UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

United States of America	)	
	)	Civil Action No.
Plaintiff,	)	
	)	
v.	)	Filed:
	)	
AT&T Corp., and MediaOne Group, Inc.	)	
	)	
Defendants.	)	

FINAL JUDGMENT

WHEREAS, plaintiff, United States of America, filed its Complaint on May 25, 2000;

AND WHEREAS, plaintiff and defendants, AT&T Corp. ("AT&T") and MediaOne Group, Inc. ("MediaOne"), by their respective attorneys, have consented to the entry of this Final Judgment without trial or adjudication of any issue of fact or law, and without this Final Judgment constituting any evidence against or admission by any party regarding any issue of fact or law;

AND WHEREAS, AT&T and MediaOne agree to be bound by the provisions of this Final Judgment pending its approval by the Court;

AND WHEREAS, the essence of this Final Judgment is the reorganization of certain business relationships of AT&T and MediaOne to assure that competition is not substantially lessened;

AND WHEREAS, plaintiff requires AT&T and MediaOne to restructure certain of their business relationships for the purpose of remedying the loss of competition alleged in the Complaint;

AND WHEREAS, AT&T and MediaOne have represented that the restructuring required below can and will be made, that AT&T and MediaOne can assure compliance with the requirements of this Final Judgment, and that AT&T and MediaOne will later raise no claim of hardship or difficulty as grounds for asking the Court to modify any of the provisions relating to the required restructuring or the limitations on subsequent agreements contained below;

NOW THEREFORE, before any testimony is taken, without trial or adjudication of any issue of fact or law, and upon consent of the parties, it is ORDERED, ADJUDGED AND DECREED:

I. Jurisdiction

This Court has jurisdiction over the subject matter of and each of the parties to this action. The Complaint states a claim upon which relief may be granted against defendants under Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

II. Definitions

As used in this Final Judgment:

A. "Affiliate" means any person, corporation, partnership, or joint venture that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person, corporation, partnership, or joint venture. For purposes of this definition, the term "own" means to own an equity interest (or the equivalent thereof) of 50 percent or more.

B. "AT&T" means AT&T Corp., a New York corporation with its headquarters in

New York, New York, its successors and assigns, and its parents, majority-owned subsidiaries, divisions, groups, and their officers, managers, agents, and employees. For purposes of Section IV of this Final Judgment, "AT&T" or its Affiliates shall not include Liberty Media or any entity which would be included within the definitions of "AT&T" or AT&T's Affiliates solely because of Liberty Media's ownership interests.

C. "Cable Modem Service" means any Residential Broadband Service provided over cable facilities.

D. "MediaOne" means MediaOne Group, Inc., a Delaware corporation with its headquarters in Englewood, Colorado, its successors and assigns, and its parents, majority-owned subsidiaries, divisions, groups, and their officers, managers, agents, and employees.

E. "Operating Agreement" means the agreement entitled Amended and Restated Operating Agreement of ServiceCo LLC, dated June 12, 1998, among Cable HoldCo LLC, Microsoft BOV, Inc., and CPQ Holdings, Inc.

F. "Residential Broadband Service" means any service offered to residential customers in the United States of America that permits users to transmit and receive information using Internet protocols at speeds which may exceed 128 kilobits per second.

G. "ServiceCo" means ServiceCo LLC, a Delaware limited liability company.

H. "ServiceCo Interest" means any direct or indirect financial ownership interest in, and any direct or indirect role in management or participation in control of, ServiceCo LLC to be held by AT&T pursuant to AT&T's acquisition of MediaOne. However, any ServiceCo Interest held as of May 8, 2000 by AT&T or MediaOne solely by virtue of ownership of a limited partnership interest in Time Warner Entertainment Company, L.P. shall not be considered a

ServiceCo Interest for the purposes of this Judgment.

H. "Time Warner" means Time Warner, Inc., a Delaware corporation with its headquarters in New York, New York, Time Warner Entertainment Co., L.P., and ServiceCo, their successors and assigns, and their parents, divisions, groups, and majority-owned subsidiaries; and any legal entity that is subject to a merger or other agreement with Time Warner, Inc. and that would be included within this definition when such agreement is consummated.

III. Applicability

This Final Judgment applies to AT&T and MediaOne, as defined above, and all other persons in active concert or participation with any of them who receive actual notice of this Final Judgment by personal service or otherwise.

IV. Restructuring

A. AT&T or MediaOne shall divest the ServiceCo Interest on or before December 31, 2001; provided, however, that this divestiture obligation shall not prohibit AT&T's or MediaOne's retention or acquisition of assets dedicated solely to the provision of service to MediaOne customers or any regional data centers that are used predominantly for the provision of service to MediaOne customers as defined in section 6.3(b) of the Operating Agreement ("Assets").

B. AT&T and MediaOne must satisfy the requirements of Section IV (A) of this Final Judgment through one of the methods described in this Section IV (B) (1) - (3):

(1) AT&T and MediaOne shall take all necessary steps to implement (a) the dissolution of ServiceCo pursuant to the terms of sections 6.1 and 6.2 of the Operating Agreement; and (b) the distribution of the ServiceCo assets pursuant to the terms of

section 6.3 of the Operating Agreement; provided, however, that notwithstanding any other contractual rights of AT&T or MediaOne, AT&T and MediaOne shall consent to the acquisition by Time Warner of any or all of ServiceCo's remaining assets (i.e. those assets remaining after AT&T or MediaOne retain or acquire Assets) at the fair market value of those assets (determined by a third party appraisal if the parties do not agree on valuation) so long as AT&T or MediaOne are permitted to lease capacity on those assets and transitional support services at fair market value until June 30, 2002 in order to maintain the quality of Cable Modem Services that AT&T and MediaOne offer to their customers; or

(2) AT&T and MediaOne shall take all necessary steps to divest the ServiceCo Interest pursuant to section 9.3 of the Operating Agreement; or

(3) AT&T and MediaOne shall implement an alternative plan for divestiture of the ServiceCo Interest that has been agreed to by AT&T and MediaOne and approved in writing by Plaintiff in its sole discretion.

C. If the remaining parties to the Operating Agreement whose consent is required offer to allow AT&T and MediaOne to terminate their affiliation agreement and divest the ServiceCo Interest pursuant to either of the methods specified in Section IV (B) (1) or (2) above after the closing of the merger between AT&T and MediaOne and prior to December 31, 2001, AT&T and MediaOne shall accept that offer and divest the ServiceCo Interest on the date proposed by the other parties; provided that AT&T or MediaOne are permitted to lease capacity on those assets and transitional support services at fair market value until June 30, 2002, in order to maintain the quality of Cable Modem Services that AT&T and MediaOne offer to their customers.

V. Limitations on Subsequent Agreements

A. Prior to the earlier of December 31, 2003 or two years after AT&T's and MediaOne's divestiture of the ServiceCo Interest, unless they obtain the prior consent of Plaintiff, AT&T, MediaOne, and their Affiliates shall not (1) enter into any contractual or other arrangement with Time Warner to jointly offer or provide any wholesale or retail Residential Broadband Service; (2) enter into any contractual or other arrangement with Time Warner that has the purpose or effect of preventing AT&T, MediaOne, their Affiliates or Time Warner from offering or providing a wholesale or retail Residential Broadband Service in any geographic region or to any group of customers; or (3) enter into any contractual or other arrangement with Time Warner that has the purpose or effect of preventing (a) AT&T, MediaOne, their Affiliates or Time Warner from including any content, services, capabilities, or features in any wholesale or retail Cable Modem Service offered by AT&T, MediaOne, their Affiliates, or Time Warner; or (b) AT&T, MediaOne or their Affiliates from granting preferential treatment in any wholesale or retail Cable Modem Service offered by AT&T, MediaOne or their Affiliates to content, services, capabilities, or features offered by any person other than Time Warner, or Time Warner from granting preferential treatment in any wholesale or retail Cable Modem Service offered by Time Warner to content, services, capabilities, or features offered by any person other than AT&T, MediaOne or their Affiliates.

B. Plaintiff shall consent to a proposed contractual or other arrangement if it determines in its sole discretion that such arrangement will not substantially lessen competition between AT&T and its Affiliates, and Time Warner in any market. Plaintiff shall be deemed to have consented to the proposed arrangement if Plaintiff has not provided written objection within 30 days of the submission of a request for Plaintiff's consent. If Plaintiff provides a written objection to a request within the 30 day period, Plaintiff's determination shall be final and binding unless, on application by AT&T or MediaOne, the Court concludes that Plaintiff abused its discretion in refusing to consent to an agreement.

C. AT&T's and MediaOne's participation in the management and governance of ServiceCo prior to completion of the restructuring required by Section IV in accordance with the requirements of Section VI and its agreement to receive transitional services in accord with Section IV shall not violate the restrictions of Section V.

VI. AT&T's and MediaOne's Interim Participation in the Management and Governance of ServiceCo

Until the divestiture required by this Final Judgment has been accomplished, AT&T and MediaOne shall conduct their relationship with ServiceCo in accordance with all of the requirements specified below, except as Plaintiff may otherwise consent in writing:

A. Except as necessary to comply with this Final Judgment, AT&T and MediaOne shall take all necessary steps to ensure that the management of the ServiceCo Interest will be kept separate and apart from, and not influenced by, the operation of AT&T and its Affiliates, and all books, records, and competitively-sensitive sales, marketing, and pricing information associated with ServiceCo will be kept separate and apart from the books, records, and competitively-sensitive sales, marketing, and pricing information associated with AT&T's and its Affiliates' other businesses.

B. AT&T and MediaOne are prohibited (1) from participating in or attempting to influence any decision by ServiceCo regarding ServiceCo's offering of wholesale or retail residential broadband services to any customer other than AT&T's, MediaOne's and Time Warner's cable systems; (2) from participating in or attempting to influence any decision by ServiceCo relating to the content or services provided by any person other than Time Warner to ServiceCo subscribers; and (3) from impeding ServiceCo's ability to obtain additional capital from other direct or indirect holders of equity in ServiceCo.

C. Upon closing of the merger of AT&T and MediaOne, AT&T shall appoint a person or persons (the "Appointee") to oversee the ServiceCo Interest, who will also be responsible for AT&T's and MediaOne's compliance with this section. The Appointee shall have complete managerial responsibility for the ServiceCo Interest, subject to the provisions of this Final Judgment and subject to review and direction by AT&T's Chairman of the Board, its Chief Financial Officer, its Chief Operating Officer, General Counsel, and its Board of Directors. In the event that the Appointee is unable to perform his or her duties, AT&T shall appoint a replacement within ten (10) working days. The Appointee shall have the authority to act on AT&T's and MediaOne's behalf in exercising the rights under the Operating Agreement and the Affiliation Agreement that AT&T and MediaOne are permitted to exercise under the terms of this Final Judgment.

1. The Appointee shall be permitted to consult with individuals whose responsibilities pertain to the MediaOne cable systems only when necessary to exercise rights under the Operating Agreement and the Affiliation Agreement that AT&T and MediaOne are permitted to exercise under the terms of this Final Judgment. The Appointee may disclose non-public information regarding ServiceCo's operations to personnel whose

responsibilities pertain to the MediaOne cable systems only when necessary to exercise AT&T's and MediaOne's management rights, and no such information regarding ServiceCo's operations may be disclosed by the Appointee or by personnel whose responsibilities pertain to the MediaOne cable systems to other personnel of AT&T or its Affiliates.

2. The Appointee shall not communicate with any individuals employed by AT&T, MediaOne or their Affiliates with responsibilities relating to the operations of Excite@Home or AT&T cable systems other than those acquired from MediaOne. The Appointee shall not be given access to any nonpublic information regarding the operations of Excite@Home or AT&T cable systems other than those acquired from MediaOne.

3. Except for those circumstances provided for in this Section or as may otherwise be required by law, in no event shall any employee of AT&T, MediaOne or their Affiliates, other than the Appointee, have access to any nonpublic information regarding the operations and management of ServiceCo.

VII. Compliance Inspection

For the purposes of determining or securing compliance of defendants with this Final Judgment, and subject to any legally recognized privilege, from time to time:

A. Duly authorized representatives of the United States Department of Justice, upon written request of a duly authorized representative of the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to AT&T or MediaOne made to its principal office, shall be permitted without restraint or interference from AT&T and MediaOne:

1. to have access during office hours of AT&T or MediaOne to inspect and copy or,

at plaintiff's option to, request AT&T or MediaOne to provide copies of all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of AT&T or MediaOne, who may have counsel present, relating to any matters contained in this Final Judgment; and

2. to interview, either informally or on the record, and to take sworn testimony from the officers, directors, employees, or agents of AT&T and MediaOne, who may have their individual counsel present, relating to any matters contained in this Final Judgment.

B. Upon the written request of a duly authorized representative of the Assistant Attorney General in charge of the Antitrust Division, made to AT&T or MediaOne, AT&T or MediaOne shall submit written reports, under oath if requested, relating to any of the matters contained in this Final Judgment.

C. No information or documents obtained by the means provided in this section shall be divulged by plaintiff to any person other than a duly authorized representative of the Executive Branch of the United States, or to the FCC (pursuant to a customary protective order or a waiver of confidentiality by AT&T or MediaOne), except in the course of legal proceedings to which the United States is a party (including grand jury proceedings), or for the purpose of securing compliance with this Final Judgment, or as otherwise required by law.

D. If, at the time information or documents are furnished by AT&T or MediaOne to plaintiff, AT&T or MediaOne represent and identify in writing the material in any such information or documents as to which a claim of protection may be asserted under Rule 26(c)(7) of the Federal Rules of Civil Procedure, and mark each pertinent page of such material, "Subject to claim of protection under Rule 26(c)(7) of the Federal Rules of Civil Procedure," then ten (10) calendar days' notice shall be given by Plaintiff to AT&T or MediaOne prior to divulging such material in any legal proceeding (other than a grand jury proceeding) to which AT&T or MediaOne is not a party.

VIII. Retention of Jurisdiction

Jurisdiction is retained by this Court for the purposes of enabling any of the parties to this Final Judgment to apply to this Court at any time for such further orders or directions as may be necessary or appropriate for the construction or carrying out of this Final Judgment, for the modification of any of the provisions hereof, for the enforcement of compliance herewith, and for the punishment of any violations hereof.

IX. Further Provisions and Termination

A. The entry of this judgment is in the public interest.

B. Unless this Court grants an extension, this Final Judgment shall expire on the tenth anniversary of the date of its entry.

Date: ____________________

____
Judge, United States District Court

FOR PUBLIC INSPECTION

Documents Submitted To The FCC By Time Warner Inc.
Document and Information Request No. 2
Documents Responsive to Questions Pertaining to Benefits

TIME WARNER

Memorandum

TO:

Steve Abramson
Ed Adler
Roger Ames
Richard Atkinson
James Barge
Jeff Bewkes
Sue Binford
Ed Bleier
Chris Bogart
Tim Boggs
Rich Bressler
Glenn Britt
Bob Brodbeck
Barbara Brogliatti
Joe Collins
Peter Costiglio
Dave DePinho
Jerry Gold
Don Guerette
Peter Haje
Reg Harpur
Tommy Harris
Steve Heyer
Landel Hobbs
Ivan Hodac
Alan Horn
Maz Jadallah
Derek Johnson
Tom Johnson
Andy Kaslow
John LaBarca
Jerry Levin
Jay Levine
Don Logan
Mike Luftman
Michael Lynne
Rob Marcus
Jim McCaffrey
Terry McGuirk
Barry Meyer
Vicky Miller
Mindy Mount
Bill Nelson
Jim Noonan
Ray Nowak
Olaf Olafsson
Wayne Pace
Dick Parsons
Phil Pitruzzello
Richard Plepler
Sandy Reisenbach
Joe Ripp
Ed Romano
Howard Rosen
Robert Roth
Mack Ruckman
Bob Shaye
Julia Sprunt
Rich Stein
Joan Sumner
Stephen Swad
Kevin Tsujihara
Ted Turner
Ed Weiss
Rick Yeager

FROM: John Martin

DATE: January 11, 2000

Attached are recent analyst reports on AOL that I thought you'd find interesting.

JM

CONFIDENTIAL

AOL

03:43pm EST 10-Jan-00 Goldman Sachs (SIMON,PAREKH,GOVERNALI,ROSENSTEIN,) INF AO
Broad Implications of AOL/TWX Merger; Both R.L.

GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS
Goldman, Sachs & Co. Investment Research

America Online, Time Warner, Inc.

* * Broad Implications of AOL/TWX Merger; Both R.L. * *

****
* The AOL Time Warner merger has a wide range of implications to a broad *
* competitive universe of content providers, distribution platforms, *
* brands, and internet companies. We believe it puts significant pressure*
* on an extensive mix of companies to more aggressively explore similar *
* combinations and/or strategic alliances. We continue to recommend *
* purchase of AOL and Time Warner. *
****

Richard P. Simon (New York) 1 212-902-6792 - Investment Research
Michael Parekh (New York) 1 212-902-8960 - Investment Research
Barry A. Kaplan (New York) 1 212-902-6847 - Investment Research
Frank J. Governali, CFA (New York) 1 207-772-3300 - Investment Research
Richard Rosenstein (New York) 1 212-902-6718 - Investment Research
Richard Greenfield (New York) 1 212-902-6830 - Investment Research
Lou Kerner (New York) 1 212-902-2298 - Investment Research
Robert Herman (New York) 1 212-357-9749 - Investment Research

=================== NOTE 3:15 PM January 10, 2000 ===================

	Stk Rtg	Latest Close	52 Week Range	Mkt Cap (mm US$)	YTD Pr Change	Cur Yield
America Online	RL	73.00	94-35	163190.	-4%	0.0%
Time Warner, Inc.	RL	64.75	79-58	76361.6	-10%	0.3%

--------------Earnings Per Share---------------

AOL		Sep	Dec	Mar	Jun	FY	CY
	2001 FY						
	2000 FY	0.08A	0.08	0.08	0.09	0.32	0.35
	1999 FY(A)	0.02	0.04	0.05	0.07	0.17	0.25
TWX		Mar	Jun	Sep	Dec		
	2000 FY					0.66	
	1999 FY	0.00A	0.12A	0.08A	0.15	0.35	
	1998 FY(A)	-0.13	0.02	-0.03	-0.17	-0.31	

		-Abs P/E on- Cur	Nxt	-Rel P/E on-- Cur	Nxt	EV/NxtFY EBITDA	LT EPS Growth
AOL	FY	231.7X	NMX	8.2X	NMX	NA	50%
	CY	208.6		7.4			
TWX	FY	185.0X	98.1X	6.5X	3.7X	NA	NA

This document also contains comments on AOL, DIS, VIA B, USAI, VO, NWS A,
WCOM, FON, BEL, GTE, MFNX, GBLX, TWRS, AMT, CBS, UVN, INF, CCU, YHOO, CVC,

-- FIRST CALL --

LMG A, CHTR, COX, CMCSK, DISH, NTLI, ATHM, LVLT, WON.

==

* The combination of new and traditional media makes sense and is not a surprise. The sheer size of this deal, and the potential for numerous synergies (AOL TWX expect $1 billion in synergies) is certainly impressive, but what truly could make this transaction a watershed event would be a shift in the valuation paradigm that seemingly made such deals impossible before (the failure of the USA Networks/Lycos deal is one example). Accordingly, this deal could open up a host of other possible new/traditional media combinations.
* The AOL/TWX merger represents a landmark transaction in the global media landscape. Implications are positive for both companies as it credentializes the premium valuations rewarded to leading online companies. AOL Time Warner will be focused on driving incremental value for consumers, as the new company will redefine interactive services by combining online and offline businesses. The new entity will have unprecedented reach both domestically and internationally. Management estimates that the combined company will have revenues of $40 bln and EBITDA of $10 bln in calendar 2001.

==

BELOW IS A BRIEF OVERVIEW OF THE IMPACT OF THE AOL TIME WARNER MERGER AND ITS IMPACT ON THE INTERNET, MEDIA, CABLE, BROADCASTING, SATELLITE CABLE AND TELECOM COMPANIES.

1. INTERNET. AOL ESTABLISHES A FIRST MOVER ADVANTAGE IN COMBINING ONLINE AND OFFLINE ACTIVITIES FOR CONSUMERS. Today's announced merger should be viewed as a win/win situation for AOL and Time Warner. Once again, AOL has redefined the Internet landscape. We believe that AOL's merger with Time Warner is expected to cause all media companies, traditional and new, to reprioritize their strategy for leveraging their online and offline assets. The deal creates an entity which is intently focused on generating incremental value for consumers by offering a wide array of online and offline content as well as broadband services. We also view the potential cross-promotional opportunities between AOL's online interactive services properties and Time Warner as another major positive for both companies. On a combined basis, AOL Time Warner will have 80% reach into US households. From the cable side, Time Warner has 13 million subscribers and more than 20 million homes passed. Time Warner's Road Runner high speed Internet cable service has over 320,000 subscribers, providing a jumpstart for AOL's broadband strategy on this front. See our 70 page report on AOL, dated October 4, 1999, entitled 'America Online: Leading the Interactive Era' for more details on AOL's interactive services strategy.

KEY TAKEAWAYS AND INTERNET SECTOR IMPLICATIONS

(A) Today's announcement has the potential to significantly accelerate the value creation in merging online and offline businesses. (B) The merger increases the long-term visibility on AOL's model, as interactive services are introduced to mainstream activities globally. (C) Bolsters two C's (Content and Connectivity) to the six C's outlined by AOL (Content, Context, Community, Connectivity, Cost, and Commerce) with the addition of offline content and cable assets. (D) Validates premium valuations for leading Internet companies. This transaction clearly illustrates the benefits that online companies can provide in the context of a global media business.

FINANCIAL IMPACT. From a financial perspective, the focus will be on three key aspects: 1) Revenue growth, 2) EBITDA, and 3) Free cash flow growth. Management from both sides stressed that there will be meaningful cost synergies in addition to revenue synergies. Combined revenues for calendar 2001 are expected to be $40 billion, with $10 billion in EBITDA. Additionally, anticipated cost savings for next year could reach $1 billion. On a pro-forma basis, AOL Time Warner will have over 100 million paying subscribers in a variety of forms. Time Warner noted on the conference call this morning that its fastest growing revenue stream is advertising, which is currently at an annual run rate of $5 billion. This compares with roughly $2 billion in advertising/e-commerce/other dollars that AOL is expected to generate in calendar 2000. We are not changing our model at this time, as the merger isn't expected to close before year-end 2000.

2. MAJOR MEDIA/ENTERTAINMENT. The merger highlights and increases the attractiveness and importance of brands (CNN, MTV, ESPN, Disney, Nickelodeon, HBO, Discovery, Starz, Encore, etc.) as well as media businesses in general - especially music and to a less immediate degree filmed entertainment (focus on video-on-demand and video streaming). While this will intensify the cloud over traditional home video distribution, it hereto opens up new branding opportunities for digitally delivered video (Blockbuster.com). The AOL Time Warner deal is about interactivity and convergence, broadly defined, not just the internet.

The competitive playing field has also changed in the bidding/demand for content. Vertical-integration protects content costs, while the AOL Time Warner combination increases the combined companies ability to bid for content, such as sports rights, which previously might have been impractical or uneconomic. Essentially, this transaction will affect numerous horizontal and vertical elements of the numerous companies involved. We believe it is more dislocating to industry practices than the CBS/Viacom merger, the Time Warner/Turner merger, or the Disney/CapCities ABC merger.

VALUATION. Within the media universe, the valuation of Seagram, with its music-centric business mix, is uniquely advantaged given music's positioning in digital downloading and e-commerce. In fact, during the AOL Time Warner conference call both Steve Case and Gerry Levin, highlighted the positioning of music and the internet (Time Warner and Sony are merging Columbia House with CDNow). Both Viacom (especially after the CBS merger) and Disney, have a stronger brand advantage than Seagram, while News Corp. (and Fox) is uniquely positioned by its strong global distribution and sports, kids, and entertainment focus. In addition, USA Networks melding of content, commerce, and the internet attractively positions it.

STRATEGIC OPPORTUNITIES. As important and even more challenging, however, are the numerous strategic opportunities that may be stimulated by the AOL Time Warner combination. These could be fueled by an increasing imperative to leverage the internet, broadband distribution, and/or content. As AOL Time Warner indicated, significant operating leverage will be created through: (1) selling advertising across a wider distribution platform; (2) reduced cost of Time Warner building its internet presence (given AOL's web expertise); and (3) growing AOL's distribution by enriching its product offerings with Time Warner's proprietary content and its network of distribution platforms (cable networks, cable systems, broadcast television, magazines, etc.).

Important Disclosures (code definitions attached or available upon request)

AOL	: CF, M
TWX	: CD, M, ZC
DIS	: CF, CP, M
VIA_B	: CF, M

-- FIRST CALL --

03:39pm EST 10-Jan-00 Goldman Sachs (SIMON,PAREKH,GOVERNALI,ROSENSTEIN,) INF AO
Broad Implications of AOL/TWX Merger; Both R.L.

GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS
Goldman, Sachs & Co. Investment Research

America Online, Time Warner, Inc.

* * Broad Implications of AOL/TWX Merger; Both R.L. * *

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Lou Kerner (New York) 1 212-902-2298 - Investment Research
Robert Herman (New York) 1 212-357-9749 - Investment Research

==================== NOTE 3:15 PM January 10, 2000 ===================

3. CABLE SYTEMS. We believe the implications of the announced AOL Time Warner merger are largely positive for cable stocks, both domestically and internationally, although there are clearly some potential issues of concern. On the positive side we would identify three areas where we think this is positive for cable stocks.

(A) We think this largely neutralizes AOL with respect to the political lobbying process on Open Access. Now that AOL has what it has been trying to get on the cable platform both for broadband, at least with respect to Time Warner, and TWE (and with some leverage with other cable operators as well) its economic interest now shifts to keeping everyone else off. In that respect we expect that AOL, which has been one of the driving political forces behind the Open Access regulatory initiative to back off. We think with a company with the size power and marketing prowess of AOL now squarely behind the high speed data over cable business both to the PC and perhaps even more importantly to the TV set, it is quite possible that the rollout of high speed data over cable could accelerate across the industry.

(B) As more than one large acquisitive cable company has told us this morning 'We feel rather small again'. In that context, and with Time Warner CEO Gerry Levin,. Having declared Internet valuations 'real', one can certainly envision more merger activity between cable companies and Internet companies, both to capture similar benefits, and/or to counteract the market power of the combined TWX/AOL

(C) We see one important potential threat or negative for the cable operators and their stock from this transaction. Time Warner controls a lot of assets that are extremely important to the cable industry, particularly on the cable programming front. There is a threat that a combined AOL/Time Warner could use its leverage with cable operators as a programming supplier, to get AOL onto non-Time Warner cable systems on economic terms favorable to TWX/AOL.

-- FIRST CALL --

LIBERTY MEDIA. The AOL TWX transaction is unequivocally positive for Liberty Media. The company benefits as the largest shareholder of Time Warner directly. It also benefits to the extent that this deal has highlighted the importance and value of content brands, particularly in a television context. With its ownership positions in such brands as Discovery, Encore/Starz, QVC, BET, USA Networks, Liberty is clearly a beneficiary.

AT HOME EXCITE. While the AOL/TWX deal clearly validates the value of cable in the internet world, which is positive for ATHM, we still believe the deal is mixed for ATHM for several reasons.

First, and most obviously, the deal does nothing to remove what remains the major overhang on ATHM stock, the short term nature of the exclusive cable agreements. We continue to believe that ATHM will address that issue, and believe that the AOL/TWX deal puts additional pressure on cable operators to clear up the ATHM relationship, we believe until there is resolution, the short term agreements will remain an overhang on ATHM shares.

We also believe that the AOL/TWX agreement significantly enhances AOL's already dominant position in the race to connect homes to the internet. The hole in AOL's strategy has always been broadband, while others can debate the valuation implication on AOL shareholders, what is clearly not debatable, is that this deal will further solidify AOL as the dominant player in the internet space. AOL has now got broadband deals in satellite (with DirecTV), telcos (with SBC, Bell Atlantic and GTE), and now cable.

4. BROADCASTING (TELEVISION, RADIO, AND TOWERS). The principal assets that broadcasters bring are content, a traditional distribution platform, a promotional platform and advertising relationships. Within our coverage universe, we view the companies with the greatest scale as being particularly advantaged.

TELEVISION. The companies affected most are CBS (with Viacom) and Univision. CBS/Viacom is already looking for ways to monetize its considerable scale in audience and brands to create new media opportunities on its own (in several avenues); that effort could be significantly accelerated in conjunction with an existing Internet/new media company as a partner. Although this has always been a possibility, a new valuation paradigm (and greater investor acceptance) for such combinations could enhance the possibilities. Similarly, Univision has been pursuing its Internet/new media initiatives from within, leveraging its enormous clout with Hispanic audiences in the US; it, too, could accelerate such efforts in combination with an existing Internet player. Although many of the television station companies have a strong local presence in large part due to news content, and their local digital spectrum potentially has meaningful value perhaps for broadband data delivery or some other use, the AOL/Time Warner deal does not seem to have many implications for these companies, as their scale is more limited.

RADIO. The companies that seem to be affected most again are those with the greatest scale - Clear Channel (with AMFM) and Infinity in the station area, and Westwood One in the content area. Both Infinity and Clear Channel are advantaged in that these companies have large national audiences (60 and 100 million weekly listeners, respectively) and large

-- FIRST CALL --

outdoor advertising platforms. These companies can leverage such scale into enormous promotional clout, for almost any purpose, seemingly, but most obviously in driving commerce in music. Furthermore, given their strong local market presence on a large number of stations, these companies have the potential to aggregate a large number of local communities. Each of these attributes could prove valuable for an existing Internet player. Finally, Westwood One, as the largest owner of content in radio, particularly local content (including traffic, news and other information), could prove valuable to an Internet player.

COMMUNICATION TOWERS. The deal is also a positive for the communications tower sector, in particular leading to the growth in demand for communications sites. As we have been highlighting, the future is here when it comes to wireless data applications. This deal, and the growth of AOL Anywhere will, in our opinion only speed up and intensify the usage of the wireless Internet. The resulting need for rapid and comprehensive network deployment reinforces our view of the strong demand for tower space moving forward. As we do not anticipate AOL or Time Warner getting into the tower business, the deal affirms the potential of wireless data for the tower consolidators, with additional lease-ups on new and existing towers leading to attractive cash flow growth, particularly for large consolidators such as Crown Castle and American Tower.

Important Disclosures (code definitions attached or available upon request)

AOL	: CF, M
TWX	: CD, M, ZC
DIS	: CF, CP, M
VIA B	: CF, M
USAI	: CS
VO	: CP, DIR, M
NWS A	: M, ZC
T	: CF
WCOM	: CS
FON	: CP, M
BEL	: No Disclosures
GTE	: CF
MFNX	: CS
GBLX	: CS, M
TWRS	: CS, M
AMT	: No Disclosures
CBS	: CF, M
UVN	: M
INF	: CF, M
CCU	: CF, M
YHOO	: CF, CS, M
CVC	: No Disclosures
LMG A	: No Disclosures
CHTR	: CS, M
COX	: CF, M
CMCSK	: CD, CF, CLA, EC, M
DISH	: CS
NTLI	: CF, M
ATHM	: CF, CS, M
LVLT	: CF, CS, M
WON	: No Disclosures

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03:40pm EST 10-Jan-00 Goldman Sachs (SIMON,PAREKH,GOVERNALI,ROSENSTEIN,) INF AO
Broad Implications of AOL/TWX Merger; Both R.L.

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Goldman, Sachs & Co. Investment Research

America Online, Time Warner, Inc.

* * Broad Implications of AOL/TWX Merger; Both R.L. * *

Richard P. Simon (New York) 1 212-902-6792 - Investment Research
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Frank J. Governali, CFA (New York) 1 207-772-3300 - Investment Research
Richard Rosenstein (New York) 1 212-902-6718 - Investment Research
Richard Greenfield (New York) 1 212-902-6830 - Investment Research
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==================== NOTE 3:15 PM January 10, 2000 ====================

5. SATELLITE. While the AOL/TWX deal clearly highlights the value that cable provides in the Internet space, we believe that the deal generally highlights the significant value of pipes in general.
We have always held that cable was better positioned to provide broadband to the home (first mover advantage, the ability to bundle with voice), however, we have also long believed that DTH was still going to be a significant beneficiary of the internet when DTH is able to deliver broadband to the home, which will be by 2003-2004. When that time comes, DTH will be a viable alternative to cable modem and DSL services in metropolitan areas. But we believe the real value proposition for DTH will be the ability to provide broadband to the home in those areas not upgraded by cable or to sparse to receive DSL. We estimate that will be 20-30 million homes in 2005.

While some investors may believe the AOL/TWX deal diminishes the value of the AOL/DirecTV deal, we have always known AOL was going to pursue a profound relationship with cable, so our view of the value of that deal has not changed at all. AOL had already done deals with telcos (Bell Atlantic, SBC, and GTE), so it has always been in AOL's best interest to pursue all distribution methods.

6. TELECOM. The combination of AOL/TW raises important questions as it relates to AT&T and to ILECs. The primary question is: does AOL/TW become so powerful in its control of content, that it is able to leverage its position to the detriment of the network operators? Does the attraction of being able to carry AOL/TW prove so strong, that network operators end up bidding against each other in order to carry it? In addition, does the power of the AOL/TW brand become so strong that the Internet services of the telcos simply fail to be competitive? The answers to these questions can only lead to the conclusion that it will be more difficult for any competitor of AOL/TW to compete as effectively. Therefore, one can draw negative implications from this perspective.

On a more positive note, this combination can develop such momentum that it

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becomes an incremental force in driving even faster broadband demand and development. In this respect it is positive for network operators who can offer broadband services. This is especially the case for pure play broadband companies, like Metromedia Fiber in the local arena or Level 3 in the long distance arena, as well as many CLECs and data-CLECs. It is also true however that the vertically integrated carriers (T, WCOM, and the Bells) can benefit from increased broadband demand as the pipe to the end user. Simply selling the pipe is not as attractive as being the full service provider, but at least it's a slice of bigger pie.

Finally, this combination has specific repercussions for AT&T, in that it has been working towards the conclusion of its joint venture with Time Warner. In addition, it raises the issues of open network access. It would seem that Time Warner may be more pre-occupied with this transaction than with focusing on the AT&T joint venture. As a result, it is possible that the closing of the JV takes longer than expected. In terms of the open access issue, AT&T has already committed to principals of open access that many regulators and politicians have warmed to. AOL/TW in its conference call basically aligned with AT&T on the topic. We wouldn't expect AT&T to face additional hurdles as it relates to this issue.

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GBLX	: CS, M
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AMT	: No Disclosures
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UVN	: M
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CCU	: CF, M
YHOO	: CF, CS, M
CVC	: No Disclosures
LMG A	: No Disclosures
CHTR	: CS, M
COX	: CF, M
CMCSK	: CD, CF, CLA, EC, M
DISH	: CS
NTLI	: CF, M
ATHM	: CF, CS, M
LVLT	: CF, CS, M
WON	: No Disclosures

============== Further Information ==============

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04:48pm EST 10-Jan-00 Goldman Sachs (NEWYORK) AOL TWX DIS VIA USAI VO NWS T WCO
America Online, Time Warner, Inc. : FULL ACTION in the P.M. - U.S.

GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS GS
Goldman, Sachs & Co. Investment Research

America Online, Time Warner, Inc.

* * FULL ACTION in the P.M. - U.S. * *

New York Investment Research (New York) - - Investment Research

==================== NOTE 4:40 PM January 10, 2000 ====================

6. America Online, Time Warner, Inc.
Richard P. Simon (New York) 1 212 902-6792
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Frank J. Governali, CFA (Portland) 1 207 772-3300
Richard Rosenstein (New York) 1 212 902-6718
Richard Greenfield (New York) 1 212 902-6830
Lou Kerner (New York) 1 212 902-2298
Robert Herman (New York) 1 212 357-9749

America Online (AOL) $73.00
EPS (FY Jun): 2000E US$0.32, 2001E US$ - Recommended List

Time Warner, Inc. (TWX) $64.75
EPS (FY Dec): 1999E US$0.35, 2000E US$0.66 - Recommended List

* The AOL Time Warner merger has a wide range of implications to a broad competitive universe of content providers, distribution platforms, brands, and internet companies. We believe it puts significant pressure on an extensive mix of companies to more aggressively explore similar combinations and/or strategic alliances. We continue to recommend purchase of AOL and Time Warner.
* The combination of new and traditional media makes sense and is not a surprise. The sheer size of this deal, and the potential for numerous synergies (AOL TWX expect $1 billion in synergies) is certainly impressive, but what truly could make this transaction a watershed event would be a shift in the valuation paradigm that seemingly made such deals impossible before (the failure of the USA Networks/Lycos deal is one example). Accordingly, this deal could open up a host of other possible new/traditional media combinations.
* The AOL/TWX merger represents a landmark transaction in the global media landscape. Implications are positive for both companies as it credentializes the premium valuations rewarded to leading online companies. AOL Time Warner will be focused on driving incremental value for consumers, as the new company will redefine interactive services by combining online and offline businesses. The new entity will have unprecedented reach both domestically and internationally. Management estimates that the combined company will have revenues of $40 bln and EBITDA of $10 bln in calendar 2001.

Important Disclosures (code definitions attached or available upon request)

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04:44pm EST 10-Jan-00 Goldman Sachs (NEWYORK) AOL TWX ACTION AOL.RV
America Online, Time Warner, Inc. : FULL ACTION in the P.M. - U.S.

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Goldman, Sachs & Co. Investment Research

America Online, Time Warner, Inc.

* * FULL ACTION in the P.M. - U.S. * *

New York Investment Research (New York) - - Investment Research

==================== NOTE 4:41 PM January 10, 2000 ====================

7. America Online, Time Warner, Inc. (AOL) $73.00
Michael Parekh (New York) 1 212 902-8960
Jimmy Wu (New York) 1 212 357-3536

EPS (FY Jun): 2000E US$0.32, 2001E US$ - Recommended List

* Today's merger announcement between AOL/TWX represents a landmark transaction in the global media landscape. Implications are positive for both companies and the rest of the Internet sector, as it validates the premium valuations rewarded to leading online companies. AOL Time Warner will be focused on driving incremental value for consumers, as the new company will redefine interactive services by combining online and offline businesses. The new entity will have unprecedented reach both domestically and internationally. Combined revenues for calendar 2000 are estimated to be $40 bln with $10 bln EBITDA. We reiterate our Recommended for Purchase (RL) rating on AOL.

Important Disclosures (code definitions attached or available upon request)
AOL : CF, M
TWX : CD, M, ZC

=============== Further Information ===============

This investment commentary was made available on the Goldman, Sachs & Co. Research Xpress at 16:42 New York time on 1/10/100.
Please contact your Goldman Sachs representative for additional details.

-> End of Note <-

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07:55am EST 11-Jan-00 Bear Stearns (Ehrens/Adams 212/272-9382) AOL TWX YHOO GO
AOL: AOL/Time Warner - A First Swipe at the New Model; Thoughts on Valuation

Scott Ehrens 212 272-9382 sehrens@bear.com
Matthew Adams 212 272-6905 madams@bear.com 1/11/00

Subject: Mergers/Acquisitions
Industry: Internet/New Media

BEAR, STEARNS & CO. INC.
EQUITY RESEARCH

America Online, Inc.* (AOL 72.63) - Buy
AOL/Time Warner - A First Swipe at the New Model; Thoughts on Valuation

Data
52-Wk Range $32-$95 Shares Out 2,574 mm Market Cap (MM) $186,949

Key Points
*** Following up yesterday's merger, we have developed a preliminary model for the combined AOL/Time Warner. This model was developed without the guidance of the company, but will give investors an advanced glimpse into the financials of the new company.
*** We examined AOL/Time Warner's valuation on a price/sales and P/E basis. Our initial projections imply a revenue multiple of 9.2x 2000E revenues, a significant discount to its peers which trade at 20x forward sales. Our projections also imply a forward P/E multiple of 79.0x, which is 4.0x our expected 3-year earnings growth rate of 20% for AOL/Time Warner. This P/E/G ratio is below tech industry leaders Microsoft (4.2x) and Cisco (4.7x). In light of the favorable valuation levels and the significant upside potential for the new company, we still find AOL compelling value at these levels.
*** We are maintaining our Buy recommendation on AOL and believe it is a perfect proxy for the new AOL/Time Warner given the 1:1 exchange ratio. We believe that strategically AOL/Time Warner is poised to become a dominant force in the Internet space and recommend purchase for long-term investors.

	Earnings Estimates					P/E
	Q1 Sep	Q2 Dec	Q3 Mar	Q4 Jun	Year	Year
1999	$0.02A	$0.04A	$0.04A	$0.06A	$0.17A	427.2x
2000	$0.07A	$0.08E	$0.08E	$0.09E	$0.32E	227.0x

A FIRST SWIPE
We have developed a trial model for AOL/Time Warner to use in the interim as the company prepares to provide the Street with guidance. Using our original calendarized AOL estimates and our Media Group's estimates for Time Warner, we developed a three-year projected income statement for the combined company (see table below.) Our base model also assumes that AOL Time Warner starts to realize synergistic revenues and cost reductions in calendar 2001. Using the

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company's benchmark of $1.0 billion in expected 2001 benefits, we estimated that the combined entity would generate $750 million in incremental revenues, at a 20% EBITDA margin, with $250 million in annual cost synergies. The resulting synergistic benefits cause a bump in revenues and EBITDA growth rates in 2001. We would stress that this model is preliminary and most likely will be modified during the months leading up to the closure of the deal.

PROJECTED AOL TIME WARNER INCOME STATEMENT, ($ in billions)

FYE December	2000E	2001E	2002E
Revenues	$37.9	$42.8	$47.2
EBITDA	8.4	10.3	12.0
Net Income	4.4	5.5	6.6
EPS	$0.92	$1.14	$1.33
Valuation Metrics			
Price / Sales	9.2x	8.1x	7.4x
Revenue Growth	14.2%	13.1%	10.1%
Price / Earnings	79.0x	63.7x	54.6x
Earnings Growth	13.8%	27.0%	19.5%

VALUATION ANALYSIS

On price/sales and price/earnings basis, we believe AOL Time Warner still represents a good value. On a price/sales basis, the company trades at a significant discount to its primary peers among the Internet networks. On a price/earnings basis, AOL Time Warner valuation looks relatively favorable, especially compared to its expected 3-year earnings growth rate. Since we view it as the premier company in the one of the hottest sectors in the market, we feel that AOL/Time Warner could garner an unprecedented premium to its peers and therefore continue to recommend purchase of the stock to long term investors.

COMPARABLE PRICE / SALES MULTIPLES

Company	Market Cap	Price / CY00E Sales	Revenue Growth
Yahoo!	120,683	140.5x	50.2%
AOL	189,933	25.7x	30.1%
Excite@Home	14,096	20.2x	66.1%
AOL Time Warner	346,627	9.2x	13.2%
Go Network	4,200	8.6x	48.5%

ource: Bear Stearns & Co. Estimates, Wall St. Estimates

COMPARABLE P/E VALUATIONS

	Price	CY00E EPS	3 year projected earnings growth	Price / CY00EPS	P/E /Growth Rate
AOL	$72.63	$0.38	50%	192.1x	3.8x
AOL Time Warner	$72.63	$0.92	20%	79.0x	4.0x
Microsoft	$111.44	$1.76	15%	63.3x	4.2x
Cisco	$105.88	$1.12	20%	94.6x	4.7x

ource: Bear Stearns & Co. Estimates, First Call Estimates

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