Service

A. General

1. Basic MTS Service is available to residence and business customers located within the Company's service area who subscribe to AT&T Broadband Phone local service. Customers selecting Basic MTS are billed usage sensitive rates in one-minute increments.

2. MTS Service is not available in connection with grandfathered services.

3. Customers subscribing to Basic MTS Service must presubscribe to AT&T Broadband Phone as their toll provider.

B. Rates and Charges

	Per First Minute	Per Additional Minute
• Usage Rate	$0.07	$0.07

Illustrative Tariff

4. Rates and Charges

4.1 MTS Service Offerings (Cont'd)

4.1.2 Operator Service

A. General

1. Operator Service charges apply to customers subscribing to MTS Service who engage the operator's assistance in the completion of MTS calls.

2. Operator Services include the completion of collect, station-to-station, person-to-person, third party billing and credit card calls with the assistance of an operator.

2. Charges for Operator Service are in addition to charges for MTS service set forth in 4.1.1, preceding.

B. Charges

	Maximum Charge
• Customer Dialed Calling Card, each request	$ .60
• Person-to-Person, each request	2.98
• Collect, each request	1.26
• Third Number Billed, each request	1.26
• All Other Operator Assistance, each request	.60

4. Rates and Charges

4.2 Special Rates for the Handicapped

4.2.1 Directory Assistance

There shall be no charge for up to fifty (50) calls per billing cycle from lines or trunks serving individuals with disabilities. The Company shall charge the prevailing tariff rates for every call in excess of 50 within a billing cycle.

4.2.2 Hearing and Speech Impaired Persons

Where applicable, intrastate toll message rates for TDD users shall be evening rates for daytime calls and night rates for evening and night calls.

4.2.3 Telecommunications Relay Service

For intrastate toll calls received from the relay service, the Company will discount relay service calls by 50% off of the otherwise applicable rate for a voice non-relay call. Where either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60%. These discounts apply only to the time-sensitive elements of the call and shall not apply to per-call surcharges.

4.3 Special Promotions

The Company will, from time to time, offer special promotions to its customers waiving certain charges. These promotions will be approved by the FPSC with specific starting and ending dates.

ATTACHMENT A - MANAGERIAL CAPABILITY

Catherine Kilstrom – Senior Vice President

Catherine Kilstrom has more than 15 years of experience in the telecommunications and information industry as well as expertise in sales, service operations, marketing, strategic planning and business development. She joined AT&T in September of 1997 as vice president of Business Local Product Delivery and was recently named Senior Vice President - Telephony for AT&T Broadband.

Ms. Kilstrom is responsible for the successful roll out of AT&T's consumer local telephony services nationwide. Key responsibilities include strategic business planning, national program management, readiness testing, field market launches and results management.

Before joining AT&T, Ms. Kilstrom worked for US West, where she was vice president of marketing and vice president of national account sales and service.

Ms. Kilstrom graduated from the University of Iowa with a degree in business and marketing. She is also a graduate of Columbia University and University of Minnesota executive programs.

Ms. Kilstrom lives in Denver and is chairman of the board of the Five Points Media Center, a member of the University of Colorado at Denver's board of directors and was recently appointed to the 9NEWS board of governors for the 9WHO CARE program.

Rick D. Bailey – Senior Vice President and Chief Counsel

In April 2000, Rick Bailey was appointed Senior Vice President and Chief Counsel of AT&T Broadband in Englewood, Colorado. He is responsible for all legal, public policy and governmental issues. Rick joined AT&T in 1988 and has held various law and public policy positions. Most recently, from 1997 through March of this year, Rick was AT&T Vice President--Federal Government Affairs and Public Policy in Washington, D.C. Prior to leading Federal Government Affairs, Bailey was AT&T's Law and Government Affairs Vice President for the company's Western Region, with responsibility for all legal, public policy and governmental issues in 14 western and Midwestern states.

After graduation from the University of Wisconsin Law School in 1982, Mr. Bailey had extensive experience as a trial lawyer in private practice in Chicago, IL and Madison, WI. He is a member of the State Bars of Wisconsin, Illinois and Colorado, the American Bar Association, and the Federal Communications Bar Association.

Rick, his wife, Karyn, and their children Ben and Claire reside in Castle Pines, CO.

AT&T is the world's premier voice and data communications company, serving more than 80 million customers, including consumers, businesses and governments. With annual revenues of more than $56 billion and approximately 140,000 employees, AT&T provides services to countries and territories around the world. The company is a leading provider of communications, cable, wireless and IP services and is the nation's largest direct Internet Service Provider to consumers. AT&T's businesses are backed by the research and development capabilities of AT&T Labs, which is working to create the information services and communications networks of tomorrow.

Edward (Ed) M. Dwyer - Vice President & Treasurer

Ed Dwyer is Vice President and Treasurer of AT&T responsible for managing the financial assets of the business including supporting AT&T's capital requirements and financing activities. He is responsible for all traditional treasury and risk management activities, including cash management, financing, insurance, and managing the Company's relationships with banks and credit rating agencies. In addition, Ed oversees AT&T's global real estate assets and facilities, the management of $35 billion of employee benefit assets, and its M&A efforts.

In his prior assignment, Ed was Senior Vice President and Chief Financial Officer of AT&T Capital Corporation, a $12 billion publicly-owned equipment leasing and finance company with operations in 22 different countries. In this capacity, his responsibilities included not only the traditional finance areas of Accounting, Treasury, Investor Relations, Taxes, and Business Planning, but also extended to Credit and Asset Management.

Before joining AT&T Capital, Ed spent six years at AT&T with assignments covering all dimensions of Treasury management, domestic and international. Additionally, Ed is a Certified Public Accountant; he worked several years with Coopers & Lybrand prior to joining AT&T.

Ed is a summa cum laude graduate of Temple University with a degree in Accounting, and he graduated with Distinction from the Wharton School, with an MBA in Finance.

He resides in St. Davids, Pennsylvania with his wife, Mary Lou, and their four children.

Greg Braden - Executive Vice President - Engineering and Telephony Operations

Greg Braden is executive vice president of Engineering and Telephony Operations responsible for leading and managing all engineering and technical operations for AT&T Broadband, including network operations, capacity and fulfillment, and broadband telephony initiatives. Braden is also responsible for all wireline telephone operations. Braden is directly involved in the launch of new products at AT&T Broadband, including AT&T Digital Cable, high-speed cable Internet access, telephone services, video on demand and interactive television.

Prior to his current appointment, he served as vice president, Digital Telephone Services for MediaOne. In this position, he had responsibility for planning and implementing

MediaOne's entry into the telephone market as a facilities-based provider for local services. He also oversaw new product development for voice services, such as emerging IP voice applications.

Prior to joining MediaOne, Braden worked for U S WEST for more than 19 years. He had a number of assignments in field operations, marketing, sales, human resources, strategic planning and general management. In January 1995 he moved from U S WEST Communications to MediaOne after U S WEST Media Group (which became MediaOne Group) purchased cable television properties in the greater Atlanta metropolitan area. There for two years, he was responsible for planning and implementing telephone service across the hybrid fiber-coax network deployed by MediaOne. MediaOne began offering telephone service across that network in January 1998.

Braden holds a Bachelor of Science from the University of Oregon and an MBA from the University of Washington.

AT&T Broadband, a business unit of AT&T, is the nation's largest broadband services company, providing analog and digital television entertainment services to about 16 million customers across the nation. The company also provides advanced services, such as high-speed cable Internet services and competitive local phone service. AT&T Corp. (NYSE:T) is the world's leader in telecommunications services and technology.

ATTACHMENT B

EXHIBIT 9

TECHNICAL QUALIFICATIONS

AT&T Corp. ("AT&T") is among the world's communications leaders, providing voice, data and video telecommunications services to large and small businesses, consumers and government entities. Upon the closing of this transaction, the cable system will benefit from the experience of AT&T, which will become the ultimate parent company of the franchisee. The business division of AT&T under which the franchisee will operate is known as Broadband and Internet Services ("BIS"). BIS includes the cable television system operations conducted by AT&T. Among other things, BIS is engaged in the construction, acquisition, ownership and operation of cable television systems and is supported by more than 40 years of cable operations experience. Subsidiaries of AT&T and affiliates of the franchisee own and operate cable systems in 48 states served by over 1,500 headends.

At BIS headquarters in Englewood, Colorado, there is a vice president of engineering, a vice president of network implementation and a vice president of materials management who report to the chief technology officer of BIS. These three vice presidents assist in and provide direction for operations, engineering, and construction activities for AT&T subsidiaries and partnerships in which BIS has managing and operational responsibilities. Essential functions of these vice presidents include the direction of system design and establishment of technical standards, as well as engineering and construction procedures. These vice presidents are required to have a minimum of an engineering degree, practical experience, including construction, installation, microwave, earth stations, and fiber optics, or the appropriate mixture of education and experience. These individuals are required to have a thorough knowledge of all technical aspects of the cable television business.

Corporate field engineers assist in the construction and maintenance of cable systems. Essential functions of the corporate field engineers include correcting and recommending design modifications, conducting tests on newly constructed and existing systems and regularly inspecting the progress and quality of construction projects. These engineers are required to have two to three years of operational and construction experience. Corporate field engineers report to the vice president of engineering.

BIS has six directors of engineering whose jobs are to ensure customer satisfaction, manage engineering functions and budgets, and oversee technical business operations. The directors coordinate engineering practices and production programs, direct decisions regarding types of equipment and their specifications, select outside contractors for the laying of cable or other construction projects within the company, review capital project proposals, provide technical information regarding construction and equipment requirements and preventive maintenance, and ensure that technical and safety standards are met. The directors are required to have a Bachelor's degree in engineering, a proven ability to motivate, supervise, and administer engineering plans and programs, a thorough knowledge of all technical aspects of the cable television business (including FCC rules and regulations), and at least five years experience in cable television or a related industry.

BIS has corporate construction coordinators who direct all phases of construction and are responsible for the safety and progress of construction personnel. They conduct safety inspections and briefings, and inspect the progress and quality of construction projects. At a minimum, the coordinators are required to have a high school diploma or equivalent and knowledge of construction, electrical codes, and safety precautions. They are also required to have two to three years of cable construction experience.

Some states have area engineers who plan, organize, and direct the technical operations of a designated group of cable systems and function as a key technical resource to system management, technical planning, and decision-making. To support these functions, they must maintain state-of-the-art knowledge of plant operations, and ensure that governmental, franchise, and service requirements are met concerning picture quality, leakage control, and overall integrity of cable plants within the area of responsibility. These engineers are required to have an Associate's degree in electronics of SCTE, BCT or BCE Certification or equivalent, three to five years experience in the field, and a knowledge of electrical safety and local codes.

In addition to the above-demonstrated level and degree of technical and managerial expertise that resides in AT&T's BIS organization, AT&T will, by virtue of this transaction, acquire control of MediaOne Group, Inc. and its 35 years of experience in the cable television industry, including MediaOne's interest in the entity that directly owns and operates the cable television system in your community. You have previously considered and approved the technical qualifications, experience and expertise of the current franchisee, which will continue to own and operate the system after the closing.

ATTACHMENT C

Report of Management

Management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and all other financial information included in this report. Management is also responsible for maintaining a system of internal controls as a fundamental requirement for the operational and financial integrity of results. The financial statements, which reflect the consolidated accounts of AT&T Corp. and Subsidiaries and other financial information shown, were prepared in conformity with generally accepted accounting principles. Estimates included in the financial statements were based on judgments of qualified personnel. To maintain its system of internal controls, management carefully selects key personnel and establishes the organizational structure to provide an appropriate division of responsibility. We believe it is essential to conduct business affairs in accordance with the highest ethical standards as set forth in the AT&T Code of Conduct. These guidelines and other informational programs are designed and used to ensure that policies, standards and managerial authorities are understood throughout the organization. Our internal auditors monitor compliance with the system of internal controls by means of an annual plan of internal audits. On an ongoing basis, the system of internal controls is reviewed, evaluated and revised as necessary in light of the results of constant management oversight, internal and independent audits, changes in AT&T's business and other conditions. Management believes that the system of internal controls, taken as a whole, provides reasonable assurance that (1) financial records are adequate and can be relied upon to permit the preparation of financial statements in conformity with generally accepted accounting principles, and (2) access to assets occurs only in accordance with management's authorizations.

The Audit Committee of the Board of Directors, which is composed of directors who are not employees, meets periodically with management, the internal auditors and the independent accountants to review the manner in which these groups of individuals are performing their responsibilities and to carry out the Audit Committee's oversight role with respect to auditing, internal controls and financial reporting matters. Periodically, both the internal auditors and the independent accountants meet privately with the Audit Committee and have access to its individual members at any time.

The consolidated financial statements in this annual report have been audited by PricewaterhouseCoopers LLP, Independent Accountants. Their audits were conducted in accordance with generally accepted auditing standards and include an assessment of the internal control structure and selective tests of transactions. Their report follows.

C. Michael Armstrong Chairman of the Board, Chief Executive Officer	Charles H. Noski Senior Executive Vice President, Chief Financial Officer

Report of Independent Accountants

To the Board of Directors and Shareowners of AT&T Corp.:

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in shareowners' equity and of cash flows present fairly, in all material respects, the financial position of AT&T Corp. and its subsidiaries (AT&T) at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of AT&T's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Liberty Media Group, an equity method investee, which was acquired by AT&T on March 9, 1999. AT&T's financial statements include an investment of $38,460 million as of December 31, 1999, and an equity method loss of $2,022 million, for the year ended December 31, 1999. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Liberty Media Group, as of and for the year ended December 31, 1999, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

March 9, 2000

Consolidated Statements of Income

AT&T Corp. and Subsidiaries

Dollars in millions (except per share amounts)	For the Years Ended December 31, 1999	1998	1997
Revenue	$ 62,391	$ 53,223	$ 51,577
Operating Expenses			
Access and other interconnection	14,686	15,328	16,350
Network and other costs of services	14,385	10,495	10,038
Selling, general and administrative	13,516	12,770	14,371
Depreciation and other amortization	6,138	4,378	3,728
Amortization of goodwill, franchise costs and other purchased intangibles	1,301	251	254
Net restructuring and other charges	1,506	2,514	—
Total operating expenses	51,532	45,736	44,741
Operating income	10,859	7,487	6,836
Equity losses from Liberty Media Group	2,022	—	—
Other income(expense)	(501)	1,247	443
Interest expense	1,651	427	307
Income from continuing operations before income taxes	6,685	8,307	6,972
Provision for income taxes	3,257	3,072	2,723
Income from continuing operations	3,428	5,235	4,249
Discontinued Operations			
Income from discontinued operations (net of taxes of $6 and $50)	—	10	100
Gains on sales of discontinued operations (net of taxes of $799 and $43)	—	1,290	66
Income before extraordinary loss	3,428	6,535	4,415
Extraordinary loss (net of taxes of $80)	—	137	—
Net income	$ 3,428	$ 6,398	$ 4,415

Per AT&T common share – basic:			
Income from continuing operations	$ 1.77	$ 1.96	$ 1.59
Income from discontinued operations	—	—	0.03
Gains on sales of discontinued operations	—	0.48	0.03
Extraordinary loss	—	0.05	—
AT&T Group earnings	$ 1.77	$ 2.39	$ 1.65

Per AT&T common share – diluted:			
Income from continuing operations	$ 1.74	$ 1.94	$ 1.59
Income from discontinued operations	—	—	0.03
Gains on sales of discontinued operations	—	0.48	0.03
Extraordinary loss	—	0.05	—
AT&T Group earnings	$ 1.74	$ 2.37	$ 1.65

Liberty Media Group loss per share:			
Basic and diluted	$ 1.61	$ —	$ —

The notes on pages 36 through 55 are an integral part of the consolidated financial statements.

Consolidated Balance Sheets

AT&T Corp. and Subsidiaries

	At December 31,	
Dollars in millions	1999	1998
Assets		
Cash and cash equivalents	$ 1,024	$ 3,160
Receivables, less allowances of $1,507 and $1,060	10,453	9,055
Deferred income taxes	1,287	1,310
Other current assets	1,120	593
Total current assets	13,884	14,118
Property, plant and equipment, net	39,618	26,903
Franchise costs, net of accumulated amortization of $697	32,693	—
Licensing costs, net of accumulated amortization of $1,491 and $1,266	8,548	7,948
Goodwill, net of accumulated amortization of $363 and $226	7,445	2,205
Investment in Liberty Media Group and related receivables, net	38,460	—
Other investments	19,366	4,434
Prepaid pension costs	2,464	2,074
Other assets	6,928	1,868
Total assets	$ 169,406	$ 59,550
Liabilities		
Accounts payable	$ 6,771	$ 6,226
Payroll and benefit-related liabilities	2,651	1,986
Debt maturing within one year	12,633	1,171
Dividends payable	703	581
Other current liabilities	5,449	5,478
Total current liabilities	28,207	15,442
Long-term debt	21,591	5,556
Long-term benefit-related liabilities	3,964	4,255
Deferred income taxes	24,199	5,453
Other long-term liabilities and deferred credits	3,801	3,213
Total liabilities	81,762	33,919
Minority Interest in Equity of Consolidated Subsidiaries	2,391	109
Company-Obligated Convertible Quarterly Income Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debt Securities of AT&T	4,700	—
Subsidiary-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely Subordinated Debt Securities of an AT&T Subsidiary	1,626	—
Shareowners' Equity		
Common Stock:		
AT&T Common Stock, $1 par value, authorized 6,000,000,000 shares; issued and outstanding 3,196,436,757 shares (net of 287,866,419 treasury shares) at December 31, 1999, and 2,630,391,784 shares (net of 80,222,341 treasury shares) at December 31, 1998	3,196	2,630
Liberty Media Group Class A Tracking Stock, $1 par value, authorized 2,500,000,000 shares; issued and outstanding 1,156,778,730 shares at December 31, 1999	1,157	—
Liberty Media Group Class B Tracking Stock, $1 par value, authorized 250,000,000 shares; issued and outstanding 108,421,114 shares at December 31, 1999	108	—
Additional paid-in capital	60,792	15,195
Guaranteed ESOP obligation	(17)	(44)
Retained earnings	6,712	7,800
Accumulated other comprehensive income	6,979	(59)
Total shareowners' equity	78,927	25,522
Total liabilities and shareowners' equity	$ 169,406	$ 59,550

The notes on pages 36 through 55 are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Shareowners' Equity

AT&T Corp. and Subsidiaries

Dollars in millions	1999	1998	1997
	For the Years Ended December 31,		
AT&T Common Shares			
Balance at beginning of year	$ 2,630	$ 2,684	$ 2,662
Shares issued (acquired), net:			
Under employee plans	—	2	2
For acquisitions	566	(56)	19
Other	—	—	1
Balance at end of year	3,196	2,630	2,684
Liberty Media Group Class A Tracking Stock			
Balance at beginning of year	—	—	—
Shares issued, net:			
For acquisitions	1,140	—	—
Other	17	—	—
Balance at end of year	1,157	—	—
Liberty Media Group Class B Tracking Stock			
Balance at beginning of year	—	—	—
Shares issued (acquired), net:			
For acquisitions	110	—	—
Other	(2)	—	—
Balance at end of year	108	—	—
Additional Paid-In Capital			
Balance at beginning of year	15,195	17,121	16,624
Shares issued (acquired), net:			
Under employee plans	431	67	(8)
Under shareowner plans	—	—	9
For acquisitions	43,675	(2,105)	117
Other	339	112	379
Common stock warrants issued	306	—	—
Gain on issuance of common stock by affiliates	667	—	—
Other	179	—	—
Balance at end of year	60,792	15,195	17,121
Guaranteed ESOP Obligation			
Balance at beginning of year	(44)	(70)	(96)
Amortization	27	26	26
Balance at end of year	(17)	(44)	(70)
Retained Earnings			
Balance at beginning of year	7,800	3,981	1,902
Net income	3,428	6,398	4,415
Dividends declared	(2,807)	(2,230)	(2,145)
Treasury shares issued at less than cost	(1,709)	(370)	(187)
Other changes	—	21	(4)
Balance at end of year	6,712	7,800	3,981
Accumulated Comprehensive Income			
Balance at beginning of year	(59)	(38)	—
Other comprehensive income	7,038	(21)	(38)
Balance at end of year	6,979	(59)	(38)
Total Shareowners' Equity	$ 78,927	$ 25,522	$ 23,678
Summary of Total Comprehensive Income:			
Net income	$ 3,428	$ 6,398	$ 4,415
Other comprehensive income [net of taxes of $4,600, $(53) and $(24)]	7,038	(21)	(38)
Comprehensive Income	$ 10,466	$ 6,377	$ 4,377

AT&T accounts for treasury stock as retired stock, and as of December 31, 1999, had 288 million treasury shares of which 216 million shares were owned by Tele-Communications, Inc., subsidiaries and 70 million shares related to the purchase of AT&T shares previously owned by Liberty Media Group.

We have 100 million authorized shares of preferred stock at $1 par value. No preferred stock is currently issued or outstanding.

The notes on pages 36 through 55 are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

AT&T Corp. and Subsidiaries

	For the Years Ended December 31,		
Dollars in millions	1999	1998	1997
Operating Activities			
Net income	$ 3,428	$ 6,398	$ 4,415
Deduct: Income from discontinued operations	—	10	100
Gains on sales of discontinued operations	—	1,290	66
Add: Extraordinary loss on retirement of debt	—	137	—
Income from continuing operations	3,428	5,235	4,249
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Gains on sales of businesses and investments	(682)	(959)	(208)
Net restructuring and other charges	1,209	2,362	—
Depreciation and amortization	7,439	4,629	3,982
Provision for uncollectibles	1,416	1,389	1,522
Equity losses from Liberty Media Group	2,022	—	—
Net losses(earnings) from other equity investments	1,155	68	(31)
Increase in accounts receivable	(2,891)	(1,577)	(1,034)
Increase(decrease) in accounts payable	116	(467)	125
Net change in other operating assets and liabilities	(1,180)	5	(832)
Other adjustments for noncash items, net	(397)	(468)	728
Net cash provided by operating activities of continuing operations	11,635	10,217	8,501
Investing Activities			
Capital expenditures and other additions	(14,306)	(7,817)	(7,604)
Proceeds from sale or disposal of property, plant and equipment	286	104	169
Decrease(increase) in other receivables	17	6,403	(465)
Net acquisitions of licenses	(6)	(97)	(435)
Sales of marketable securities	—	2,003	479
Purchases of marketable securities	—	(1,696)	(345)
Equity investment distributions and sales	1,875	1,516	583
Equity investment contributions and purchases	(8,121)	(1,281)	(484)
(Acquisitions)dispositions of businesses including cash acquired in acquisitions	(6,711)	4,507	1,507
Other investing activities, net	(77)	(60)	(160)
Net cash (used in)provided by investing activities of continuing operations	(27,043)	3,582	(6,755)
Financing Activities			
Proceeds from long-term debt issuances	8,396	17	—
Retirements of long-term debt	(2,774)	(2,610)	(737)
Issuance of convertible securities	4,638	—	—
Issuance of common shares	—	32	240
Net acquisition of treasury shares	(4,624)	(3,321)	(69)
Dividends paid on common stock	(2,712)	(2,187)	(2,142)
Distributions on trust preferred securities	(254)	—	—
Increase(decrease) in short-term borrowings, net	10,238	(3,033)	1,114
Other financing activities, net	364	53	54
Net cash provided by(used in) financing activities of continuing operations	13,272	(11,049)	(1,540)
Net cash provided by(used in) discontinued operations	—	92	(84)
Net (decrease)increase in cash and cash equivalents	(2,136)	2,842	122
Cash and cash equivalents at beginning of year	3,160	318	196
Cash and cash equivalents at end of year	$ 1,024	$ 3,160	$ 318

The notes on pages 36 through 55 are an integral part of the consolidated financial statements.

Dollars in millions unless otherwise noted (except per share amounts)

Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include all majority-owned and controlled subsidiaries. Investments in majority-owned subsidiaries where control does not exist and investments in which we exercise significant influence but do not control (generally a 20% to 50% ownership interest) are accounted for under the equity method of accounting. This represents the majority of our investments. Investments in which we have less than a 20% ownership interest and in which there is no significant influence are accounted for under the cost method of accounting.

Foreign Currency Translation

For operations outside the United States that prepare financial statements in currencies other than the U.S. dollar, we translate income statement amounts at average exchange rates for the year, and we translate assets and liabilities at year-end exchange rates. We present these translation adjustments as a component of accumulated other comprehensive income within shareowners' equity. Gains and losses from foreign currency transactions are included in results of operations.

Revenue Recognition

We recognize long distance, local and wireless services revenue based upon minutes of traffic processed or contracted fee schedules. Cable installation revenue is recognized in the period the installation services are provided to the extent of direct selling costs. Any remaining amount is deferred and recognized over the estimated average period that customers are expected to remain connected to the cable distribution systems. We recognize products and other services revenue when the products are delivered and accepted by customers and when services are provided in accordance with contract terms.

Advertising and Promotional Costs

We expense costs of advertising and promotions, including cash incentives used to acquire customers, as incurred. Advertising and promotional expenses were $1,804, $1,920 and $1,995 in 1999, 1998 and 1997, respectively.

Investment Tax Credits

We amortize investment tax credits as a reduction to the provision for income taxes over the useful lives of the assets that produced the credits.

Cash Equivalents

We consider all highly liquid investments with original maturities of generally three months or less to be cash equivalents.

Property, Plant and Equipment

We state property, plant and equipment at cost and determine depreciation based upon the assets' estimated useful lives using either the group or unit method. The useful lives of communications and network equipment range from three to 15 years. The useful lives of other equipment ranges from three to seven years. The useful lives of buildings and improvements range from 10 to 40 years. The group method is used for most depreciable assets, including the majority of the communications and network equipment. When we sell or retire assets depreciated using the group method, the cost is deducted from property, plant and equipment and charged to accumulated depreciation, without recognition of a gain or loss. The unit method is primarily used for large computer systems and support assets. When we sell assets that were depreciated using the unit method, we include the related gains or losses in other income(expense).

We use accelerated depreciation methods primarily for certain high-technology computer-processing equipment and digital equipment used in the telecommunications network, except for switching equipment placed in service before 1989, where a straight-line method is used. All other plant and equipment, including capitalized software, is depreciated on a straight-line basis.

Licensing Costs

Licensing costs are costs incurred to develop or acquire cellular and personal communications services (PCS) licenses. Generally, amortization begins with the commencement of service to customers and is computed using the straight-line method over periods of 35 or 40 years.

Franchise Costs

Franchise costs include the value attributed to agreements with local authorities that allow access to homes in cable service areas acquired in connection with a business combination. Such amounts are amortized on a straight-line basis over 40 years.

Goodwill

Goodwill is the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for as purchases. We amortize goodwill on a straight-line basis over the periods benefited, ranging from five to 40 years.

Software Capitalization

In 1998, AT&T adopted Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." In accordance with this standard, certain direct development costs associated with internal-use software are capitalized, including external direct costs of material and services, and payroll costs for employees devoting time to the software projects. These costs are included within other assets and are amortized over a period not to exceed five years beginning when the asset is substantially ready for use. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred. AT&T also capitalizes initial operating-system software costs and amortizes them over the life of the associated hardware.

AT&T also capitalizes costs associated with the development of application software incurred from the time technological feasibility is established until the software is ready to provide service to customers. These capitalized costs are included in property, plant and equipment and are amortized over a useful life not to exceed five years.

Valuation of Long-Lived Assets

Long-lived assets such as property, plant and equipment, licensing costs, franchise costs, goodwill, investments and software are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

Derivative Financial Instruments

We use various financial instruments, including derivative financial instruments, for purposes other than trading. We do not use derivative financial instruments for speculative purposes. Derivatives, used as part of our risk-management strategy, must be designated at inception as a hedge and measured for effectiveness both at inception and on an ongoing basis. Gains and losses related to qualifying hedges of foreign currency firm commitments are deferred in current assets or liabilities and recognized as part of the underlying transactions as they occur. All other foreign exchange contracts are marked to market on a current basis and the respective gains or losses are recognized in other income(expense). Interest rate differentials associated with interest rate swaps used to hedge AT&T's debt obligations are recorded as an adjustment to interest payable or receivable with the offset to interest expense over the life of the swaps. If we terminate an interest rate swap agreement, the gain or loss is deferred and amortized over the remaining life of the liability. Cash flows from financial instruments are classified in the Consolidated Statements of Cash Flows under the same categories as the cash flows from the related assets, liabilities or anticipated transactions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as long-term contracts, allowance for doubtful accounts, depreciation and amortization, employee benefit plans, taxes, restructuring reserves and contingencies.

Concentrations

As of December 31, 1999, we do not have any significant concentration of business transacted with a particular customer, supplier or lender that could, if suddenly eliminated, severely impact our operations. We also do not have a concentration of available sources of labor, services, franchises, or licenses or other rights that could, if suddenly eliminated, severely impact our operations. We invest our cash with several high-quality credit institutions.

Issuance of Common Stock by Affiliates

Changes in our proportionate share of the underlying equity of a subsidiary or equity method investee, which result from the issuance of additional equity securities by such entity, are recognized as increases or decreases to additional paid-in capital in the Consolidated Statements of Shareowners' Equity.

Reclassifications and Restatements

We reclassified certain amounts for previous years to conform to the 1999 presentation. In addition, we restated prior years' share and per share amounts to reflect the April 1999 three-for-two split of AT&T's common stock.

2 Supplementary Financial Information

Supplementary Income Statement Information

For the Years Ended December 31,	1999	1998	1997
Included in Selling, General and Administrative Expenses			
Research and development expenses	$ 550	$ 513	$ 633
Other Income(Expense)			
Interest income	$ 147	$ 322	$ 59
Minority interests in (earnings) losses of subsidiaries	(23)	34	(12)
Distributions on trust preferred securities	(254)	—	—
Net (losses)earnings from equity investments	(1,155)	(68)	31
Officers' life insurance	71	63	68
Gains on sales of businesses and investments	682	959	208
Miscellaneous, net	31	(63)	89
Total other income(expense)	$ (501)	$ 1,247	$ 443
Deducted from Interest Expense			
Capitalized interest	$ 143	$ 197	$ 254

Supplementary Balance Sheet Information

At December 31,	1999	1998
Property, Plant and Equipment		
Communications, network and other equipment	$ 60,985	$ 44,806
Buildings and improvements	8,104	7,098
Land and improvements	586	373
Total property, plant and equipment	69,675	52,277
Accumulated depreciation	(30,057)	(25,374)
Property, plant and equipment, net	$ 39,618	$ 26,903

Supplementary Shareowners' Equity Information

For the Years Ended December 31,	1999	1998	1997
Net foreign currency translation adjustment [net of taxes of $87, $(3), $(18)]	$ 148	$ (5)	$ (20)
Net revaluation of investments [net of taxes of $4,506, $(35), $(6)]	6,878	(25)	(4)
Net minimum pension liability adjustment [net of taxes of $7, $(15), $0]	12	9	(14)
Other comprehensive income	$ 7,038	$ (21)	$ (38)

In 1999, other comprehensive income included Liberty Media Group's foreign currency translation adjustments totaling $60, net of applicable taxes, and revaluation of Liberty Media Group's available-for-sale securities totaling $6,497, net of applicable taxes.

Supplementary Cash Flow Information

For the Years Ended December 31,	1999	1998	1997
Interest payments net of amounts capitalized	$ 1,311	$ 422	$ 250
Income tax payments	3,906	2,881	2,416

3

Merger with Tele-Communications, Inc. (TCI)

The merger with TCI, renamed AT&T Broadband (Broadband), was completed on March 9, 1999, in an all-stock transaction valued at approximately $52 billion. Each share of TCI Group Series A common stock was converted into 1.16355 shares of AT&T common stock, and each share of TCI Group Series B common stock was converted into 1.27995 shares of AT&T common stock. AT&T issued approximately 664 million shares of AT&T common stock in the transaction, of which approximately 149 million were treasury shares. The total shares had an aggregate market value of approximately $27 billion. Certain subsidiaries of TCI held TCI Group Series A common stock, which was converted into 216 million shares of AT&T common stock. These subsidiaries continue to hold these shares, which are reflected as treasury stock in the accompanying Consolidated Balance Sheet at December 31, 1999.

In addition, TCI simultaneously combined its Liberty Media Group programming business with its TCI Ventures Group technology investments business, forming Liberty Media Group (LMG). In connection with the closing, AT&T issued a separate tracking stock in exchange for the TCI Liberty Media Group and TCI Ventures Group tracking shares previously outstanding. We issued 1,140 million shares of Liberty Media Group Class A tracking stock (including 60 million shares related to the conversion of convertible notes) and 110 million shares of Liberty Media Group Class B tracking stock. The aggregate market value of shares issued in conjunction with the merger was approximately $23 billion. The tracking stock is designed to reflect the separate economic performance of LMG.

AT&T does not have a controlling financial interest for financial accounting purposes in LMG; therefore, our investment in LMG has been reflected as an investment accounted for under the equity method in the accompanying consolidated financial statements. The amounts attributable to LMG are reflected as separate line items "Equity losses from Liberty Media Group" and "Investment in Liberty Media Group and related receivables, net," in the accompanying consolidated financial statements. As a separate tracking stock, all of the earnings or losses related to LMG are excluded from the earnings available to the holders of AT&T common stock, referred to as AT&T Group.

In general, the holders of shares of Liberty Media Group Class A common stock and Liberty Media Group Class B common stock will vote together as a single class with the holders of shares of AT&T common stock on all matters presented to such stockholders. Each share of Liberty Media Group Class A common stock is entitled to three-fortieths of a vote, and each share of Liberty Media Group Class B common stock is entitled to three-fourths of a vote. The AT&T common stock continues to have one vote per share.

The merger was accounted for under the purchase method of accounting and, accordingly, the results of Broadband have been included with the financial results of AT&T since the date of acquisition. The operating results of Broadband have been included in the accompanying consolidated financial statements at their preliminary fair value since March 1, 1999, the deemed effective date of acquisition for accounting purposes. The impact of the results from March 1–9, 1999, were deemed immaterial to our consolidated results. Periods prior to the merger were not restated to include the results of Broadband.

The $52 billion aggregate value assigned to Broadband's net assets was composed of AT&T common stock of approximately $27 billion, Liberty Media Group tracking stock of approximately $23 billion, and assumption of convertible notes and preferred stock of approximately $2 billion.

Approximately $19 billion of the purchase price of $52 billion was attributed to franchise costs and is being amortized on a straight-line basis over 40 years. Franchise costs represent the value attributable to the agreements with local franchise authorities that allow access to homes in our broadband service areas. Pursuant to Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," AT&T recorded an approximate $12 billion deferred tax liability in connection with this franchise intangible, which is also included in franchise costs. We do not expect that this deferred tax liability will ever be paid. This deferred tax liability is being amortized on a straight-line basis over 40 years and is included in the provision for income taxes. Also included in the $52 billion purchase price was approximately $11 billion related to nonconsolidated investments, approximately $5 billion related to property, plant and equipment and approximately $11 billion of Broadband long-term debt. In addition, our investment in LMG was recorded at approximately $34 billion, including approximately $11 billion of goodwill that is being amortized on a straight-line basis over 20 years as a component of "Equity losses from Liberty Media Group."

We may make additional refinements to the allocation of the purchase price in the first quarter of 2000 as the related appraisals of certain assets and liabilities are finalized.

Following is a summary of the pro forma results of AT&T as if the merger had closed effective January 1, 1998:

Shares in millions For the Years Ended December 31,	(Unaudited) 1999	 1998
Revenue	$ 63,332	$59,426
Income from continuing operations	2,856	3,829
Net income	2,856	4,992
Weighted-average AT&T Group common shares	3,181	3,146
Weighted-average AT&T Group common shares and potential common shares	3,299	3,251
Weighted-average Liberty Media Group shares	1,259	1,190
Basic earnings per AT&T common share:		
Income from continuing operations	$ 1.60	$ 1.31
AT&T Group earnings	$ 1.60	$ 1.68
Diluted earnings per AT&T common share:		
Income from continuing operations	$ 1.55	$ 1.27
AT&T Group earnings	$ 1.55	$ 1.63
Liberty Media Group loss per share:		
Basic and diluted	$ 1.78	$ 0.25

Pro forma data may not be indicative of the results that would have been obtained had these events actually occurred at the beginning of the periods presented, nor does it intend to be a projection of future results.

4 Other Mergers, Acquisitions, Ventures, Dispositions and Discontinued Operations

ACC Europe

On November 5, 1999, AT&T sold ACC Corp. (ACC) in Europe, including ACC's principal operations in the United Kingdom as well as ACC's operating companies in France, Germany and Italy, to WORLDxCHANGE Communications. We were required to dispose of this investment pursuant to a government mandate since it would have competed directly with Concert, our global venture with British Telecommunications plc (BT). The transaction resulted in a pretax loss of $179.

MediaOne Group, Inc.

On October 21, 1999, shareholders of MediaOne Group, Inc. (MediaOne), voted in favor of the proposed merger between AT&T and MediaOne, pursuant to a definitive merger agreement entered into on May 6, 1999. Under the agreement, each MediaOne shareholder is entitled to elect to receive either cash or AT&T stock in exchange for their MediaOne shares, subject to the limitation that the aggregate consideration will consist of $30.85 per share in cash plus 0.95 of a share of AT&T stock for every MediaOne share. In addition, the cash portion of the AT&T offer will be increased to offset up to a 10% decline in AT&T's closing stock price of $57 per share on April 21, 1999, the date the offer was extended. This will maintain a value of $85 per share for every MediaOne share, provided AT&T's stock trades between $57 per share and $51.30 per share. The additional amount of cash that may be received is limited to $5.42 per share. AT&T estimates that we will issue approximately 600 million shares in the transaction. The merger, which remains subject to regulatory and other approvals, is expected to close in the second quarter of 2000. Comcast Corporation (Comcast) received a $1.5 billion breakup fee in conjunction with the termination of MediaOne's previous merger agreement with Comcast. MediaOne received the funds to pay the breakup fee in the form of a note payable to AT&T.

Cox Communications, Inc.

On July 6, 1999, AT&T and Cox Communications, Inc. (Cox), signed an agreement whereby AT&T would redeem approximately 50.3 million shares of AT&T common stock held by Cox in exchange for cable television systems serving approximately 312,000 customers, our interest in certain investments and approximately $750 in other consideration, including cash. Based on the closing price of AT&T's stock on July 6, 1999, the transaction is valued at approximately $2.8 billion. The transaction is subject to receipt of necessary government and regulatory approvals and is expected to close by the end of the first quarter of 2000.

Comcast Corporation

On May 4, 1999, AT&T and Comcast announced an agreement to exchange various cable systems to improve each company's geographic coverage by better clustering its systems. The agreement will result in a net addition to Comcast of approximately 750,000 subscribers. Because Comcast will receive more subscribers than it is contributing in the exchange, it will pay AT&T consideration having a value of approximately $4,500 per added subscriber for a total value of $3.0 billion to $3.5 billion. Also, Comcast has agreed to offer AT&T-branded telephony in all of its markets, subject to certain conditions. The foregoing agreements are subject to completion of the proposed AT&T/MediaOne merger and other regulatory and legal approvals.

IBM Global Network

On April 30, 1999, AT&T completed its acquisition of the IBM Global Network business (renamed AT&T Global Network Services or AGNS) and its assets in the United States. The non–U.S. acquisitions occurred in phases throughout 1999 as legal and regulatory requirements were met in each of the countries in which the business operates. Under the terms of the agreement, AT&T acquired the global network of IBM, and the two companies entered into outsourcing agreements with each other. IBM is outsourcing a significant portion of its global networking needs to AT&T, and AT&T is outsourcing certain applications-processing and data-center-management operations to IBM. As of December 31, 1999, a total of 71 countries have been transferred from IBM to AT&T, representing more than 99% of the contract revenue. We are awaiting regulatory approval in the remaining countries and expect to be providing service in a total of 81 countries by the end of the first quarter of 2000. The acquisition has been accounted for as a purchase. Accordingly, the operating results of AGNS have been included in the accompanying consolidated financial statements since the date of acquisition. The pro forma impact of AGNS on historical AT&T results is not material.

Teleport Communications Group Inc.

On July 23, 1998, AT&T completed the merger with Teleport Communications Group Inc. (TCG) pursuant to an agreement and plan of merger dated January 8, 1998. Each share of TCG common stock was exchanged for 1.4145 shares of AT&T common stock, resulting in the issuance of 272.4 million shares in the transaction. The merger was accounted for as a pooling of interests, and accordingly, AT&T's results of operations, financial position and cash flows were restated to reflect the merger. In 1998, we recognized $85 of merger-related expenses. Premerger TCG revenue was $455 and $494, and net losses were $118 and $223, for the six months ended June 30, 1998, and for the year ended December 31, 1997, respectively. Elimination entries between AT&T and TCG were not material. On April 22, 1998, TCG purchased ACC for an aggregate value of approximately $1,100, including approximately $700 in goodwill.

Other Dispositions

On March 3, 1998, AT&T sold its 45% common share interest in LIN Television Corp., a subsidiary of LIN Broadcasting Company, for $742 to Hicks, Muse, Tate and Furst Inc. We recognized a pretax gain of $317. Also on March 3, 1998, AT&T sold AT&T Solutions Customer Care to MATRIXX Marketing Inc., a teleservices unit of Cincinnati Bell, for $625. AT&T recognized a pretax gain of $350 in 1998 on the sale.

Discontinued Operations

On July 1, 1997, AT&T sold its submarine systems business (SSI) to Tyco International Ltd. for $850, resulting in an after-tax gain of $66, or $0.03 per diluted share.

On April 2, 1998, AT&T sold AT&T Universal Card Services Inc. (UCS) for $3,500 to Citigroup, Inc. The after-tax gain resulting from the disposal of UCS was $1,290, or $0.48 per diluted share. Included in the transaction was a cobranding and joint-marketing agreement. In addition, we received $5,722 in settlement of receivables from UCS.

The consolidated financial statements of AT&T have been restated to reflect the dispositions of SSI and UCS. Accordingly, the revenue, costs and expenses, and cash flows of these businesses have been excluded from the respective captions in the Consolidated Statements of Income and Consolidated Statements of Cash Flows, and have been reported through the dates of disposition as "Income from discontinued operations," net of applicable income taxes, and as "Net cash provided by(used in) discontinued operations" for all periods presented. As of December 31, 1998, all businesses previously reported as discontinued operations have been disposed of; therefore, there was no impact to the Consolidated Balance Sheets presented. Gains associated with these sales are reflected as "Gains on sales of discontinued operations," net of applicable income taxes.

Summarized financial information for discontinued operations was as follows:

For the Years Ended December 31,	1998	1997
Revenue	$ 365	$ 1,942
Income before income taxes	16	150
Net income	10	100

No interest expense was allocated to discontinued operations in 1998 or 1997 due to the immateriality of the amounts; however, UCS recorded direct interest expense of $85 and $297 in 1998 and 1997, respectively, primarily related to amounts payable to AT&T.

Earnings per Common Share and Potential Common Share

Basic earnings per share (EPS) for AT&T Group for the years 1999, 1998 and 1997 were computed by dividing earnings available to AT&T Group common shareowners by the weighted-average number of common shares outstanding of AT&T Group during the period. In March 1999, our board of directors declared a three-for-two split of AT&T common stock, paid on April 15, 1999, to shareowners of record on March 31, 1999. Share (except shares authorized) and per share amounts were restated to reflect the stock split on a retroactive basis.

Diluted EPS for AT&T Group was computed by dividing earnings available to AT&T Group common shareowners, adjusted for the conversion of securities, by the weighted-average number of common shares and dilutive potential common shares outstanding of AT&T Group during the period, assuming conversion of the potential common shares at the beginning of the periods presented. Shares issuable upon conversion of preferred stock of subsidiaries, convertible debt securities of subsidiary, stock options and other performance awards have been included in the diluted calculation of weighted-average shares to the extent that the assumed issuance of such shares would have been dilutive, as illustrated below. The quarterly income preferred securities were antidilutive and were excluded from the computation of diluted EPS. Computed on a yearly basis, the dividends would have had an after-tax impact to earnings of approximately $160. Assuming the conversion of the securities, the dividends would no longer be included in other income(expense) and the securities would convert into 66.667 million shares of AT&T common stock.

Income from continuing operations for 1999 of $3,428 included income from continuing operations attributable to AT&T Group of $5,450 as well as losses from LMG of $2,022.

A reconciliation of the income and share components for the basic and diluted EPS calculations with respect to AT&T Group continuing operations is as follows:

Shares in millions For the Years Ended December 31,	1999	1998	1997
Income from continuing operations attributable to AT&T Group	$ 5,450	$ 5,235	$ 4,249
Income impact of assumed conversion of preferred stock of subsidiary	26	—	—
Income from continuing operations attributable to AT&T Group adjusted for conversion of securities	$ 5,476	$ 5,235	$ 4,249
AT&T Group weighted-average common shares	3,082	2,676	2,671
Stock options	35	24	12
Preferred stock of subsidiary	33	—	—
Convertible debt securities of subsidiary	2	—	—
AT&T Group weighted-average common shares and potential common shares	3,152	2,700	2,683

Basic EPS for LMG from the date of acquisition through December 31, 1999, was computed by dividing the loss available to LMG shareowners by the weighted-average number of shares outstanding of LMG of 1.259 billion. Since LMG had a loss, the impact of any potential shares would have been antidilutive, and therefore are not factored into the diluted calculations. There were 48 million potentially dilutive LMG securities outstanding at December 31, 1999.

On September 27, 1999, LMG announced that the board of directors of AT&T approved the repurchase from time to time of up to 135 million shares of Liberty Media Group Class A or Class B tracking stock.

Net Restructuring and Other Charges

During 1999, we recorded $1,506 of net restructuring and other charges.

A $594 in-process research and development charge was recorded reflecting the estimated fair value of research and development projects at Broadband, as of the date of acquisition, which have not yet reached technological feasibility or that have no alternative future use. The projects identified related to Broadband's efforts to offer voice over Internet protocol (IP), product-integration efforts for advanced set-top devices that would enable Broadband to offer next-generation digital services, cost-savings efforts for cable telephony implementation and in-process research and development related to Excite@Home. Although there are significant technological issues to overcome to successfully complete the acquired in-process research and development, AT&T expects successful completion. We currently anticipate that (i) we will test IP telephony equipment for field deployment in late 2000, (ii) field trials will begin in mid 2000 for next-generation digital services, and (iii) testing and deployment of devices with respect to AT&T's cost-savings efforts for cable telephony implementation will occur by the end of 2000. If, however, AT&T is unable to establish technological feasibility and produce commercially viable products/services, then anticipated incremental future cash flows attributable to expected profits from such new products/services may not be realized.

A $531 asset impairment charge was recorded primarily associated with the planned disposal of wireless network equipment resulting from a program to increase capacity and operating efficiency of our wireless network. As part of a multivendor program, contracts are being executed with certain vendors to replace significant portions of our wireless infrastructure equipment in the western United States and the metropolitan New York markets. The program will provide Wireless Services with the newest technology available and allow it to evolve to new, third-generation digital technology, which will provide high-speed data capabilities.

The planned disposal of the existing wireless infrastructure equipment required an evaluation of asset impairment in accordance with SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" to write-down these assets to their fair value, which was estimated by discounting the expected future cash flows of these assets through the date of disposal. Since the assets will remain in service from the date of the decision to dispose of these assets to the disposal date, the remaining net book value of the assets will be depreciated over this period.

A $145 charge for restructuring and exit costs was recorded as part of AT&T's initiative to reduce costs by $2 billion by the end of 2000. The restructuring and exit plans primarily focus on the maximization of synergies through headcount reductions in Business Services and network operations, including the consolidation of customer-care and call centers.

Included in the exit costs was $142 of cash termination benefits associated with the separation of approximately 2,800 employees as part of voluntary and involuntary termination plans. Approximately one-half of the separations were management employees and one-half were nonmanagement employees. Approximately 1,700 employee separations related to involuntary terminations and approximately 1,100 related to voluntary terminations. Nearly 80% of the affected employees have left their positions as of December 31, 1999, and the remaining employees will leave the company in early 2000. Termination benefits of $40 were paid in the fourth quarter of 1999. This cash outlay was funded primarily through cash from operations. The balance of the cash termination payments is expected to be paid in the first quarter of 2000.

In addition, our continuing efforts to reduce costs by $2 billion by the end of 2000 and the planned merger with MediaOne may require further charges for exit and separation plans, which we expect to have finalized in the first half of 2000.

The following table displays the activity and balances of the restructuring reserve account from January 1, 1998, to December 31, 1999:

Type of Cost	Jan. 1, 1998 Balance	1998 Additions	1998 Deductions	Dec. 31, 1998 Balance
Employee separations	$ 413	$ 150	$ (445)	$ 118
Facility closings	434	125	(190)	369
Other	60	—	(30)	30
Total	$ 907	$ 275	$ (665)	$ 517

Type of Cost	Jan. 1, 1999 Balance	1999 Additions	1999 Deductions	Dec. 31, 1999 Balance
Employee separations	$ 118	$ 142	$ (110)	$ 150
Facility closings	369	—	(130)	239
Other	30	3	(12)	21
Total	$ 517	$ 145	$ (252)	$ 410

Deductions reflect cash payments of $209 and $245 and noncash utilization of $43 and $420 for 1999 and 1998, respectively. Noncash utilization included a reversal in 1998 of $348 related to the 1995 restructuring plan. Other noncash utilization included deferred severance payments primarily related to executives.

We also recorded net losses of $307 related to the government-mandated disposition of certain international businesses that would have competed directly with Concert and $50 related to a contribution agreement Broadband entered into with Phoenixstar, Inc., that requires Broadband to satisfy certain liabilities owed by Phoenixstar and its subsidiaries. The remaining obligation under this contribution agreement is $26. In addition, we recorded benefits of $121 related to the settlement of pension obligations for former employees who accepted AT&T's 1998 voluntary retirement incentive program (VRIP) offer.

During 1998, we recorded $2,514 of net restructuring and other charges. The bulk of the charge was associated with a plan to reduce headcount by 15,000 to 18,000 over two years as part of our overall cost-reduction program. In connection with this plan, the VRIP was offered to eligible management employees. Approximately 15,300 management employees accepted the VRIP offer. A restructuring charge of $2,724 was composed of $2,254 and $169 for pension and postretirement special-termination benefits, respectively, $263 of curtailment losses and $38 of other administrative costs. We also recorded charges of $125 for related facility costs and $150 for executive-separation costs. These charges were partially offset by benefits of $940 as we settled pension benefit obligations of 13,700 of the total VRIP employees. In addition, the VRIP charges were partially offset by the reversal of $256 of 1995 business restructuring reserves primarily resulting from the overlap of VRIP with certain 1995 restructuring initiatives.

Also included in the 1998 net restructuring and other charges were asset impairment charges totaling $718, of which $633 was related to our decision not to pursue Total Service Resale (TSR) as a local service strategy. We also recorded an $85 asset impairment charge related to the write-down of unrecoverable assets in certain international operations in which the carrying value is no longer supported by future cash flows. This charge was made in connection with an ongoing review associated with certain operations that would have competed directly with Concert.

Additionally, $85 of merger-related expenses was recorded in 1998 in connection with the TCG merger which was accounted for as a pooling of interests. Partially offsetting these charges was a $92 reversal of the 1995 restructuring reserve. This reversal reflects reserves that were no longer deemed necessary. The reversal primarily included separation costs attributed to projects completed at a cost lower than originally anticipated. Consistent with the three-year plan, the 1995 restructuring initiatives were substantially completed at the end of 1998.

7 Investment in Liberty Media Group

As a result of the acquisition of Broadband, we acquired Liberty Media Group, a wholly-owned investment accounted for under the equity method (see Note 3). Summarized results of operations for Liberty Media Group were as follows:

For the 10 Months Ended December 31,	1999
Revenue	$ 729
Operating loss	2,214
Net loss	2,022

At December 31,	1999
Current assets	$ 3,387
Noncurrent assets	55,297
Current liabilities	3,370
Noncurrent liabilities	16,853
Minority interests	1

8 Other Investments

We have investments in various companies and partnerships that are accounted for under the equity method and included within "Other investments" in the accompanying Consolidated Balance Sheets. Under the equity method, investments are stated at initial cost and are adjusted for subsequent contributions and our share of earnings, losses and distributions. At December 31, 1999 and 1998, we had equity investments (other than LMG) of $18,454 and $4,257, respectively. The carrying value of these investments exceeded our share of the underlying reported net assets by approximately $12,530 and $564, at December 31, 1999 and 1998, respectively. The goodwill is being amortized over periods ranging from seven to 40 years. Amortization of goodwill of $495, $52 and $66 in 1999, 1998 and 1997, respectively, was reflected as a component of other income(expense) in the accompanying Consolidated Statements of Income.

Ownership of significant equity investments was as follows:

At December 31,	1999	1998
AB Cellular	55.62%(a)	55.62%
Cablevision Systems Corporation	32.04%(b)	—
At Home Corporation	25.00%(c)	—
Lenfest Communications, Inc.	50.00%(d)	—
Time Warner Texas	50.00%	—
Bresnan Communications Group LLC	50.00%	—
Insight Midwest LP	50.00%	—
Rogers Cantel Mobile Communications, Inc.	16.65%(e)	—
Century-TCI California, LP	25.00%	—
Kansas City Cable Partners	50.00%	—
Parnassos, LP	33.33%	—

(a) Voting interest in AB Cellular was 50% at December 31, 1999 and 1998.

(b) At December 31, 1999, we owned 48,942,172 shares of Cablevision Systems Corporation Class A common stock, which had a closing market price of $75.50 per share on that date.

(c) During 1999, At Home Corporation issued shares of its common stock for various acquisitions, including Excite, Inc. (Excite). As a result of these transactions, AT&T's economic interest in At Home Corporation (Excite@Home) decreased from 38% to 25% following these mergers. Due to the resulting increase in Excite@Home's equity, net of the dilution of AT&T's ownership interest in Excite@Home, AT&T recorded an increase to additional paid-in capital of $527 in 1999. At December 31, 1999, we owned 63,720,000 shares of Excite@Home Class A common stock, which had a closing market price of $42.875 per share on that date.

(d) In the first quarter of 2000, we sold our interest in Lenfest Communications, Inc., to Comcast (see Note 20).

(e) This investment is accounted for under the equity method because of our ability to elect certain members of the board of directors of this entity, which we believe provides us with significant influence.

Summarized unaudited combined financial information for investments accounted for under the equity method was as follows:

For the Years Ended December 31,	1999	1998	1997
Revenue	$10,433	$ 4,144	$ 4,132
Operating income(loss)	(1,542)	268	121
Income(loss) from continuing operations before extraordinary items and cumulative effect of a change in accounting principle	(2,771)	156	68
Net income(loss)	(3,005)	65	24

At December 31,	1999	1998
Current assets	$ 5,160	$ 2,610
Noncurrent assets	21,066	7,345
Current liabilities	4,554	1,674
Noncurrent liabilities	17,896	1,435
Redeemable preferred stock	1,095	595
Minority interests	1,824	3

We also have investments accounted for under the cost method of accounting. Under this method, investments are stated at cost, and earnings are recognized to the extent distributions are received from the accumulated earnings of the investee. Distributions received in excess of accumulated earnings are recognized as a reduction of our investment balance. These investments, which are covered under the scope of SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities," are classified as "available-for-sale" and are carried at fair value with any unrealized gain or loss, net of tax, being included within other comprehensive income as a component of shareowners' equity.

Debt Obligations

Debt Maturing Within One Year

At December 31,	1999	1998
Commercial paper	$ 5,974	$ —
Short-term notes	5,000	—
Currently maturing long-term debt	1,355	1,083
Other	304	88
Total debt maturing within one year	$12,633	$ 1,171
Weighted-average interest rate of short-term debt	5.3%	5.6%

At December 31, 1999, we had a 364-day, $7 billion revolving-credit facility with a consortium of 42 lenders. We also had additional 364-day, revolving-credit facilities of $3 billion. These lines were for commercial paper back-up and were unused at December 31, 1999. In addition, we had a $20 billion commitment from multiple lenders with credit agreements to be finalized upon consummation of the proposed merger with MediaOne. In February 2000, we negotiated the syndication of a new 364-day, $10 billion facility. As a result, the existing $3 billion credit facilities and the commitments associated with the $20 billion syndication terminated. Also in February 2000, the $7 billion revolving-credit facility expired.

Long-Term Obligations

At December 31,		1999	1998
Debentures and Notes (a) (b)			
Interest Rates (c)	Maturities		
4.38% – 6.00%	2001 – 2014	$ 5,251	$ 900
6.34% – 7.50%	2000 – 2029	8,068	2,234
7.53% – 8.50%	2000 – 2026	4,762	2,583
8.60% – 11.13%	2000 – 2031	3,763	748
Variable rate	2000 – 2054	867	98
Total debentures and notes		22,711	6,563
Other		362	94
Unamortized discount, net		(127)	(18)
Total long-term obligations		22,946	6,639
Less: Currently maturing long-term debt		1,355	1,083
Net long-term obligations		$21,591	$ 5,556

(a) In August 1998, AT&T extinguished $1,046 of TCG debt resulting in a loss of $217, which was recorded as an extraordinary loss. The after-tax impact was $137, or $0.05 per diluted share.

(b) Included in these balances was $815 representing the remaining excess of the fair value over the recorded value of debt in connection with the Broadband acquisition. The excess is being amortized over the remaining lives of the underlying debt obligations.

(c) The actual interest paid on our debt obligations may have differed from the stated amount due to our entering into interest rate swap contracts to manage our exposure to interest rate risk and our strategy to reduce finance costs (see Note 11).

On January 26, 1999, AT&T filed a registration statement with the Securities and Exchange Commission (SEC) for the offering and sale of up to $10 billion of notes and warrants to purchase notes, resulting in a total available shelf registration of $13.1 billion. On March 26, 1999, AT&T issued $8 billion in notes. We received net proceeds of approximately $7.9 billion from the sale of the notes. The proceeds were utilized to repay commercial paper issued in connection with the Broadband merger and toward funding the share repurchase program. On September 14, 1999, AT&T completed a $450 bond offering in connection with the same registration statement. The proceeds from the issuance were utilized for general corporate purposes.

This table shows the maturities at December 31, 1999, of the $22,946 in total long-term obligations:

2000	2001	2002	2003	2004	Later Years
$ 1,355	$ 1,158	$ 1,574	$ 1,616	$ 2,815	$ 14,428

10 Other Securities

Preferred Stock of Subsidiaries

Prior to the Broadband merger, TCI issued Class B 6% Cumulative Redeemable Exchangeable Junior preferred stock (Class B preferred stock). There were 1.6 million shares outstanding as of December 31, 1999, net of shares held by a subsidiary, out of an authorized 1.7 million shares.

Dividends accrue cumulatively (but without compounding) at an annual rate of 6% of the stated liquidation value of $100 per share, whether or not such dividends are declared or funds are legally available for payment of dividends. Accrued dividends are payable annually on March 1 of each year in cash or AT&T stock, or any combination of the foregoing, at the sole discretion of the TCI board of directors. Dividends accrued on shares of Class B preferred stock aggregated approximately $8 at December 31, 1999.

Class B preferred stock and accumulated dividends are reflected within "Minority Interest in Equity of Consolidated Subsidiaries" in the accompanying Consolidated Balance Sheets and aggregated $152 at December 31, 1999.

Subsequent to December 31, 1999, the TCI board of directors approved the redemption of Class B preferred stock. On February 22, 2000, all outstanding shares of Class B preferred stock were redeemed at $105.88 per share.

Prior to the Broadband merger, TCI Pacific Communications Inc. (Pacific) issued 5% Class A Senior Cumulative Exchangeable preferred stock, which remains outstanding. There were 6.3 million shares authorized and outstanding at December 31, 1999. Each share is exchangeable, from and after August 1, 2001, for approximately 6.3 shares of AT&T common stock, subject to certain antidilution adjustments. Additionally, Pacific may elect to make any dividend, redemption or liquidation payment in cash, shares of AT&T common stock or by a combination of the foregoing. The Pacific preferred stock is reflected within "Minority Interest in Equity of Consolidated Subsidiaries" in the accompanying Consolidated Balance Sheets and aggregated $2.1 billion at December 31, 1999. There were no accrued dividends on shares of Pacific preferred stock as of December 31, 1999.

Company-Obligated Convertible Quarterly Income Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debt Securities of AT&T and Related Warrants

On June 16, 1999, AT&T Finance Trust I (AT&T Trust), a wholly-owned subsidiary of AT&T, completed the private sale of 100 million shares of 5.0% cumulative quarterly income preferred securities (the quarterly preferred securities) to Microsoft Corporation (Microsoft). Proceeds of the issuance were invested by the AT&T Trust in Junior Subordinated Debentures (the Debentures) issued by AT&T due 2029, which represent the sole assets of the AT&T Trust.

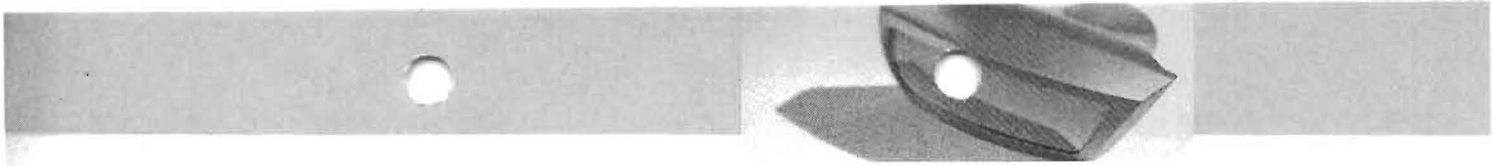
The quarterly preferred securities pay dividends at an annual rate of 5.0% of the liquidation preference of $50 per security and are convertible at any time prior to maturity into 66.667 million shares of AT&T common stock and are subject to mandatory redemption upon repayment of the Debentures at maturity or their earlier redemption. The conversion feature can be terminated, under certain conditions, after three years.

The Debentures will make a quarterly payment in arrears of 62.5 cents per security on the last day of March, June, September and December of each year. AT&T has the right to defer such interest payments up to 20 consecutive quarters; as a consequence, quarterly dividend payments on the quarterly preferred securities can be deferred by the AT&T Trust during any such interest-payment period. If AT&T defers any interest payments, we may not, among other things, pay any dividends on our common stock until all interest in arrears is paid to the AT&T Trust.

Dividends on the quarterly preferred securities were $140 for the period ended December 31, 1999, and are reported within other income(expense) in the accompanying Consolidated Statements of Income.

On June 16, 1999, AT&T also issued to Microsoft 40 million warrants, each to purchase one share of AT&T common stock at a price of $75 per share at the end of three years. Alternatively, the warrants are exercisable on a cashless basis. If the warrants are not exercised on the three-year anniversary of the closing date, the warrants expire.

A discount on the quarterly preferred securities equal to the value of the warrants of $306 was recognized and is being amortized over the 30-year life of the quarterly preferred securities as a component of other income(expense) in the accompanying Consolidated Statements of Income.



Subsidiary-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely Subordinated Debt Securities of an AT&T Subsidiary

Certain subsidiary trusts of TCI (TCI Trusts) had preferred securities outstanding at December 31, 1999, as follows:

Subsidiary Trust	Interest Rate	Maturity Date	Current Balance*
TCI Communications Financing I	8.72%	2045	$ 528
TCI Communications Financing II	10.00%	2045	521
TCI Communications Financing III	9.65%	2027	360
TCI Communications Financing IV	9.72%	2036	217
Total			$ 1,626

* In connection with the acquisition of Broadband, approximately $160 was allocated to the Trust Preferred Securities representing the excess of the fair market value over the recorded value at the date of acquisition. The excess is being amortized over the remaining life of the Trust Preferred Securities, 28 to 46 years, and was $154 at December 31, 1999.

The TCI Trusts were created for the exclusive purpose of issuing the Trust Preferred Securities and investing the proceeds thereof into Subordinated Deferrable Interest Notes (the Subordinated Debt Securities) of TCI. Subordinated Debt Securities have interest rates equal to the interest rate of the corresponding Trust Preferred Securities and have maturity dates ranging from 30 to 49 years from the date of issuance. The preferred securities are mandatorily redeemable upon repayment of the Subordinated Debt Securities and are callable by AT&T. The Financing I and II Trust Preferred Securities are callable at face value beginning in January and May 2001, respectively. Financing III Trust Preferred Securities are callable at 104.825% of face value beginning in March 2007. Financing IV Trust Preferred Securities are callable at face value beginning in March 2002. Upon redemption of the Subordinated Debt Securities, the Trust Preferred Securities will be mandatorily redeemable. TCI effectively provides a full and unconditional guarantee of the TCI Trusts' obligations under the Trust Preferred Securities. Subsequent to December 31, 1999, AT&T expects to provide a full and unconditional guarantee of TCI's Trust Preferred Securities for TCI Communications Financing I, II and IV subsidiary trusts (see Note 12).

Dividends accrued and paid on the Trust Preferred Securities aggregated $114 for the period from completion of the merger with TCI through December 31, 1999, and are recorded within other income(expense) in the accompanying Consolidated Statements of Income. AT&T has the right to defer interest payments up to 20 consecutive quarters; as a consequence, dividend payments on the Trust Preferred Securities can be deferred by the TCI Trust during any such interest-payment period. If AT&T defers any interest payments, we may not, among other things, pay any dividends on our common stock until all interest in arrears is paid to the TCI Trusts.

Financial Instruments

In the normal course of business, we use various financial instruments, including derivative financial instruments, for purposes other than trading. We do not use derivative financial instruments for speculative purposes. These instruments include letters of credit, guarantees of debt, interest rate swap agreements, foreign currency exchange contracts and equity hedges. Interest rate swap agreements and foreign currency exchange contracts are used to mitigate interest rate and foreign currency exposures. Equity hedges are used to mitigate exposure to stock appreciation of affiliated companies. Collateral is generally not required for these types of instruments.

By their nature, all such instruments involve risk, including the credit risk of nonperformance by counterparties, and our maximum potential loss may exceed the amount recognized in our balance sheet. However, at December 31, 1999 and 1998, in management's opinion there was no significant risk of loss in the event of nonperformance of the counterparties to these financial instruments. We control our exposure to credit risk through credit approvals, credit limits and monitoring procedures. We do not have any significant exposure to any individual customer or counterparty, nor do we have any major concentration of credit risk related to any financial instruments.

Letters of Credit

Letters of credit are purchased guarantees that ensure our performance or payment to third parties in accordance with specified terms and conditions and do not create any additional risk to AT&T.

Guarantees of Debt

From time to time, we guarantee the debt of our subsidiaries and certain unconsolidated joint ventures. Prior to the merger, Broadband had agreed to take certain steps to support debt compliance with respect to obligations aggregating $1,720 of certain cable television partnerships in which Broadband has a noncontrolling ownership interest. Although there can be no assurance, management believes that it will not be required to meet its obligations under such guarantees. Additionally, in connection with the restructuring of AT&T in 1996, we issued guarantees for certain debt obligations of AT&T Capital Corp. and NCR. The amount of guaranteed debt associated with our former subsidiaries, AT&T Capital Corp. and NCR, was $56 and $108 at December 31, 1999 and 1998, respectively.

Interest Rate Swap Agreements

We enter into interest rate swaps to manage our exposure to changes in interest rates and to lower our overall costs of financing. We enter into swap agreements to manage the fixed/floating mix of our debt portfolio in order to reduce aggregate risk to interest rate movements. Interest rate swaps also allow us to raise funds at floating rates and effectively swap them into fixed rates that are lower than those available to us if fixed-rate borrowings were made directly. These agreements involve the exchange of floating-rate for fixed-rate payments, fixed-rate for floating-rate payments or floating-rate for other floating-rate payments without the exchange of the underlying principal amount. Fixed interest rate payments at December 31, 1999, were at rates ranging from 6.05% to 9.47%. Floating-rate payments are based on rates tied to London Inter-Bank Offered Rate (LIBOR).

The following table indicates the types of swaps in use at December 31, 1999 and 1998, and their weighted-average interest rates. Average variable rates are those in effect at the reporting date and may change significantly over the lives of the contracts.

	1999	1998
Fixed to variable swaps – notional amount	$ 1,800	$ 461
Average receive rate	6.89%	6.33%
Average pay rate	6.67%	5.31%
Variable to fixed swaps – notional amount	$ 229	$ 241
Average receive rate	6.30%	4.92%
Average pay rate	6.77%	7.68%
Variable to variable swaps – notional amount	$ 495	$ —
Average receive rate	6.63%	—
Average pay rate	6.53%	—

The weighted-average remaining terms of the swap contracts were seven and two years at December 31, 1999 and 1998, respectively.

Foreign Exchange

We enter into foreign currency exchange contracts, including forward and option contracts, to manage our exposure to changes in currency exchange rates, principally European Union's currency (Euro), British pounds sterling and Japanese yen. The use of these derivative financial instruments allows us to reduce our exposure to the risk of adverse changes in exchange rates on the reimbursement to foreign telephone companies for their portion of the revenue billed by AT&T for calls placed in the United States to a foreign country and other foreign currency payables and receivables. These transactions are generally expected to occur in less than one year. In addition, we are subject to foreign exchange risk related to other foreign-currency-denominated transactions.

Equity Hedges

We enter into equity hedges to manage our exposure to changes in equity prices associated with stock appreciation rights of affiliated companies.

Fair Values of Financial Instruments Including Derivative Financial Instruments

The following table summarizes the notional amounts of material financial instruments. The notional amounts represent agreed-upon amounts on which calculations of dollars to be exchanged are based. They do not represent amounts exchanged by the parties and, therefore, are not a measure of our exposure. Our exposure is limited to the fair value of the contracts with a positive fair value plus interest receivable, if any, at the reporting date.

Derivatives and Off Balance Sheet Instruments

	1999 Contract/ Notional Amount	1998 Contract/ Notional Amount
Interest rate swap agreements	$ 2,524	$ 702
Foreign exchange forward contracts	1,881	244
Equity hedges	495	—
Letters of credit	243	184
Guarantees of debt	1,848	237

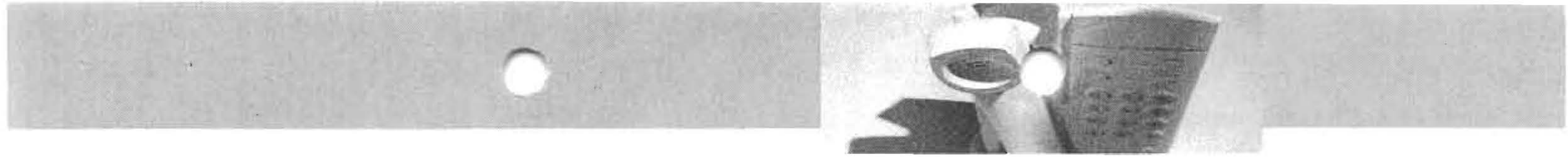
The following tables show the valuation methods, the carrying amounts and estimated fair values of material financial instruments.

Financial Instrument	Valuation Method
Debt excluding capital leases	Market quotes or rates available to us for debt with similar terms and maturities
Letters of credit	Fees paid to obtain the obligations
Guarantees of debt	There are no quoted market prices for similar agreements available
Interest rate swap agreements	Market quotes obtained from dealers
Foreign exchange contracts	Market quotes
Equity hedges	Market quotes
Preferred securities	Market quotes*

*It is not practicable to estimate the fair market value of our $4,700 quarterly preferred securities. There are no current market quotes available on this private placement.

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Debt excluding capital leases	$33,881	$32,565	$ 6,691	$ 7,136
Pacific preferred stock	2,121	1,929	—	—
Subsidiary-obligated mandatorily redeemable preferred securities	1,626	1,527	—	—

	1999				1998			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Interest rate swap agreements	$28	$27	$ 6	$29	$ 5	$13	$—	$19
Foreign exchange forward contracts	—	26	1	28	7	7	13	4
Equity hedges	313	2	313	—	—	—	—	—



12 Guarantee of Preferred Securities

Prior to the consummation of the Broadband merger, TCI issued mandatorily redeemable preferred securities through subsidiary trusts that held subordinated debt securities of TCI. Subsequent to December 31, 1999, AT&T expects to provide a full and unconditional guarantee on the outstanding securities issued by TCI Communications Financing I, II and IV (see Note 10). At December 31, 1999, $1,266 of the guaranteed redeemable preferred securities remained outstanding. Following is a summary of the results of TCI which have been included in the financial results of AT&T since the date of the acquisition. The summarized financial information included transactions with AT&T that were eliminated in consolidation.

For the 10 Months Ended December 31,	1999
Revenue	$ 4,870
Operating loss	1,071
Loss before extraordinary items	4,211
Net loss	4,220

At December 31,	1999
Current assets	$ 468
Noncurrent assets	93,798
Current liabilities	2,814
Noncurrent liabilities	36,227
Minority interests	2,175

13 Pension, Postretirement and Other Employee Benefit Plans

We sponsor noncontributory defined benefit pension plans covering the majority of our employees. Pension benefits for management employees are principally based on career-average pay. Pension benefits for occupational employees are not directly related to pay. Pension trust contributions are made to trust funds held for the sole benefit of plan participants. Our benefit plans for current and future retirees include health-care benefits, life insurance coverage and telephone concessions.

The following table shows the components of the net periodic benefit costs included in our Consolidated Statements of Income:

For the Years Ended December 31,	Pension Benefits			Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Service cost benefits earned during the period	$ 247	$ 275	$ 305	$ 54	$ 56	$ 56
Interest cost on benefit obligations	919	940	946	324	322	278
Amortization of unrecognized prior service cost	159	135	114	13	(2)	39
Credit for expected return on plan assets	(1,458)	(1,570)	(1,371)	(200)	(173)	(120)
Amortization of transition asset	(158)	(175)	(181)	—	—	—
Amortization of gains	(10)	—	—	(1)	—	—
Charges for special termination benefits	—	2,254	—	5	169	—
Net curtailment losses	—	140	—	—	141	—
Net settlement (gains) losses	(121)	(921)	5	—	—	—
Net periodic benefit cost (credit)	$ (422)	$ 1,078	$ (182)	$ 195	$ 513	$ 253

On January 26, 1998, we offered a voluntary retirement incentive program (VRIP) to employees who were eligible participants in the AT&T Management Pension Plan. Approximately 15,300 management employees accepted the VRIP offer. In connection with the VRIP, we recorded pretax charges in 1998 for pension and postretirement plan special-termination benefits of $2,254 and $169, respectively. We also recorded pension and postretirement plan pretax charges of $120 and $143, respectively, which are included within net curtailment losses in 1998. The special-termination benefits reflect the value of pension benefit improvements and expanded eligibility for postretirement benefits. The VRIP also permitted employees to choose either a total lump-sum distribution of their pension benefits or periodic future annuity payments.

As of December 31, 1999, all 15,300 employees had terminated employment under the VRIP. AT&T has settled the pension obligations covering about 15,000 of these employees, the remainder of which either chose to defer commencing their pension benefits or elected to receive an annuity distribution. Lump-sum pension settlements totaling $5.2 billion, including a portion of the special-pension termination benefits referred to above, resulted in settlement gains of $121 and $940 recorded in 1999 and 1998, respectively.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended December 31, 1999 and 1998, and a statement of the funded status at December 31, 1999 and 1998, respectively:

	Pension Benefits		Postretirement Benefits	
	1999	1998	1999	1998
Change in benefit obligations:				
Benefit obligation, beginning of year	$14,443	$14,481	$ 5,168	$ 4,356
Service cost	247	275	54	56
Interest cost	919	940	324	322
Plan amendments	558	324	4	(95)
Actuarial (gains) losses	(1,683)	1,609	(579)	258
Benefit payments	(1,062)	(770)	(334)	(227)
Special termination benefits	—	2,254	5	169
Settlements	(554)	(4,676)	—	—
Curtailment losses	—	6	—	329
Benefit obligation, end of year	$12,868	$14,443	$ 4,642	$ 5,168
Change in fair value of plan assets:				
Fair value of plan assets, beginning of year	$18,567	$20,513	$ 2,476	$ 1,969
Actual return on plan assets	4,133	3,375	385	437
Employer contributions	48	125	325	297
Benefit payments	(1,062)	(770)	(334)	(227)
Settlements	(554)	(4,676)	—	—
Fair value of plan assets, end of year	$21,132	$18,567	$ 2,852	$ 2,476
At December 31,				
Funded(unfunded) benefit obligation	$ 8,264	$ 4,124	$ (1,790)	$ (2,692)
Unrecognized net gain	(7,735)	(3,495)	(800)	(36)
Unrecognized transition asset	(279)	(445)	—	—
Unrecognized prior service cost	1,362	960	55	63
Net amount recorded	$ 1,612	$ 1,144	$ (2,535)	$ (2,665)

Our pension plan assets include $82 and $85 of AT&T common stock at December 31, 1999 and 1998, respectively.

The following table provides the amounts recorded in our Consolidated Balance Sheets:

	Pension Benefits		Postretirement Benefits	
At December 31,	1999	1998	1999	1998
Prepaid pension cost	$ 2,464	$ 2,074	$ —	$ —
Benefit related liabilities	(918)	(1,016)	(2,535)	(2,665)
Intangible asset	46	47	—	—
Accumulated other comprehensive income	20	39	—	—
Net amount recorded	$ 1,612	$ 1,144	$ (2,535)	$ (2,665)

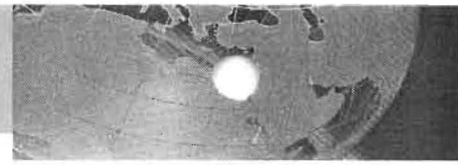
Our nonqualified pension plan had an unfunded accumulated benefit obligation of $118 and $135 at December 31, 1999 and 1998, respectively. Our postretirement health and telephone concession benefit plans had accumulated postretirement benefit obligations of $4,021 and $4,461 at December 31, 1999 and 1998, respectively, which were in excess of plan assets of $1,635 and $1,408 at December 31, 1999 and 1998, respectively.

The assumptions used in the measurement of the pension and postretirement benefit obligations are shown in the following table:

At December 31,	1999	1998	1997
Weighted-average assumptions:			
Discount rate	7.75%	6.5%	7.0%
Expected return on plan assets	9.5%	9.5%	9.0%
Rate of compensation increase	4.5%	4.5%	4.5%

We assumed a rate of increase in the per capita cost of covered health-care benefits (the health-care cost trend rate) of 6.6%. This rate was assumed to gradually decline after 1999 to 4.6% by 2009 and then remain level. Assumed health-care cost trend rates have a significant effect on the amounts reported for the health-care plans. A one percentage point increase or decrease in the assumed health-care cost trend rate would increase or decrease the total of the service and interest-cost components of net periodic postretirement health-care benefit cost by $11 and $9, respectively, and would increase or decrease the health-care component of the accumulated postretirement benefit obligation by $137 and $110, respectively.

We also sponsor savings plans for the majority of our employees. The plans allow employees to contribute a portion of their pretax and/or after-tax income in accordance with specified guidelines. We match a percentage of the employee contributions up to certain limits. Our contributions amounted to $234 in 1999, $204 in 1998 and $201 in 1997.



14 Stock-Based Compensation Plans

Under the 1997 Long-term Incentive Program (Program), which was effective June 1, 1997, and amended on May 19, 1999, we grant stock options, performance shares, restricted stock and other awards. Under the Program, there were 150 million shares of common stock available for grant with a maximum of 22.5 million common shares that could be used for awards other than stock options. From the time the Program became effective to the period ended December 31, 1999, there were approximately 109 million shares granted and approximately 41 million shares that remained available for grant. Beginning with January 1, 2000, the remaining shares available for grant at December 31 of the prior year, plus 1.75% of the shares of AT&T common stock outstanding on January 1 of each year, become available for grant. There is a maximum of 37.5 million shares that may be used for awards other than stock options. The exercise price of any stock option is equal to the stock price when the option is granted. Generally, the options vest over three years and are exercisable up to 10 years from the date of grant. Under the 1987 Long-term Incentive Program, which expired in April 1997, we granted the same awards, and on January 1 of each year, 0.6% of the outstanding shares of our common stock became available for grant.

Under the Program, performance share units are awarded to key employees in the form of either common stock or cash at the end of a three-year period based on AT&T's total shareholder return and certain financial-performance targets. Under the 1987 Long-term Incentive Program, performance share units with the same terms were also awarded to key employees based on AT&T's return-to-equity performance compared with a target.

On August 1, 1997, substantially all employees were granted a stock option award to purchase 150 shares representing a total of 18.75 million shares of AT&T common stock. The options vest after three years and are exercisable up to 10 years from the grant date.

Under the AT&T 1996 Employee Stock Purchase Plan (Plan), which was effective July 1, 1996, we are authorized to sell up to 75 million shares of common stock to our eligible employees. Under the terms of the Plan, employees may have up to 10% of their earnings withheld to purchase AT&T's common stock. The purchase price of the stock on the date of exercise is 85% of the average high and low sale prices of shares on the New York Stock Exchange for that day. Under the Plan, we sold approximately 3 million shares to employees in both 1999 and 1998 and 6 million shares in 1997.

We apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for our plans. Accordingly, no compensation expense has been recognized for our stock-based compensation plans other than for our performance-based and restricted stock awards and stock appreciation rights (SARs). Compensation costs charged against income were $462, $157 and $110 in 1999, 1998 and 1997, respectively. In 1999, costs included $382 related to grants of SARs of affiliated companies held by certain employees subsequent to the Broadband merger. We also entered into an equity hedge in 1999 to offset potential future compensation costs associated with these SARs. The 1999 income related to this hedge was $247.

A summary of option transactions is shown below:

Shares in Thousands	1999	Weighted-Average Exercise Price	1998	Weighted-Average Exercise Price	1997	Weighted-Average Exercise Price
Outstanding at January 1,	131,904	$30.41	110,972	$24.77	76,466	$21.59
Options assumed in Broadband merger	11,770	$14.79	—	—	—	—
Options granted	47,927	$57.13	46,148	$41.69	57,465	$25.98
Options and SARs exercised	(17,858)	$22.87	(18,894)	$21.95	(16,652)	$16.34
Options canceled or forfeited	(4,980)	$42.44	(6,322)	$31.64	(6,307)	$26.73
At December 31:						
Options outstanding	168,763	$37.42	131,904	$30.41	110,972	$24.77
Options exercisable	57,894	$28.21	35,472	$23.13	34,472	$22.17
Shares available for grant	41,347		91,838		135,518	

All of the 11.8 million stock options assumed in connection with the Broadband merger were in tandem with SARs. These SARs were subsequently canceled on April 30, 1999. During 1999, 386,000 SARs (including 137,000 for Broadband) were exercised. At December 31, 1999, there were no AT&T SARs outstanding.

The following table summarizes information about stock options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at Dec. 31, 1999 (in thousands)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at Dec. 31, 1999 (in thousands)	Weighted-Average Exercise Price
$ 4.36 – $18.08	14,316	5.2	$13.93	8,919	$14.54
$18.15 – $24.49	10,453	4.9	$23.21	9,240	$23.31
$24.50	16,388	7.6	$24.50	58	$24.50
$24.51 – $26.18	3,895	4.7	$24.90	3,534	$24.83
$26.21	19,398	7.1	$26.21	11,393	$26.21
$26.33 – $31.58	14,619	6.2	$29.89	11,473	$30.05
$32.19 – $42.04	12,247	8.4	$38.27	3,056	$37.77
$42.10	29,255	8.1	$42.10	9,026	$42.10
$42.19 – $59.75	18,967	9.5	$51.59	1,091	$49.66
$59.88	29,122	9.1	$59.88	104	$59.88
$61.03 – $62.13	103	9.1	$62.06	—	$62.06
	168,763	7.6	$37.42	57,894	$28.21

sure-only provisions of SFAS No. ased Compensation." If AT&T had sation costs based on the fair value ls in 1999, 1998 and 1997, consis- 'AS No. 123, AT&T's net income and share would have been reduced to ınts:

1999	1998	1997
$ 3,171	$ 5,078	$ 4,158
—	7	99
—	1,290	66
—	137	—
$ 3,171	$ 6,238	$ 4,323
$ 1.68	$ 1.90	$ 1.56
—	—	0.03
—	0.48	0.03
—	0.05	—
$ 1.68	$ 2.33	$ 1.62
$ 1.65	$ 1.88	$ 1.55
—	—	0.03
—	0.48	0.03
—	0.05	—
$ 1.65	$ 2.31	$ 1.61

income for 1999, 1998 and 1997 f the pro forma effect on net income SFAS No. 123 method of accounting expense has not been applied to ıary 1, 1995.

ılues at date of grant for options and 1997 were $15.64, $9.75 and re estimated using the Black-Scholes ighted-average risk-free interest 8 and 1997 were 5.10%, 5.33% and owing assumptions were applied for ectively: (i) expected dividend yields expected volatility rates of 28.3%, xpected lives of 4.5 years.

Income Taxes

The following table shows the principal reasons for the difference between the effective income tax rate and the U.S. federal statutory income tax rate:

For the Years Ended December 31,	1999	1998	1997
U.S. federal statutory income tax rate	35%	35%	35%
Federal income tax at statutory rate	$ 2,340	$ 2,908	$ 2,440
Amortization of investment tax credits	(10)	(14)	(16)
State and local income taxes, net of federal income tax effect	210	201	183
Liberty Media Group losses	708	—	—
In-process research and development write-off	208	—	—
Foreign rate differential	90	63	117
Amortization of intangibles	43	28	23
Taxes on repatriated and accumulated foreign income, net of tax credits	(45)	(36)	(32)
Research and other credits	(64)	(91)	(86)
Valuation allowance	(78)	37	77
Investment dispositions, acquisitions and legal entity restructuring	(94)	(153)	25
Other differences, net	(51)	129	(8)
Provision for income taxes	$ 3,257	$ 3,072	$ 2,723
Effective income tax rate	48.7%*	37.0%	39.0%

*Includes the impact of LMG's losses, net of taxes, reported as a separate line item in AT&T's Consolidated Statements of Income. AT&T Group's effective tax rate was 37.4%.

The U.S. and foreign components of income from continuing operations before income taxes and the provision for income taxes are presented in this table:

For the Years Ended December 31,	1999	1998	1997
Income from Continuing Operations before Income Taxes			
United States	$ 6,467	$ 8,318	$ 7,090
Foreign	218	(11)	(118)
Total	$ 6,685	$ 8,307	$ 6,972
Provision for Income Taxes			
Current			
Federal	$ 2,609	$ 2,908	$ 1,561
State and local	403	251	194
Foreign	100	41	49
	$ 3,112	$ 3,200	$ 1,804
Deferred			
Federal	$ 228	$ (172)	$ 851
State and local	(81)	58	89
Foreign	8	—	(5)
	$ 155	$ (114)	$ 935
Deferred investment tax credits	(10)	(14)	(16)
Provision for income taxes	$ 3,257	$ 3,072	$ 2,723

rent income taxes payable balance was $427 and $1,393 ember 31, 1999 and 1998, respectively. The decrease in 99 balance was primarily due to income taxes accrued in nd paid in 1999 related to the sale of UCS.

d income tax liabilities are taxes we expect to pay in periods. Similarly, deferred income tax assets are record- xpected reductions in taxes payable in future periods. d income taxes arise because of differences in the book bases of certain assets and liabilities.

d income tax liabilities and assets consist of the ng:

er 31,	1999	1998
rm Deferred Income Tax lities		
rty, plant and equipment	$ 7,678	$ 7,324
tments	7,304	—
hise costs	11,998	—
r	1,156	776
ng-term deferred income tax ities	$28,136	$ 8,100
rm Deferred Income Tax Assets		
ness restructuring	$ 120	$ 134
perating loss/credit carryforwards	710	495
oyee pensions and er benefits, net	1,359	1,557
rves and allowances	376	126
stments	--	39
r	1,603	556
ation allowance	(231)	(260)
t long-term deferred income ssets	$ 3,937	$ 2,647
g-term deferred income tax liabilities	$24,199	$ 5,453
t Deferred Income Tax Liabilities		
rrent deferred income tax liabilities	$ 427	$ 408
t Deferred Income Tax Assets		
ness restructuring	$ 47	$ 79
loyee pensions and other benefits	562	346
rves and allowances	682	896
r	423	397
urrent deferred income tax assets	$ 1,714	$ 1,718
rrent deferred income tax assets	$ 1,287	$ 1,310

ember 31, 1999, we had net operating loss carryforwards fected) for federal and state income tax purposes of $156 187, respectively, expiring through 2014. We also had for- et operating loss carryforwards (tax-effected) of $78, which o expiration date. In addition, we had federal tax credit car- ards of $257, of which $183 have no expiration date and xpiring through 2005. We had state tax credit carryfor- (tax-effected) of $32 expiring through 2003.

In connection with the Broadband merger, we acquired certain federal and state net operating loss carryforwards subject to a valuation allowance of $124. If, in the future, the realization of these acquired deferred tax assets becomes more likely than not, any reduction of the associated valuation allowance will be allocated to reduce franchise costs and other purchased intangibles.

Commitments and Contingencies

In the normal course of business we are subject to proceedings, lawsuits and other claims, including proceedings under laws and regulations related to environmental and other matters. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters at December 31, 1999. These matters could affect the operating results of any one quarter when resolved in future periods. However, we believe that after final disposition, any monetary liability or financial impact to us beyond that provided for at year-end would not be material to our annual consolidated financial statements.

We lease land, buildings and equipment through contracts that expire in various years through 2047. Our rental expense under operating leases was $827 in 1999, $742 in 1998 and $853 in 1997. The following table shows our future minimum lease payments due under noncancelable operating leases at December 31, 1999. Such payments total $3,284. The total of minimum rentals to be received in the future under noncancelable subleases as of December 31, 1999, was $285.

2000	2001	2002	2003	2004	Later Years
$ 675	$ 562	$ 445	$ 372	$ 302	$ 928

We have an agreement with General Instrument Corporation to purchase a minimum of 2.5 million set-top devices in 2000 at an average price of $318 per unit.

Through a joint venture (70% owned by AT&T and 30% owned by BT), AT&T and BT have a 31% ownership of AT&T Canada Corp. as a result of the merger between AT&T Canada Corp. and MetroNet Communications, Corp. In connection with this merger, the AT&T and BT joint venture has the right to call, or arrange for another entity to call, the remaining 69% of AT&T Canada for the greater of Cdn$37.50 per share (accreting 4% each quarter beginning June 30, 2000) or the then-appraised fair market value. If we do not exercise our call rights by June 30, 2003, the shares would be put up for auction, and the AT&T and BT joint venture would have to make the shareholders whole for the difference between the proceeds received in auction and the greater of the fair market value or the accreted value. The exact timing of any purchase will likely be partially dependent upon the future status of federal foreign ownership regulations.

Segment Reporting

AT&T's results are segmented according to the way we manage our business: Business Services, Consumer Services, Wireless Services and Broadband. Our Business Services segment offers a variety of global communications services including long distance, local, and data and Internet protocol (IP) networking to small and medium-sized businesses, large domestic and multinational businesses and government agencies. Business Services is also a provider of voice, data and IP transport to service resellers (wholesale services). Our Consumer Services segment provides to residential customers a variety of any-distance communications services including long distance, local toll (intrastate calls outside the immediate local area) and Internet access. In addition, Consumer Services provides prepaid calling-card and operator-handled calling services. Local phone service is also provided in certain areas. The costs associated with the development of fixed wireless technology are included in the Consumer Services segment results. Our Wireless Services segment offers wireless voice and data services and products to customers in our 850 megahertz (cellular) and 1900 megahertz (Personal Communications Services, or PCS) markets. Wireless Services includes certain interests in partnerships and affiliates that provide wireless services in the United States and internationally, aviation communications services and the results of our messaging business through the October 2, 1998, date of sale. Our Broadband segment offers a variety of services through our cable broadband network, including traditional analog video and new services such as digital cable and AT&T@Home, our high-speed cable Internet access service. Also included in this segment are the operations associated with developing and installing the infrastructure that supports broadband telephony. The balance of AT&T Group's operations is included in an "Other and Corporate" category. This category reflects the results of AT&T Solutions, our outsourcing and network management business, International Operations and Ventures, other corporate operations, corporate staff functions and elimination of transactions between segments. Included in AT&T Solutions are the results of the IBM Global Network (renamed AT&T Global Network Services, or AGNS), which was acquired for cash in phases throughout 1999. Liberty Media Group (LMG) is then added to AT&T Group, as appropriate, to reconcile segment results to consolidated AT&T. LMG is not an operating segment of AT&T because AT&T does not have a controlling financial interest in LMG for financial accounting purposes; therefore, we account for this investment under the equity method. Additionally, LMG's results are not reviewed by the chief operating decision-makers for purposes of determining resources to be allocated.

Total assets for our reportable segments include all external assets for each segment. Prepaid pension assets and corporate-owned or leased real estate are generally held at the corporate level. Shared network assets are allocated to the segments and reallocated each January based on two years of volumes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 1). AT&T evaluates performance based on several factors, of which the primary financial measure is earnings, including other income(expense), before interest and taxes (EBIT).

Generally, AT&T accounts for Business Services' intersegment telecommunications transactions at market prices.

Revenue

For the Years Ended December 31,	1999	1998	1997
Business Services external revenue	$23,540	$22,706	$21,520
Business Services internal revenue	1,562	905	811
Total Business Services revenue	25,102	23,611	22,331
Consumer Services external revenue	21,972	22,885	23,690
Wireless Services external revenue	7,627	5,406	4,668
Broadband external revenue	4,871	—	—
Total reportable segments	59,572	51,902	50,689
Other and Corporate	2,819	1,321	888
Total revenue	$62,391	$53,223	$51,577

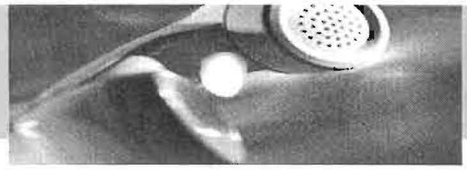
Depreciation and Amortization*

For the Years Ended December 31,	1999	1998	1997
Business Services	$ 2,948	$ 2,388	$ 1,855
Consumer Services	877	730	772
Wireless Services	1,223	1,036	886
Broadband	1,674	—	—
Total reportable segments	6,722	4,154	3,513
Other and Corporate	717	475	469
Total depreciation and amortization	$ 7,439	$ 4,629	$ 3,982

* Includes the amortization of goodwill, franchise costs and other purchased intangibles.

Equity Earnings(Losses)

For the Years Ended December 31,	1999	1998	1997
Wireless Services	$ 74	$ 108	$ 222
Broadband	(1,145)	—	—
Total reportable segments	(1,071)	108	222
Other and Corporate	(84)	(176)	(191)
Liberty Media Group	(2,022)	—	—
Total equity earnings(losses)	$ (3,177)	$ (68)	$ 31



Reconciliation of Earnings Before Interest and Taxes (EBIT) to Income Before Income Taxes

For the Years Ended December 31,	1999	1998	1997
Business Services	$ 6,131	$ 5,007	$ 4,047
Consumer Services	7,968	6,568	4,922
Wireless Services	(474)	182	366
Broadband	(2,276)	—	—
Total reportable segments' EBIT	11,349	11,757	9,335
Other and Corporate EBIT	(991)	(3,023)	(2,056)
Liberty Media Group equity losses	2,022	—	—
Interest expense	1,651	427	307
Total income before income taxes	$ 6,685	$ 8,307	$ 6,972

Assets

At December 31,	1999	1998	1997
Business Services	$ 25,107	$ 21,415	$ 16,918
Consumer Services	6,823	6,561	8,156
Wireless Services	22,478	19,115	18,639
Broadband	56,536	—	—
Total reportable segments	110,944	47,091	43,713
Other and Corporate assets:			
Other segments	11,045	4,165	4,336
Prepaid pension costs	2,464	2,074	2,156
Deferred taxes	899	1,156	1,106
Net assets of discontinued operations	—	—	1,101
Other corporate assets	5,594	5,064	8,683
Investment in Liberty Media Group and related receivables, net	38,460	—	—
Total assets	$169,406	$ 59,550	$ 61,095

Equity Investments

At December 31,	1999	1998	1997
Wireless Services	$ 3,850	$ 3,735	$ 3,128
Broadband	13,052	—	—
Total reportable segments	16,902	3,735	3,128
Other and Corporate	1,552	522	555
Liberty Media Group	38,460	—	—
Total equity investments	$56,914	$ 4,257	$ 3,683

Capital Additions

For the Years Ended December 31,	1999	1998	1997
Business Services	$ 7,145	$ 5,952	$ 4,547
Consumer Services	859	526	1,010
Wireless Services	2,598	2,321	2,071
Broadband	4,759	—	—
Total reportable segments	15,361	8,799	7,628
Other and Corporate	1,798	779	1,055
Total capital additions	$17,159	$ 9,578	$ 8,683

Geographic information is not presented due to the immateriality of revenue attributable to international customers.

Reflecting the dynamics of our business, we continually review our management model and structure. In 2000, we anticipate changes to our segments as follows: The Business Services segment will be expanded to include the results of AT&T Solutions, and Broadband results will be expanded to include the operations of MediaOne upon the completion of the merger. The Wireless Services segment will be expanded to include fixed wireless technology and certain international wireless investments.

Quarterly Information (Unaudited)

	1999				1998			
	First	Second	Third	Fourth	First[4]	Second[5]	Third	Fourth
Revenue	$ 14,096	$ 15,691	$ 16,270	$ 16,334	$ 12,831	$ 13,211	$13,653	$13,528
Operating income(loss)	2,116	2,913	3,389	2,441	1,404	(459)	3,356	3,186
Income(loss) from continuing operations[1]	1,018	1,045	1,416	(51)	1,285	(161)	2,123	1,988
Income before extraordinary loss	1,018	1,045	1,416	(51)	1,295	1,129	2,123	1,988
Extraordinary loss	—	—	—	—	—	—	137	—
Net income	$ 1,018	$ 1,045	$ 1,416	$ (51)	$ 1,295	$ 1,129	$ 1,986	$ 1,988
Per AT&T Group common share – basic[2]:								
Income(loss) from continuing operations	$ .39	$ .50	$ .51	$ .36	$ .48	$ (.06)	$ .79	$ .76
Extraordinary loss	—	—	—	—	—	—	.05	—
AT&T Group earnings	.39	.50	.51	.36	.48	.42	.74	.76
Per AT&T Group common share – diluted[2]:								
Income(loss) from continuing operations	$ .38	$ .49	$ .50	$ .36	$ .48	$ (.06)	$ .78	$ .75
Extraordinary loss	—	—	—	—	—	—	.05	—
AT&T Group earnings	.38	.49	.50	.36	.48	.42	.73	.75
Dividends declared per AT&T common share	$ .22	$ .22	$ .22	$ .22	$ .22	$ .22	$ .22	$ .22
Liberty Media Group loss per share[3]:								
Basic and diluted[2]	$ .05	$ .43	$ .17	$ .95	—	—	—	—
Stock price[2,6]:								
AT&T common stock								
High	$ 64.08	$ 63.00	$ 59.00	$ 61.00	$ 45.67	$ 44.92	$ 40.92	$ 52.67
Low	50.58	50.06	41.81	41.50	38.25	37.42	32.25	37.46
Quarter-end close	53.20	55.81	43.50	50.81	43.83	38.08	38.95	50.50
Liberty Media Group Class A tracking stock								
High	29.06	37.03	39.69	56.81	—	—	—	—
Low	25.88	26.25	30.88	35.88	—	—	—	—
Quarter-end close	26.30	36.75	37.31	56.81	—	—	—	—
Liberty Media Group Class B tracking stock								
High	29.13	37.25	39.75	68.75	—	—	—	—
Low	26.13	27.38	32.00	38.63	—	—	—	—
Quarter-end close	26.88	37.25	39.75	68.75	—	—	—	—

1. First and second quarter 1999 amounts were restated to reflect changes resulting from the appraisal of Broadband. The restatement had no impact on net income or earnings per share.
2. Amounts have been restated to reflect the April 1999 three-for-two split of AT&T's common stock and the June 1999 two-for-one stock split of the Liberty Media Group tracking stock.
3. No dividends have been declared for Liberty Media Group.
4. First quarter 1998 included $10 of income from discontinued operations. This income had no material impact on earnings per share.
5. Second quarter 1998 included a gain on sale of discontinued operations of $1,290, for an earnings per share impact of $0.48.
6. Stock prices obtained from the New York Stock Exchange Composite Tape.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Among other provisions, it requires that entities recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Gains and losses resulting from changes in the fair values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The effective date of this standard was delayed via the issuance of SFAS No. 137. The effective date for SFAS No. 133 is now for fiscal years beginning after June 15, 2000, though earlier adoption is encouraged and retroactive application is prohibited. For AT&T this means that the standard must be adopted no later than January 1, 2001. Based on the types of derivatives we currently have, we do not expect the adoption of this standard will have a material impact on AT&T's results of operations, financial position or cash flows.

In December 1999, the SEC issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which must be adopted by March 31, 2000. We are currently assessing the impact of SAB 101 on our results of operations.

Subsequent Events

On January 5, 2000, AT&T and BT announced financial closure of Concert. Concert began operations in 2000 as the leading global telecommunications company serving multinational business customers, international carriers and Internet service providers worldwide.

On January 18, 2000, we sold our ownership in Lenfest Communications, Inc. (Lenfest), to a subsidiary of Comcast. In connection with the sale, we received 48,555,280 shares of Comcast Class Special A common stock, which had a value of $2,510 at the date of disposition.

On February 3, 2000, a registration statement was filed with the SEC for an initial public offering of AT&T Wireless Group tracking stock. The new tracking stock will provide current shareowners and future investors with a security tied directly to the economic performance of AT&T's Wireless business. AT&T Wireless Group will include voice and data mobility, fixed wireless and certain international wireless investments. At a special shareowner meeting held in March, a proposal to create the tracking stock was approved. We intend to conduct an initial public offering of AT&T Wireless Group tracking stock in the second quarter. A distribution, which may be in the form of a dividend, exchange offer, or a combination of these, of the AT&T Wireless Group tracking stock is intended to be made to shareowners of AT&T common stock sometime thereafter. Holders of Liberty Media Group tracking stock will not be entitled to this distribution.

In February 2000, AT&T entered into an agreement with TeleCorp PCS, Inc., to swap certain licenses that we currently own in the midwestern United States as well as cash of approximately $100 in exchange for licenses in several New England markets. The transaction is expected to close in the fourth quarter of 2000.

AT&T Senior Leadership Team

Pictured left to right:
Mike Armstrong
Mirian Graddick
Dick Martin
Chuck Noski

Pictured left to right:
Jim Cicconi
John Petrillo
Dan Somers

Pictured left to right:
Frank Ianna (standing)
Dave Nagel
Rick Roscitt

AT&T Senior Leadership Team

C. Michael Armstrong
Chairman of the Board and
Chief Executive Officer

James W. Cicconi
General Counsel and
Executive Vice President
Law and Government Affairs

Mirian Graddick
Executive Vice President
Human Resources

Frank Ianna
President
AT&T Network Services

Richard J. Martin
Executive Vice President
Public Relations & Employee
Communications

David C. Nagel
Chief Technology Officer and
President
AT&T Labs

Charles H. Noski
Senior Executive Vice President
and Chief Financial Officer

John C. Petrillo
Executive Vice President
Corporate Strategy & Business
Development

Richard R. Roscitt
President
AT&T Business Services

Daniel E. Somers
President
AT&T Broadband

AT&T Wireless Group (pictured on page 10)

Harold W. Burlingame
Executive Vice President
Communications & Human
Resources

Mohan Gyani
President
AT&T Wireless Services

Michael G. Keith
Executive Vice President
Fixed Wireless

John D. Zeglis
Chairman and Chief Executive
Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

..X.. QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2000

OR

..... TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 1-1105

AT&T CORP.

A New York I.R.S. Employer
Corporation No. 13-4924710

32 Avenue of the Americas, New York, New York 10013-2412

Telephone - Area Code 212-387-5400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ..X No ...

At October 31, 2000, the following shares of stock were outstanding:

AT&T common stock - 3,753,409,021 shares AT&T Wireless Group common stock - 360,971,000 shares Liberty Media Group Class A common stock - 2,369,760,656 shares Liberty Media Group Class B common stock - 206,221,288 shares

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AT&T Form 10-Q - Part I

PART I - FINANCIAL INFORMATION
AT&T CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Millions Except Per Share Amounts)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2000	1999	2000	1999
Revenue	$16,975	$16,333	$49,097	$46,202
Operating Expenses				
Access and other connection	3,255	3,654	10,460	11,054
Costs of services and products	4,547	3,932	12,578	10,660
Selling, general and administrative	3,397	3,442	9,796	10,060
Depreciation and other amortization	1,919	1,558	5,182	4,408
Amortization of goodwill, franchise costs and other purchased intangibles	879	358	1,661	900
Net restructuring and other charges	24	-	797	702
Total operating expenses	14,021	12,944	40,474	37,784
Operating income	2,954	3,389	8,623	8,418
Equity earnings (losses) from Liberty Media Group	1,756	(217)	2,965	(818)
Other income (expense)	71	(375)	486	(254)
Interest expense	946	493	2,158	1,188
Income before income taxes	3,835	2,304	9,916	6,158
Provision for income taxes	763	888	2,127	2,679
Net income	$ 3,072	$ 1,416	$ 7,789	$ 3,479

AT&T Common Stock Group:				
Earnings per share:				
Basic	$ 0.35	$ 0.51	$ 1.41	$ 1.41
Diluted	$ 0.35	$ 0.50	$ 1.40	$ 1.39
Dividends declared	$ 0.22	$ 0.22	$ 0.66	$ 0.66
AT&T Wireless Group:				
(Loss) earnings per share:				
Basic and diluted	$ (0.01)	$ -	$ 0.05	$ -
Liberty Media Group:				
Earnings (loss) per share:				
Basic and diluted	$ 0.68	$ (0.09)	$ 1.15	$ (0.33)

See Notes to Consolidated Financial Statements

AT&T Form 10-Q - Part I

AT&T CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Millions Except Share Amounts)

(Unaudited)

September 30, December 31,

	2000	1999
ASSETS		
Cash and cash equivalents	$ 316	$ 1,024
Receivables, less allowances of $1,341 and $1,281	11,686	10,453
Deferred income taxes	1,386	1,287

Other current assets	2,064	1,120
TOTAL CURRENT ASSETS	15,452	13,884
Property, plant and equipment, net of accumulated depreciation of $31,453 and $30,057	48,165	39,618
Franchise costs, net of accumulated amortization of $1,413 and $697	48,452	32,693
Licensing costs, net of accumulated amortization of $1,685 and $1,491	10,457	8,548
Goodwill, net of accumulated amortization of $3,535 and $363	33,407	7,445
Investment in Liberty Media Group and related receivables, net	39,229	38,460
Other investments and related advances	46,429	19,366
Prepaid pension costs	2,978	2,464
Other assets	7,783	6,928
TOTAL ASSETS	$252,352	$169,406

(CONTINUED)

AT&T Form 10-Q - Part I

AT&T CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)
(Dollars in Millions Except Share Amounts)

(Unaudited)

	September 30, 2000	December 31, 1999
LIABILITIES		
Accounts payable	$ 5,344	$ 6,771
Payroll and benefit-related liabilities	2,362	2,651
Debt maturing within one year	32,342	12,633
Dividends payable	826	703
Other current liabilities	10,470	5,449
TOTAL CURRENT LIABILITIES	51,344	28,207
Long-term debt	29,443	23,217
Long-term benefit-related liabilities	3,923	3,964
Deferred income taxes	39,141	24,199
Other long-term liabilities and deferred credits	4,639	3,801
TOTAL LIABILITIES	128,490	83,388
Minority Interest	9,046	2,391
Company-Obligated Convertible Quarterly Income Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debt Securities of AT&T	4,708	4,700
SHAREOWNERS' EQUITY		
Common Stock:		

AT&T Common Stock, $1 par value, authorized 6,000,000,000 shares; issued and outstanding 3,753,642,726 shares (net of 297,563,162 treasury shares) at September 30, 2000, and 3,196,436,757 shares (net of 287,866,419 treasury shares) at December 31, 1999	3,754	3,196
AT&T Wireless Group Common Stock, $1 par value, authorized 6,000,000,000 shares; issued and outstanding 360,648,000 shares at September 30, 2000	361	-
Liberty Media Group Class A Common Stock, $1 par value, authorized 4,000,000,000 shares; issued and outstanding 2,369,760,656 shares (net of 51,729,408 treasury shares) at September 30, 2000, and 2,313,557,460 shares at December 31, 1999	2,370	2,314
Liberty Media Group Class B Common Stock, $1 par value, authorized 400,000,000 shares; issued and outstanding 206,221,288 shares (net of 10,607,776 treasury shares) at September 30, 2000, and 216,842,228 shares at December 31, 1999	206	217
Additional paid-in capital	90,344	59,526
Guaranteed ESOP obligation	-	(17)
Retained earnings	10,724	6,712
Accumulated other comprehensive income	2,349	6,979
TOTAL SHAREOWNERS' EQUITY	110,108	78,927
TOTAL LIABILITIES & SHAREOWNERS' EQUITY	$252,352	$169,406

See Notes to Consolidated Financial Statements

AT&T Form 10-Q - Part I

AT&T CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREOWNERS' EQUITY
(Dollars in Millions Except Share Amounts)

(Unaudited)

	For the Nine Months Ended September 30,	
	2000	1999
AT&T Common Shares		
Balance at beginning of year	$ 3,196	$ 2,630
Shares issued (acquired), net:		
Under employee plans	-	1
For acquisitions	607	565
Other*	(49)	-
Balance at end of period	3,754	3,196
AT&T Wireless Group Common Stock		
Balance at beginning of year	-	-
Shares issued (acquired), net:		
For initial public offering	360	-
Under employee plans	1	
Balance at end of period	361	-
Liberty Media Group Class A Common Stock		
Balance at beginning of year	2,314	-
Shares issued (acquired), net:		
For acquisitions	61	2,280
Other	(5)	33
Balance at end of period	2,370	2,313

Liberty Media Group Class B Common Stock		
Balance at beginning of year	217	-
Shares issued (acquired), net:		
For acquisitions	-	220
Other	(11)	(3)
Balance at end of period	206	217
Additional Paid-In Capital		
Balance at beginning of year	59,526	15,195
Shares issued (acquired), net:		
Under employee plans	15	37
For acquisitions	22,769	42,374
Other*	(2,514)	324
Proceeds in excess of par value from issuance of AT&T Wireless common stock	9,915	-
Common stock warrants issued	-	306
Gain on issuance of common stock by affiliates	480	534
Other	153	134
Balance at end of period	90,344	58,904
Guaranteed ESOP Obligation		
Balance at beginning of year	(17)	(44)
Amortization	17	27
Balance at end of period	-	(17)
Retained Earnings		
Balance at beginning of year	6,712	7,800

Net income	7,789	3,479
Dividends declared	(2,344)	(2,104)
Treasury shares issued at less than cost	(1,433)	(1,584)
Balance at end of period	10,724	7,591

(CONTINUED)

AT&T CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREOWNERS' EQUITY (CONTINUED)
(Dollars in Millions Except Share Amounts)

(Unaudited)

	For the Nine Months Ended September 30,	
	2000	1999
Accumulated Other Comprehensive Income		
Balance at beginning of year	6,979	(59)
Other comprehensive income	(4,630)	2,618
Balance at end of period	2,349	2,559
Total Shareowners' Equity	$110,108	$74,763
Summary of Total Comprehensive Income:		
Net income	$ 7,789	$ 3,479

Net foreign currency translation adjustment		
(net of taxes of $(177) and $109)	(305)	188
Net revaluation of securities (net of		
taxes of $(2,730) and $1,586)	(4,325)	2,430
Total Comprehensive Income	$ 3,159	$ 6,097

* Activity in 2000 primarily represents AT&T stock received from Cox Communications, Inc., in exchange for an entity owning certain cable systems and other assets.

Other comprehensive income for the nine months ended September 30, 2000, included Liberty Media Group's foreign currency translation adjustments totaling $(193), net of applicable taxes, revaluation of Liberty Media Group's available-for-sale securities totaling $(1,825), net of applicable taxes and the recognition of previously unrecognized available for sale securities of $(1,479), net of applicable taxes.

Other comprehensive income in 1999 included Liberty Media Group's foreign currency translation adjustments totaling $88, net of applicable taxes, and revaluation of Liberty Media Group's available-for-sale securities totaling $2,320, net of applicable taxes.

AT&T accounts for treasury stock as retired stock, and as of September 30, 2000, had 298 million treasury shares of which 225 million shares were owned by AT&T Broadband subsidiaries and 70 million shares related to the purchase of AT&T shares previously owned by Liberty Media Group.

We have 100 million authorized shares of preferred stock at $1 par value. No preferred stock is currently issued or outstanding.

See Notes to Consolidated Financial Statements

AT&T CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Millions)

(Unaudited)

	For the Nine Months Ended September 30,	
	2000	1999
Operating Activities		
Net income	$ 7,789	$ 3,479

Adjustments to reconcile net income to net		
cash provided by operating activities:		
Gains on sales of businesses and		
investments	(1,051)	(495)
Net restructuring and other charges	630	581
Depreciation and amortization	6,843	5,308
Provision for uncollectibles	985	1,077
Net equity (earnings) losses from Liberty		
Media Group	(2,965)	818
Net losses from other equity investments	970	846
Increase in accounts receivable	(2,705)	(2,529)
Decrease in accounts payable	(248)	(318)
Net change in other operating assets		
and liabilities	(1,025)	(1,718)
Other adjustments	(49)	1
Net cash provided by operating activities	9,174	7,050
Investing Activities		
Capital expenditures and other additions	(10,913)	(8,770)
Proceeds from sale or disposal of		
property, plant and equipment	547	192
(Increase) decrease in other receivables	(981)	11
Net (acquisitions) dispositions of		
licenses	(218)	1
Equity investment distributions and sales	1,104	936
Equity investment contributions and		
purchases	(2,867)	(6,878)
Net acquisitions of businesses including		
cash acquired	(19,791)	(6,830)
Other investing activities, net	(57)	(15)
Net cash used in investing activities	(33,176)	(21,353)

Financing Activities		
Proceeds from long-term debt issuances	739	8,396
Retirements of long-term debt	(1,954)	(2,134)
Issuance of convertible securities	-	4,694
Dividends paid on convertible securities	(147)	(75)
Issuance of AT&T Wireless Group common stock	10,291	-
Redemption of subsidiary preferred stock	(156)	-
Net acquisition of treasury shares	(588)	(4,476)
Dividends paid on common stock	(2,221)	(2,009)
Increase in short-term borrowings, net	17,363	6,313
Other financing activities, net	(33)	434
Net cash provided by financing activities	23,294	11,143
Net decrease in cash and cash equivalents	(708)	(3,160)
Cash and cash equivalents at beginning of year	1,024	3,160
Cash and cash equivalents at end of period	$ 316	$ -

See Notes to Consolidated Financial Statements

AT&T Form 10-Q - Part I

AT&T CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Millions Except Per Share Amounts)

(Unaudited)

(a) BASIS OF PRESENTATION The consolidated financial statements have been prepared by AT&T Corp. (AT&T) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, include all adjustments necessary for a fair statement of the consolidated results of operations, financial position and cash flows for each period presented. The consolidated results for interim periods are not necessarily indicative of results for the full year. These financial results should be read in conjunction with AT&T's Form 10-K for the year ended December 31, 1999, filed on March 27, 2000, (which includes the financial statements of Liberty Media Group for the year ended December 31, 1999), AT&T's Form 10-Q for the quarter ended March 31, 2000, (which includes the financial results of Liberty Media Group for this period, attached as an exhibit

** FLORIDA PUBLIC SERVICE COMMISSION **

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

Application Form for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida

010393-TI

Instructions

- This form is used as an application for an original certificate and for approval of assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 16).

- Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **$250.00** to:

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6770

DEPOSIT D051

DATE APR 04 2001

THIS DOCUMENT IS VOID IF BACKGROUND DESIGN IS NOT COLORED

AT&T BROADBAND

Accounts Payable
P.O. Box 173805
Denver, CO 80217-3805
(877) 493-6526

CHECK NUMBER 4050744

VENDOR NO. 23892

DATE 23-MAR-01

PAY EXACTLY

Two Hundred Fifty Dollars and no cents.

AMOUNT $*******250.00

TO THE ORDER OF FLORIDA STATE OF FL

AT&T BROADBAND, LLC.
VOID AFTER 180 DAYS

MELLON

119.07(1)(z), Florida Statutes: Bank account numbers or debit, charge, or credit card numbers given to an agency for the purpose of payment of any fee or debt owing are confidential and exempt from subsection (1) and s.24(a), Art. 1 of the State Constitution . . .

Michael J. Hensley

Authorized Signer

THIS CHECK IS CLEARED THROUGH POSITIVE PAY

CHECK ENCLOSED

DOCUMENT NUMBER-DATE

04124 APR-3 01

FPSC-RECORDS/REPORTING