SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

TELE COMMUNICATIONS INC

CIK:**96903**| IRS No.: **840588868** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-05550** | Film No.: **94528389**
SIC: **4841** Cable & other pay television services

Mailing Address
TERRACE TOWER II
5619 DTC PKWY
ENGLEWOOD CO 80111

Business Address
TERRACE TOWER II
5619 DTC PKWY
ENGLEWOOD CO 80111
3032675500

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

F O R M 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1994

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 0-5550

TELE-COMMUNICATIONS, INC.
(Exact name of Registrant as specified in its charter)

State of Delaware	84-0588868
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5619 DTC Parkway Englewood, Colorado	80111
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (303) 267-5500

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 and (2) has been subject to such filing requirements for the past 90 days. Yes X No

The number of shares outstanding of the Registrant's common stock (net of shares held in treasury), as of May 1, 1993, was:

Class A common stock - 403,772,855 shares; and
Class B common stock - 47,258,787 shares.

TELE-COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(unaudited)

<TABLE>
<CAPTION>

Assets	March 31, 1994	December 31, 1993
	amounts in millions	
<S>	<C>	<C>
Cash	$ 51	1
Trade and other receivables, net	234	232
Investment in Liberty Media Corporation ("Liberty") (note 4)	507	489
Investments in other affiliates, accounted for		

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under the equity method, and related receivables (note 5)	693	645
Investment in Turner Broadcasting System, Inc. (note 6)	786	491
Property and equipment, at cost:		
Land	73	73
Distribution systems	6,851	6,629
Support equipment and buildings	850	818
	7,774	7,520
Less accumulated depreciation	2,748	2,585
	5,026	4,935
Franchise costs	10,628	10,620
Less accumulated amortization	1,487	1,423
	9,141	9,197
Other assets, at cost, net of amortization	620	530
	$17,058	16,520

</TABLE>

(continued)

TELE-COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets, continued
(unaudited)

<TABLE>
<CAPTION>

Liabilities and Stockholders' Equity	March 31, 1994	December 31, 1993
	amounts in millions	
<S>	<C>	<C>
Accounts payable	$ 156	124
Accrued interest	131	157
Other accrued expenses	556	500
Debt (note 7)	10,008	9,900
Deferred income taxes	3,456	3,310
Other liabilities	97	114
Total liabilities	14,404	14,105
Minority interests in equity of consolidated subsidiaries	300	285
Redeemable preferred stocks	--	18
Stockholders' equity (note 8):		
Preferred stock, $1 par value. Authorized 10,000,000 shares; issued and outstanding 6,201 shares of redeemable preferred stocks in 1993	--	--
Class A common stock, $1 par value. Authorized 1,000,000,000 shares;		

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issued 483,106,459 shares in 1994 and 481,837,347 shares in 1993	483	482
Class B common stock, $1 par value. Authorized 100,000,000 shares; issued 47,258,787 shares in 1994 and 1993	47	47
Additional paid-in capital	2,310	2,293
Cumulative foreign currency translation adjustment	(28)	(29)
Unrealized holding gains for available-for-sale securities	191	--
Accumulated deficit	(316)	(348)
	2,687	2,445
Treasury stock, at cost (79,335,038 shares of Class A common stock in 1994 and 1993)	(333)	(333)
Total stockholders' equity	2,354	2,112
Commitments and contingencies (note 9)		
	$17,058	16,520

</TABLE>

See accompanying notes to consolidated financial statements.

TELE-COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(unaudited)

<TABLE>
<CAPTION>

	Three months ended March 31,	
	1994	1993
	amounts in millions, except per share amounts	
<S>	<C>	<C>
Revenue (note 4)	$1,060	1,018
Operating costs and expenses:		
Operating (note 4)	315	292
Selling, general and administrative	295	259
Compensation relating to stock appreciation rights	--	3
Adjustment to compensation relating to stock appreciation rights	(19)	--
Depreciation	163	144
Amortization	72	73
	826	771
Operating income	234	247
Other income (expense):		
Interest expense	(178)	(181)
Interest and dividend income	10	5
Share of earnings of Liberty (note 4)	14	10
Share of losses of other affiliates, net (note 5)	(9)	(14)
Gain on disposition of assets	--	40
Loss on early extinguishment of debt	(2)	(8)
Minority interests in earnings of consolidated subsidiaries, net	(2)	(4)
Other, net	(4)	(4)

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	(171)	(156)
Earnings before income taxes	63	91
Income tax expense	(31)	(38)
Net earnings	32	53
Dividend requirement on redeemable preferred stocks	--	(1)
Net earnings attributable to common shareholders	$ 32	52
Primary and fully diluted earnings attributable to common shareholders per common and common equivalent share (note 2)	$ .07	.11

</TABLE>

See accompanying notes to consolidated financial statements.

TELE-COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity

Three months ended March 31, 1994
(unaudited)

<TABLE>
<CAPTION>

	Common stock Class A	Common stock Class B	Additional paid-in capital	Cumulative foreign currency translation adjustment	Unrealized holding gains for available-for-sale securities	Accumulated deficit	Treasury stock	Total stockholders' equity
				amounts in millions				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1994	$ 482	47	2,293	(29)	--	(348)	(333)	2,112
Net earnings	--	--	--	--	--	32	--	32
Conversion of redeemable preferred stock	1	--	17	--	--	--	--	18
Foreign currency translation adjustment	--	--	--	1	--	--	--	1
Unrealized holding gains for available-for-sale securities	--	--	--	--	191	--	--	191
Balance at March 31, 1994	$ 483	47	2,310	(28)	191	(316)	(333)	2,354

</TABLE>

See accompanying notes to consolidated financial statements.

TELE-COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(unaudited)

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<TABLE>
<CAPTION>

	Three months ended March 31, 1994	Three months ended March 31, 1993
	amounts in millions (see note 4)	
Cash flows from operating activities:		
Net earnings	$ 32	53
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	235	217
Compensation relating to stock appreciation rights	--	3
Adjustment to compensation relating to stock appreciation rights	(19)	--
Share of earnings of Liberty	(14)	(10)
Share of losses of other affiliates	9	14
Deferred income tax expense	13	32
Minority interests in earnings	2	4
Amortization of debt discount	--	7
Loss on early extinguishment of debt	2	8
Gain on disposition of assets	--	(40)
Payment received on preferred stock investment redemption	--	197
Noncash interest and dividend income	(2)	(2)
Other noncash charges	1	--
Changes in operating assets and liabilities, net of the effect of acquisitions:		
Change in receivables	7	4
Change in accrued interest	(26)	27
Change in other accruals and payables	86	(1)
Net cash provided by operating activities	326	513
Cash flows from investing activities:		
Cash paid for acquisitions	(10)	(19)
Capital expended for property and equipment	(243)	(175)
Proceeds from disposition of assets	8	109
Additional investments in and loans to affiliates and others	(97)	(118)
Repayment of loans by affiliates and others	31	3
Other investing activities	(71)	(29)
Net cash used in investing activities	(382)	(229)
Cash flows from financing activities:		
Borrowings of debt	1,296	2,493
Repayments of debt	(1,188)	(2,692)
Preferred stock dividends of subsidiaries	(2)	(1)
Preferred stock dividends	--	(1)
Repurchase of preferred stock	--	(92)
Repurchases of common stock	--	(2)
Net cash provided (used) by financing activities	106	(295)
Net increase (decrease) in cash	50	(11)
Cash at beginning of period	1	34
Cash at end of period	$ 51	23

</TABLE>

See accompanying notes to consolidated financial statements.

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TELE-COMMUNICATIONS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 1994
(unaudited)

(1) General

The accompanying consolidated financial statements include the accounts of Tele-Communications, Inc. and those of all majority-owned subsidiaries ("TCI" or the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying interim consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

Certain amounts have been reclassified for comparability with the 1994 presentation.

(2) Earnings Per Common and Common Equivalent Share

Primary earnings per common and common equivalent share attributable to common shareholders was computed by dividing net earnings attributable to common shareholders by the weighted average number of common and common equivalent shares outstanding (491.9 million and 468.7 million for the three months ended March 31, 1994 and 1993, respectively).

Fully diluted earnings per common and common equivalent share attributable to common shareholders was computed by dividing earnings attributable to common shareholders by the weighted average number of common and common equivalent shares outstanding (491.9 million and 468.7 million for the three months ended March 31, 1994 and 1993, respectively). Shares issuable upon conversion of the Liquid Yield OptionTM Notes and upon conversion of the Convertible Preferred Stock have not been included in the 1993 computations of weighted average shares outstanding because their inclusion would be anti- dilutive.

(continued)

(3) Supplemental Disclosures to Consolidated Statements of Cash Flows

Cash paid for interest was $204 million and $158 million for the three months ended March 31, 1994 and 1993, respectively. Also, during these periods, cash paid for income taxes was not material.

Significant noncash investing and financing activities are as follows:

<TABLE>
<CAPTION>

	Three months ended March 31,	
	1994	1993
	amounts in millions	
<S>	<C>	<C>
Common stock issued upon conversion of redeemable preferred stock	$ 18	--

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	====	====
Effect of foreign currency translation adjustment on book value of foreign equity investments	$ 1	--
	====	====
Unrealized gains, net of deferred income taxes, on available-for-sale securities	$191	--
	====	====
Noncash exchange of equity investments and consolidated subsidiaries for consolidated subsidiary	$ 38	--
	====	====
Cash paid for acquisitions:		
Fair value of assets acquired	$ 10	26
Liabilities assumed	--	(7)
	----	----
Cash paid for acquisitions	$ 10	19
	====	====
Noncash exchange of equity investment for consolidated subsidiary and equity investment	$ --	19
	====	====
Noncash capital contribution to Community Cable Television ("CCT") (note 4)	$ --	22
	====	====
Common stock issued upon conversion of notes	$ --	1
	====	====

</TABLE>

(4) Investment in Liberty

As of January 27, 1994, TCI and Liberty entered into a definitive agreement to combine the two companies. The transaction will be structured as a tax free exchange of Class A and Class B shares of both companies and preferred stock of Liberty for like shares of a newly formed holding company, TCI/Liberty Holding Company ("TCI/Liberty"). TCI shareholders will receive one share of TCI/Liberty for each of their shares. Liberty common shareholders will receive 0.975 of a share of TCI/Liberty for each of their common shares. The transaction is subject to the approval of both sets of shareholders as well as various regulatory approvals and other customary conditions. Subject to timely receipt of such approvals, which cannot be assured, it is anticipated the closing of such transaction will take place during 1994.

(continued)

TCI owns 3,477,778 shares of Liberty Class A common stock (after giving effect to the repurchase by Liberty during the year ended December 31, 1993 of 927,900 shares of Class A common stock) and 55,070 shares of Liberty Class E, 6% Cumulative Redeemable Exchangeable Junior Preferred Stock received in January of 1993 upon conversion of the Liberty Class A Redeemable Convertible Preferred Stock. Such common shares represent less than 5% of the outstanding Class A common stock of Liberty.

Of the remaining classes of preferred stock of Liberty held by the Company, one class entitles TCI to elect a number of members of Liberty's board of directors equal to no less than 11% of the total

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number of directors and another class is exchangeable for TCI common stock.

Due to the significant economic interest held by TCI through its ownership of Liberty preferred stock and Liberty common stock and other related party considerations, TCI has accounted for its investment in Liberty under the equity method. Accordingly, the Company has not recognized any income relating to dividends, including preferred stock dividends, and the Company has continued to record the earnings or losses generated by the interests contributed to Liberty (by recognizing 100% of Liberty's earnings or losses before deducting preferred stock dividends).

TCI and Liberty entered into an Option-Put Agreement (the "Option-Put Agreement"), which was amended on November 30, 1993. Under the amended Option-Put Agreement, between June 30, 1994 and September 28, 1994, and between January 1, 1996 and January 31, 1996, TCI will have the option to purchase all of Liberty's interest in CCT and a loan receivable in the amount of $50 million (the "Mile Hi Note") for an amount equal to $77 million plus interest accruing at the rate of 11.6% per annum on such amount from June 3, 1993. Between April 1, 1995 and June 29, 1995, and between January 1, 1997 and January 31, 1997, Liberty will have the right to require TCI to purchase Liberty's interest in CCT and the Mile Hi Note for an amount equal to $77 million plus interest on such amount accruing at the rate of 11.6% per annum from June 3, 1993.

The Company purchases sports and other programming from certain subsidiaries of Liberty. Charges to TCI (which are based upon customary rates charged to others) for such programming were $12 million and $11 million for the three months ended March 31, 1994 and 1993, respectively. Such amounts are included in operating expenses in the accompanying consolidated statements of operations. Certain subsidiaries of Liberty purchase from TCI, at TCI's cost plus an administrative fee, certain pay television and other programming. In addition, a consolidated subsidiary of Liberty pays a commission to TCI for merchandise sales to customers who are subscribers of TCI's cable systems. Aggregate commission and charges for such programming were $3 million and $1 million for the three months ended March 31, 1994 and 1993, respectively. Such amounts are recorded in revenue in the accompanying consolidated statements of operations.

(continued)

In September of 1993, Encore QE Programming Corp. ("QEPC"), a wholly-owned subsidiary of Encore Media Corporation ("EMC"), a 90% owned subsidiary of Liberty, entered into a limited partnership agreement with TCI Starz, Inc. ("TCIS"), a wholly-owned subsidiary of TCI, for the purpose of developing, operating and distributing STARZ!, a first-run movie premium programming service launched in the first quarter of 1994. QEPC is the general partner and TCIS is the limited partner. Losses are allocated 1% to QEPC and 99% to TCIS. Profits are allocated 1% to QEPC and 99% to TCIS until certain defined criteria are met. Subsequently, profits are allocated 20% to QEPC and 80% to TCIS. TCIS has the option, exercisable at any time and without payment of additional consideration, to convert its limited partner interest to an 80% general partner interest with QEPC's partnership interest simultaneously converting to a 20% limited partnership interest. In addition, during specific periods commencing April 1999 and April 2001, respectively, QEPC may require TCIS to purchase, or TCIS may require QEPC to sell, the partnership interest of QEPC in the partnership for a formula-based price. EMC is paid a management fee equal to 20% of "managed costs" as defined, in order to manage the service. EMC manages the service and has agreed to provide the limited partnership with certain programming under a programming agreement whereby the partnership will pay its pro rata share of the total costs incurred by EMC for such programming. The Company accounts for the partnership as a consolidated subsidiary. (See note 9.)

Summarized unaudited financial information of Liberty for the three months ended March 31, 1994 and 1993 is as follows:

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Consolidated Operations	1994	1993
	amounts in millions	
Revenue	$333	179
Operating expenses	(295)	(169)
Depreciation and amortization	(13)	(8)
Operating income	27	2
Interest expense	(9)	(5)
Other, net	(4)	13
Net earnings	$ 14	10

(5) Investments in Other Affiliates

Summarized unaudited results of operations for affiliates, other than Liberty, accounted for under the equity method, are as follows:

Combined Operations	Three months ended March 31,	
	1994	1993
	amounts in millions	
Revenue	$ 195	188
Operating expenses	(173)	(158)
Depreciation and amortization	(31)	(44)
Operating loss	(9)	(14)
Interest expense	(9)	(22)
Other, net	(20)	(3)
Net loss	$ (38)	(39)

Certain of the Company's affiliates are general partnerships and any subsidiary of the Company that is a general partner in a general partnership is, as such, liable as a matter of partnership law for all debts of that partnership in the event liabilities of that partnership were to exceed its assets.

(6) Investment in Turner Broadcasting System, Inc.

The Company owns shares of a class of preferred stock of Turner Broadcasting System, Inc. ("TBS") which has voting rights and are convertible into shares of TBS common stock. The holders of those preferred shares, as a group, are entitled to elect seven of fifteen members of the board of directors of TBS, and the Company appoints three such representatives. However, voting control over TBS continues to be held by its chairman of the board and chief executive officer (an unrelated third party). The Company's total holdings of

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TBS common and preferred stocks represent an approximate 12% voting interest for those matters for which preferred and common stock vote as a single class.

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective for fiscal years beginning after December 15, 1993. Under the new rules, debt securities that the Company has both the positive intent and ability to hold to maturity are carried at amortized cost. Debt securities that the Company does not have the positive intent and ability to hold to maturity and all marketable equity securities are classified as available-for-sale or trading and carried at fair value. Unrealized holding gains and losses on securities classified as available-for sale are carried as a separate component of shareholders' equity. Unrealized holding gains and losses on securities classified as trading are reported in earnings.

(continued)

The Company applied the new rules beginning in the first quarter of 1994. Application of the new rules resulted in an net increase of $191 million to stockholders' equity, representing the recognition of unrealized appreciation, net of taxes, for the Company's investment in equity securities determined to be available-for-sale. The majority of such securities represents the Company's investment in TBS common stock. The Company holds no material debt securities.

(7) Debt

Debt is summarized as follows:

<TABLE>
<CAPTION>

	March 31, 1994	December 31, 1993
	amounts in millions	
<S>	<C>	<C>
Parent company debt:		
Senior notes	$ 5,052	5,052
Bank credit facilities	355	80
Commercial paper	37	44
Other debt	3	2
	5,447	5,178
Debt of subsidiaries:		
Bank credit facilities	3,205	3,264
Notes payable	1,225	1,321
Convertible notes (a)	47	47
Other debt	84	90
	$10,008	9,900

</TABLE>

(a) These convertible notes, which are stated net of unamortized discount of $197 million, mature on December 18, 2021. The notes require (so long as conversion of the notes has not occurred) an annual interest payment through 2003 equal to 1.85% of the face amount of the notes. At March 31, 1994, the notes were convertible, at the option of the holders, into an aggregate of 41,060,990 shares of Class A common stock.

The Company's bank credit facilities and various other debt instruments generally contain restrictive covenants which require, among other things, the maintenance of certain earnings, specified

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cash flow and financial ratios (primarily the ratios of cash flow to total debt and cash flow to debt service, as defined), and include certain limitations on indebtedness, investments, guarantees, dispositions, stock repurchases and/or dividend payments.

As security for borrowings under one of its credit facilities, the Company pledged a portion of the common stock (with a quoted market value of approximately $488 million at March 31, 1994) it holds of TBS.

(continued)

In order to provide interest rate protection on a portion of its variable rate indebtedness, the Company has entered into various interest rate exchange agreements. The Company is exposed to credit losses for the periodic settlements of amounts due under these interest rate exchange agreements in the event of nonperformance by the other parties to the agreements. However, the Company does not anticipate nonperformance by the counterparties and, in any event, such amounts were not material at March 31, 1994.

The fair value of the Company's debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of debt, which has a carrying value of $10,008 million, was $10,496 million at March 31, 1994.

The fair value of the interest rate exchange agreements is the estimated amount that the Company would pay or receive to terminate the agreements at March 31, 1994, taking into consideration current interest rates and the current creditworthiness of the counterparties. The Company would be required to pay $109 million at March 31, 1994 to terminate the agreements.

TCI and certain of its subsidiaries are required to maintain unused availability under bank credit facilities to the extent of outstanding commercial paper.

(8) Stockholders' Equity

Common Stock

The Class A common stock has one vote per share and the Class B common stock has ten votes per share. Each share of Class B common stock is convertible, at the option of the holder, into one share of Class A common stock.

Stock Options

The Company had an Incentive Stock Option Plan ("ISOP") which has expired. Options granted under the ISOP (prior to its expiration) have an option price equal to the fair market value on the date of grant, are all currently exercisable and expire five years from the date of grant. Options to purchase 210,508 shares of TCI Class A common stock are outstanding at March 31, 1994, with a purchase price of $17.25 per share. During the three months ended March 31, 1994, options to acquire 5,500 shares were exercised and options for 1,000 shares were cancelled.

TCI assumed certain stock options previously granted by United Artists Entertainment Company ("UAE") to certain of its employees. These options, which are currently exercisable, represent the right, as of March 31, 1994, to acquire 167,328 shares of TCI Class A common stock at adjusted purchase prices ranging from $8.83 to $18.63 per share. During the three months ended March 31, 1994, no options were exercised or cancelled. No additional options may be granted by UAE.

(continued)

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The Company has adopted the 1992 Stock Incentive Plan (the "Plan"). The Plan provides for awards to be made with respect to a maximum of 10 million shares of Class A common stock. Awards may be made as grants of stock options, stock appreciation rights, restricted shares, stock units or any combination thereof. On November 11, 1992, stock options in tandem with stock appreciation rights to purchase 4,020,000 shares of Class A common stock were granted pursuant to the Plan to certain officers and other key employees at a purchase price of $16.75 per share. Such options become exercisable and vest evenly over five years, first became exercisable beginning November 11, 1993 and expire on November 11, 2002. During the year ended December 31, 1993, stock options covering 50,000 shares of Class A common stock were cancelled upon termination of employment. On October 12, 1993, stock options in tandem with stock appreciation rights to purchase 1,355,000 shares of TCI Class A common stock were granted pursuant to the Plan to certain officers and other key employees at a purchase price of $16.75 per share. On November 12, 1993, an additional grant of stock options in tandem with stock appreciation rights to purchase 600,000 shares of TCI Class A common stock were granted to two officers at a purchase price of $16.75 per share. Such options become exercisable and vest evenly over four years, first become exercisable beginning October 12, 1994 and expire on October 12, 2003. Separately from the Plan, an additional grant of stock options in tandem with stock appreciation rights to purchase 2,000,000 shares of TCI Class A common stock at a purchase price of $16.75 per share was made on November 12, 1993 to an individual who thereafter became a director of the Company. Twenty percent of such options vested and became exercisable immediately and the remainder become exercisable evenly over 4 years. The options expire October 12, 1998. Estimates of the compensation relating to these grants have been recorded through March 31, 1994, but are subject to future adjustment based upon market value and, ultimately, on the final determination of market value when the rights are exercised.

Other

The excess of consideration received on debentures converted or options exercised over the par value of the stock issued is credited to additional paid-in capital.

At March 31, 1994, there were 49,356,326 shares of TCI Class A common stock reserved for issuance under exercise privileges related to options and convertible debt securities described in this note 8 and in note 7. In addition, one share of Class A common stock is reserved for each share of Class B common stock.

(continued)

(9) Commitments and Contingencies

On October 5, 1992, Congress enacted the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act"). In 1993, the Federal Communications Commission ("FCC") adopted certain rate regulations required by the 1992 Cable Act and imposed a moratorium on certain rate increases. Such rate regulations became

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effective on September 1, 1993. The rate increase moratorium, which began on April 5, 1993, continues in effect through May 15, 1994. As a result of such actions, the Company's basic and tier service rates and its equipment and installation charges (the "Regulated Services") are subject to the jurisdiction of local franchising authorities and the FCC. Basic and tier service rates are evaluated against competitive benchmark rates as published by the FCC, and equipment and installation charges are based on actual costs. Any rates for Regulated Services that exceeded the benchmarks were reduced as required by the 1993 rate regulations. The rate regulations do not apply to the relatively few systems which are subject to "effective competition" or to services offered on an individual service basis, such as premium movie and pay-per-view services. Subsequent to September 1, 1993, any cable system charging basic cable rates that exceed the FCC's benchmark rate may be required to substantiate its rates. If, as a result of this process, a system cannot substantiate its rates, it could be required to retroactively reduce its rates to the appropriate benchmark and refund the excess portion of rates received since September 1, 1993.

The Company believes that it has complied in all material respects with the provisions of the 1992 Cable Act, including its rate setting provisions. However, since the Company's rates for regulated services are subject to review, the Company may be subject to a refund liability. The amount of refunds, if any, which could be payable by the Company in the event that systems' rates are successfully challenged by franchising authorities is not currently estimable.

In connection with the acquisition from TCI of a 19.9% minority interest in Heritage Communications, Inc. ("Heritage") by Comcast, Comcast has the right, through December 31, 1994, to require TCI to purchase or cause to be purchased from Comcast all shares of Heritage directly or indirectly owned by Comcast for either cash or assets or, at TCI's election, shares of TCI common stock. The purchase price of the shares of Heritage directly or indirectly owned by Comcast will be determined by external appraisal.

The Company is obligated to pay fees for the license to exhibit certain qualifying films that are released theatrically by various motion picture studios from January 1, 1993 through December 31, 2002 (the "Film License Obligations"). The aggregate minimum liability under certain of the license agreements is approximately $105 million. The aggregate amount of the Film License Obligations under other license agreements is not currently estimable because such amount is dependent upon the number of qualifying films produced by the motion picture studios, the amount of United States theatrical film rentals for such qualifying films, and certain other factors. Nevertheless, the Company's aggregate payments under the Film License Obligations could prove to be significant.

(continued)

The Company has guaranteed notes payable and other obligations of affiliated and other companies with outstanding balances of approximately $195 million at March 31, 1994.

The Company has contingent liabilities related to legal proceedings and other matters arising in the ordinary course of business. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying consolidated financial statements.

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Management's Discussion and Analysis of
Financial Condition and Results of Operations

(1) Material changes in financial condition:

On January 31, 1994, TCI announced that TCI and Liberty had entered into a definitive agreement (the "TCI/Liberty Agreement"), dated as of January 27, 1994 to combine the two companies. As previously announced, the transaction will be structured as a tax free exchange of Class A and Class B shares of both companies and preferred stock of Liberty for like shares of a newly formed holding company, TCI/Liberty Holding Company ("TCI/Liberty"). TCI shareholders will receive one share of TCI/Liberty for each of their shares. Liberty common shareholders will receive 0.975 of a share of TCI/Liberty for each of their common shares. The transaction is subject to the approval of both sets of shareholders as well as various regulatory approvals and other customary conditions. Subject to timely receipt of such approvals, which cannot be assured, it is anticipated the closing of such transaction will take place during 1994.

The Company generally finances acquisitions and capital expenditures through net cash provided by operating and financing activities. Although amounts expended for acquisitions and capital expenditures exceed net cash provided by operating activities, the borrowing capacity resulting from such acquisitions, construction and internal growth has been and is expected to continue to be adequate to fund the shortfall. See the Company's consolidated statements of cash flows included in the accompanying consolidated financial statements.

The Company has received full investment grade status by all accredited rating agencies. Such ratings have added to the Company's ability to sell publicly greater amounts of fixed-rate debt securities with longer maturities. The increased maturities of the debt securities sold by the Company and the use of the proceeds of such sales to decrease bank borrowings are expected to improve the Company's liquidity due to decreased principal payments required in the next five years.

The Company had approximately $772 million in unused lines of credit at March 31, 1994, excluding amounts related to lines of credit which provide availability to support commercial paper. Although the Company was in compliance with the restrictive covenants contained in its credit facilities at said date, additional borrowings under the credit facilities are subject to the Company's continuing compliance with the restrictive covenants (which relate primarily to the maintenance of certain ratios of cash flow to total debt and cash flow to debt service, as defined in the credit facilities) after giving effect to such additional borrowings. See note 7 to the accompanying consolidated financial statements for additional information regarding the material terms of the Company's lines of credit.

(continued)

(1) Material changes in financial condition (continued):

As security for borrowings under one of its credit facilities, the Company pledged a portion of the common stock it holds of Turner Broadcasting System, Inc. having a quoted market value of approximately $488 million at March 31, 1994. Borrowings under this credit facility (which amounted to $250 million at March 31, 1994) are due in August of 1994. On or before such date, the Company expects to repay these borrowings.

One measure of liquidity is commonly referred to as "interest coverage". Interest coverage, which is measured by the ratio of

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operating income before depreciation, amortization and other noncash credits or charges ($450 million and $467 million for the three months ended March 31, 1994 and 1993, respectively) to interest expense ($178 million and $181 million for the three months ended March 31, 1994 and 1993, respectively), is determined by reference to the consolidated statements of operations. The Company's interest coverage ratio was 253% and 258% for the three months ended March 31, 1994 and 1993, respectively. Management of the Company believes that the foregoing interest coverage ratio is adequate in light of the consistent and nonseasonal nature of its cable television operations and the relative predictability of the Company's interest expense, more than half of which results from fixed rate indebtedness.

The Company's various partnerships and other affiliates accounted for under the equity method generally fund their acquisitions, required debt repayments and capital expenditures through borrowings under and refinancing of their own credit facilities (which are generally not guaranteed by the Company) and through net cash provided by their own operating activities.

Certain subsidiaries' loan agreements contain restrictions regarding transfers of funds to the parent company in the form of loans, advances or cash dividends. The amount of net assets of such subsidiaries exceeds the Company's consolidated net assets. However, net cash provided by operating activities of other subsidiaries which are not restricted from making transfers to the parent company have been and are expected to continue to be sufficient to enable the parent company to meet its cash obligations.

Approximately thirty-five percent of the franchises held by the Company, involving approximately 3.8 million basic subscribers, expire within five years. There can be no assurance that the franchises for the Company's systems will be renewed as they expire although the Company believes that its cable television systems generally have been operated in a manner which satisfies the standards established by the Cable Communications Policy Act of 1984 for franchise renewal. However, in the event they are renewed, the Company cannot predict the impact of any new or different conditions that might be imposed by the franchising authorities in connection with such renewals.

(continued)

(1) Material changes in financial condition (continued):

The Company is obligated to pay fees for the license to exhibit certain qualifying films that are released theatrically by various motion picture studios from January 1, 1993 through December 31, 2002 (the "Film License Obligations"). The aggregate minimum liability under certain of the license agreements is approximately $105 million. The aggregate amount of the Film License Obligations under other license agreements is not currently estimable because such amount is dependent upon the number of qualifying films produced by the motion picture studios, the amount of United States theatrical film rentals for such qualifying films, and certain other factors. Nevertheless, the Company's aggregate payments under the Film License Obligations could prove to be significant.

The Company believes that it has complied in all material respects with the provisions of the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act"), including its rate setting provisions. However, the Company's rates for regulated services are subject to review. If, as a result of this process, a system cannot substantiate its rates, it could be required to retroactively reduce its rates to the appropriate benchmark and refund the excess portion of rates received since September 1, 1993. The amount of refunds, if any, which could be payable by the Company in the event that systems' rates are successfully challenged by franchising authorities is not currently estimable.

The Company is upgrading and installing optical fiber in its cable

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systems at a rate such that in three years TCI anticipates that it will be serving the majority of its customers with state-of-the-art fiber optic cable systems. The Company's capital budget for 1994 is $1.2 billion to provide for the continued rebuilding of its cable systems. The Company has suspended $500 million of its 1994 capital spending pending further clarification of the Federal Communications Commission's ("FCC") February 22, 1994 revised benchmark regulations and the FCC's announced intention to adopt an experimental incentive plan which would provide cable operators with incentives to upgrade their systems and offer new services.

Management believes that net cash provided by operating activities, the Company's ability to obtain additional financing (including its available lines of credit and its access to public debt markets as an investment grade debt security issuer) and proceeds from disposition of assets will provide adequate sources of short-term and long-term liquidity in the future.

(continued)

(2) Material changes in results of operations:

On October 5, 1992, Congress enacted the 1992 Cable Act. In 1993, the FCC adopted certain rate regulations required by the 1992 Cable Act and imposed a moratorium on certain rate increases. Such rate regulations became effective on September 1, 1993. The rate increase moratorium, which began on April 5, 1993, continues in effect through May 15, 1994 for franchise areas not subject to regulation. As a result of such actions, the Company's basic and tier service rates and its equipment and installation charges (the "Regulated Services") are subject to the jurisdiction of local franchising authorities and the FCC. Basic and tier service rates are evaluated against competitive benchmark rates as published by the FCC, and equipment and installation charges are based on actual costs. Any rates for Regulated Services that exceeded the benchmarks were reduced as required by the 1993 rate regulations. The rate regulations do not apply to the relatively few systems which are subject to "effective competition" or to services offered on an individual service basis, such as premium movie and pay-per-view services.

The Company's new rates for Regulated Services, which were implemented September 1, 1993, are subject to review by the FCC if a complaint has been filed or the appropriate local franchising authority if such authority has been certified. The Company estimated that, on an annualized basis, implementation of the 1993 rate regulations would result in a reduction to revenue ranging from $140 million to $160 million. The Company experienced an approximate $35 million revenue reduction during the three months ended March 31, 1994.

On February 22, 1994, the FCC announced that it had adopted revised benchmark rate regulations which will apply to rates and charges for Regulated Services on and after May 15, 1994. The text of such revised benchmark rate regulations was released on March 30, 1994. After its initial review of the effect of the FCC further rate reductions, the Company estimated that its revenue could be further decreased by approximately $144 million on an annualized basis. The estimate was based upon the FCC Executive Summary dated February 22, 1994 which stated that those cable television systems electing not to make a cost-of-service showing will be required to set their rates for Regulated Services at a level equal to the higher of the FCC's revised benchmark rates or the operator's September 30, 1992 rates minus 17 percent. Thus, the revised benchmarks may result in additional rate reductions of up to 7 percent beyond the maximum reductions established under the FCC's initial benchmark regulations. The actual reduction in revenue may differ depending on the completion of a more detailed analysis of the new rate regulations and the Company's rates and services.

(continued)

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(2) Material changes in results of operations:

The estimated reductions in revenue resulting from the FCC's actions in 1993 and 1994 are prior to any possible mitigating factors (none of which is assured) such as (i) the provision of alternate service offerings (ii) the implementation of rate adjustments to non-regulated services and (iii) the utilization of cost-of-service methodologies, as described below.

The FCC's rate regulations permit cable operators to adjust rates to account for inflation (except in cable systems that were not required to reduce their rates a full 17 percent) and increases in certain external costs, including increases in programming costs and compulsory copyright fees. However, the FCC is currently proposing that inflation increases may be required to be offset by a productivity factor.

The revised benchmark regulations also provide a mechanism for adjusting rates when regulated tiers are affected by channel additions or deletions. The FCC has indicated that cable operators adding or deleting channels on a regulated tier will be required to adjust the per-channel benchmark for that tier based on the number of channels offered after the addition or deletion. The FCC also stated that the additional programming costs resulting from channel additions will be accorded the same external treatment as other program cost increases, and that cable operators will be permitted to recover a mark-up on their programming expenses of up to 7.5 percent.

On February 22, 1994, the FCC also adopted interim "cost-of-service" rules governing attempts by cable operators to justify higher than benchmark rates based on unusually high costs. Under this methodology, cable operators may recover, through the rates they charge for Regulated Service, their normal operating expenses plus an interim rate of return of 11.25%, which rate may be subject to change in the future.

Based on the foregoing, the Company believes that the 1993 and 1994 rate regulations will have a material adverse effect on its results of operations.

Revenue increased by approximately 4% from 1993 to 1994. Such increase was the result of growth in subscriber levels within the Company's cable television systems (4%), the effect of certain acquisitions made subsequent to March 31, 1993 (1%) and certain new services and price increases in nonregulated services (2%), net of a decrease in revenue (3%) due to rate reductions required by rate regulation implemented pursuant to the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act"). In 1994, the Company anticipates that it will experience a decrease in the price charged for those services that are subject to rate regulation under the 1992 Cable Act.

(continued)

(2) Material changes in results of operations:

Operating costs and expenses have historically remained relatively constant as a percentage of revenue. However, due to the aforementioned program to upgrade and install optical fiber in its

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cable systems, the Company's capital expenditures and depreciation expense have increased. Additionally, the Company incurred $11 million in costs associated with the launch of a new premium programming service to its subscribers. The Company recorded an adjustment of $19 million in 1994 to its liability for compensation relating to stock appreciation rights resulting from a decline in the market price of the Company's Class A common stock. The Company cannot determine whether and to what extent increases in the cost of programming will effect its operating costs. Additionally, the Company cannot predict how these increases in the cost of programming will affect its revenue but intends to recover additional costs to the extent allowed by the FCC's rate regulations as described below.

The Company is a partner in certain joint ventures that are currently operating and constructing cable television and telephone systems in the United Kingdom and other parts of Europe. These joint ventures, which are accounted for under the equity method, have generated losses of which the Company's share in 1994 and 1993 amounted to $7 million and $10 million, respectively. In contrast to the Company's domestic operations, the Company's results of operations in the United Kingdom and Europe will continue to be subject to fluctuations in the applicable foreign currency exchange rates. At March 31, 1994, the Company's stockholders' equity includes a cumulative foreign currency translation loss of $28 million.

The Company's net earnings of $32 million for the three months ended March 31, 1994 represented a decrease of $21 million as compared to the Company's net earnings (before preferred stock dividends) of $53 million for the corresponding period of 1994. Such decrease is principally the result of the aforementioned increases in operating costs in 1993 and a decrease in gain on disposition of assets, net of the increase in revenue and the adjustment to compensation relating to stock appreciation rights.

TELE-COMMUNICATIONS, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There were no material legal proceedings instituted during the quarter ended March 31, 1994 to which the Company or any of its consolidated subsidiaries is a party or of which any of their property is the subject. However, subsequent to March 31, 1994, the following legal proceedings were instituted:

Miles Whittenburg, Jr., et al., vs. Tele-Communications, Inc., et al. On April 9, 1994, plaintiffs, six current employees of United Cable Television of Baltimore Limited Partnership and four spouses, filed suit in the Circuit Court for Baltimore City against Tele-Communications, Inc., TCI East, Inc., UCTC of Baltimore, Inc., and United Cable Television of Baltimore Limited Partnership. The suit alleges, inter alia, nine various tort claims, including but not limited to, false imprisonment, assault, battery, intentional infliction of emotional distress, invasion of privacy, and loss of consortium in connection with an incident that occurred October 26, 1993, at the Baltimore system. Each of the nine counts in the complaint seek compensatory damages of $1,000,000 per plaintiff, and punitive damages of $5,000,000 per plaintiff. The Company intends to contest the case. Based upon the facts available, management believes that, although no assurance can be given as to the outcome of this action, the ultimate disposition should not have a material adverse effect upon the financial condition of the Company.

U.S. Corporate Investigations, Inc. vs. Tele-Communications, Inc., et al. On April 29, 1994, plaintiff filed suit in the Circuit Court for Baltimore City against Tele-Communications, Inc., TCI East, Inc., United Cable Television of Baltimore Limited Partnership, UCTC of Baltimore, Inc., three individuals and one non-related corporation. The action alleges, inter alia, conversion of business records, conspiracy, and malicious interference with contract and business relations. Each of the seven counts seek compensatory damages of $2,000,000 and punitive damages of $20,000,000. The Company intends to contest the case. Based upon the facts available, management

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believes that, although no assurance can be given as to the outcome of this action, the ultimate disposition should not have a material adverse effect upon the financial condition of the Company.

There were no material developments during the quarter ended March 31, 1994 in any of the existing legal proceedings which were previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits - None.

(b) Reports on Form 8-K filed during the quarter ended March 31, 1994:

Date of Report	Item Reported	Financial Statements Filed
February 16, 1994	Item 5	Liberty Media Corporation - Nine months ended September 30, 1993
February 25, 1994	Item 5	None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TELE-COMMUNICATIONS, INC.

Date: May 13, 1993 By: /s/ John C. Malone
John C. Malone
President, and Chief Executive Officer

Date: May 13, 1993 By: /s/ Donne F. Fisher
Donne F. Fisher
Executive Vice President

Date: May 13, 1993 By: /s/ Gary K. Bracken
Gary K. Bracken, Controller and Senior Vice President

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(Principal Financial Officer
and Chief Accounting
Officer)

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