LIBERTY MEDIA CORP /DE/
Form 8-K/A
April 15, 2002

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: **April 15, 2002**
Date of Earliest Event Reported: **January 30, 2002**

LIBERTY MEDIA CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

0-20421	**84-1288730**
(Commission File Number)	(I.R.S. Employer Identification No.)

12300 Liberty Blvd.
Englewood, Colorado 80112
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(720) 875-5400**

Item 2. Acquisition of Assets.

Item 2 is hereby amended in its entirety to read as follows:

On January 30, 2002, Liberty Media Corporation ("Liberty") and UnitedGlobalCom, Inc. ("UGC") completed their previously announced transaction. In connection with this transaction, (a) Liberty and certain major stockholders of UGC (such major stockholders, the "Founders") contributed all of the shares of UGC's Class B Common Stock and, in the case of Liberty, some of the shares of UGC's Class A Common Stock, owned by them to a newly formed holding company ("New UGC"), in exchange for shares of New UGC Class B Common Stock, in the case of the Founders, and New UGC Class C Common Stock, in the case of Liberty, and (b) UGC merged with a subsidiary of New UGC. As a result of this merger, UGC became a majority-owned subsidiary of New UGC and was renamed "UGC Holdings, Inc.," all of the former stockholders of UGC became stockholders of New UGC and New UGC changed its name to "UnitedGlobalCom, Inc." Immediately following this merger, Liberty contributed $200 million in cash, a convertible note issued by UGC's subsidiaries Belmarken Holding B.V. and United Pan-Europe Communications N.V. (as co-obligor) ("UPC") having an accreted value as of that date of approximately $891.7 million and approximately $1,435.3 million and Euro 263.1 million aggregate principal amount at maturity of UPC's publicly traded bonds to New UGC in return for approximately 281.3 million shares of New UGC Class C Common Stock. Such shares, when combined with Liberty's prior holdings of UGC common stock, give Liberty an approximate 72% economic ownership interest and an approximate 94% voting interest in New UGC. Pursuant to the terms of New UGC's certificate of incorporation and bylaws, as well as certain voting and standstill arrangements among New UGC, the Founders and Liberty, Liberty is unable to exercise control over the management of New UGC. The consideration paid by Liberty in this transaction was the result of negotiations among the principal parties to this transaction. Liberty paid the consideration for this transaction out of its working capital.

Also on January 30, 2002, New UGC acquired from Liberty its debt and equity interests in IDT United, Inc. ("IDT United") and $751.2 million principal amount at maturity of UGC's $1,375 million $10^{3}/_{4}$% senior secured discount notes due 2008 ("Notes") which amount of Notes had been distributed to Liberty previously in redemption of a portion of its equity interest in IDT United and as prepayment of a portion of IDT United's debt held by Liberty. The aggregate purchase price paid by New UGC for all of the equity and debt of IDT United held by Liberty and the Notes held by Liberty was approximately $448.5 million, which amount was equal to the aggregate amount of Liberty's investment in IDT United plus interest. Of this amount, approximately $304.6 million consisted of the assumption by New UGC of debt owed by Liberty to a subsidiary of UGC and the remainder was credited against the $200 million contribution of Liberty to New UGC referred to above. In connection with the January 30 transaction, a subsidiary of Liberty agreed to loan to a subsidiary of New UGC up to $105 million. Pursuant to this loan, as of February 28, 2002, a subsidiary of New UGC has borrowed approximately $103 million from the Liberty subsidiary. A portion of such loan has been used to acquire additional shares of preferred stock and promissory notes issued by IDT United. The 2008 Notes owned by IDT United, together with the 2008 Notes acquired by New UGC directly from us as described above, all of which remain outstanding, represent approximately 98.2% of the outstanding 2008 Notes. IDT United was formed as an indirect subsidiary of IDT Corporation for purposes of conducting the tender offer described above.

According to information provided by UGC, UGC is one of the largest international broadband communications provider of video, voice and data services, with operations in 26 countries. At December 31, 2001, UGC's networks, in aggregate, reached over 19.0 million homes and served over 11.2 million video customers, 877,300 telephony subscribers and 785,900 high speed internet access subscribers; and UGC's programming businesses reached approximately 49 million subscribers. Dr. John C. Malone, Chairman of Liberty, is a director of both UGC and New UGC. Robert R. Bennett, Chief Executive Officer and Director of Liberty, and Gary S. Howard, Executive Vice President, Chief Operating Officer and Director of Liberty, are both directors of New UGC.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

Item 7 is hereby amended in its entirety to read as follows:

(a) **Financial Statements of Businesses Acquired**

UnitedGlobalCom, Inc. (formerly known as New UnitedGlobalCom, Inc):

UGC Holdings, Inc. (formerly known as UnitedGlobalCom, Inc):

(b) **Pro Forma Financial Information**

Liberty Media Corporation and Subsidiaries:

(c) **Exhibits**

23.1 Consent of Arthur Andersen LLP
23.2 Consent of Arthur Andersen LLP

SIGNATURE

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

Date: April 15, 2002

LIBERTY MEDIA CORPORATION

By: /s/ CHRISTOPHER W. SHEAN

Name: Christopher W. Shean
Title: Senior Vice President and Controller

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To UnitedGlobalCom, Inc.:

We have audited the accompanying consolidated balance sheet of UnitedGlobalCom, Inc. (a Delaware corporation f/k/a New UnitedGlobalCom, Inc.) and subsidiaries as of December 31, 2001, and the related consolidated statements of operations and cash flows for the period from February 5, 2001 (Inception) through December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of UnitedGlobalCom, Inc. and subsidiaries as of December 31, 2001, and the results of their operations and their cash flows for the period from February 5, 2001 (Inception) through December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Denver, Colorado
April 12, 2002

UnitedGlobalCom, Inc.

Consolidated Balance Sheet

		December 31, 2001
		(In thousands)
Assets		
Cash and cash equivalents	$	
Total assets	$	
Liabilities and Stockholder's Deficit		
Accrued interest	$	4
Note payable to UGC Holdings		607
Total current liabilities		611
Stockholder's deficit		
Common stock, $0.01 par value, 1 share authorized, issued and outstanding		
Additional paid-in capital		
Accumulated deficit		(611)
Total stockholder's deficit		(611)
Total liabilities and stockholder's deficit	$	

Consolidated Statement of Operations

		February 5, 2001 (Inception) to December 31, 2001
		(In thousands)
General and administrative expense	$	(607)
Interest expense		(4)
Net loss	$	(611)

Consolidated Statement of Cash Flows

		February 5, 2001 (Inception) to December 31, 2001
		(In thousands)
Net loss	$	(611)
Adjustments to reconcile net loss to net cash flow from operating activities:		
Increase in accrued liabilities and other		611

	February 5, 2001 (Inception) to December 31, 2001
Net cash flow from operating activities	$

The accompanying notes are an integral part of these consolidated financial statements.

UnitedGlobalCom, Inc.

Notes to Consolidated Financial Statements

1. Organization and Nature of Operations

UnitedGlobalCom, Inc. (together with its majority-owned subsidiaries, the "Company" or "United", formerly known as New UnitedGlobalCom, Inc.) was formed under Delaware law on February 5, 2001, for the purpose of effectuating the merger on January 30, 2002 of UGC Holdings, Inc. ("UGC Holdings", formerly known as UnitedGlobalCom, Inc.) and a subsidiary of United see Note 3.

The following chart presents a summary of United's ownership structure as of December 31, 2001:

On February 5, 2001, United issued one share of common stock to United International Properties, Inc. ("UIPI", a wholly-owned subsidiary of UGC Holdings) for $100 in the form of a subscription receivable. On December 2, 2001, UIPI sold to Gene W. Schneider, a shareholder of UGC Holdings, its one share of United's outstanding common stock. In December 2001, United executed a note payable to UIPI in the amount of $606,518, representing costs of the merger transaction paid by UIPI on behalf of United. The note bears interest at 8.0% per annum and is due on demand.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries where it exercises a controlling financial interest through the ownership of a direct or indirect majority voting interest. All intercompany balances and transactions have been eliminated.

Investments in Affiliates, Accounted for under the Equity Method

For those investments in unconsolidated subsidiaries and companies in which the Company's voting interest is 20.0% to 50.0%, its investments are held through a combination of voting common stock, preferred stock, debentures or convertible debt and/or the Company exerts significant influence through

Board representation and management authority, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's proportionate share of net earnings or losses of the affiliate limited to the extent of the Company's investment in and advances to the affiliate, including any debt guarantees or other contractual funding commitments. The Company's proportionate share of net earnings or losses of affiliates includes the amortization of the excess of its cost over its proportionate interest in each affiliate's net assets.

Risks, Uncertainties and Liquidity

As a result of the merger transaction described in Note 3, the Company received a net $71.1 million in cash and recorded notes payable of $407.3 million. Because United does not currently generate positive cash flow, its ability to repay its obligations will be dependent on developing one or more additional sources of cash.

General and Administrative Expense

General and administrative expense represents stock registration costs.

3. Subsequent Events

Merger Transaction

United was formed in February 2001 as part of a series of planned transactions with UGC Holdings and Liberty Media Corporation and certain of its subsidiaries (collectively "Liberty"), which are intended to accomplish a restructuring and recapitalization of United's business. On January 30, 2002, the Company completed a transaction with Liberty and UGC Holdings, pursuant to which the following occurred.

Immediately prior to the merger transaction on January 30, 2002:

- Liberty contributed approximately 9.9 million shares of UGC Holdings Class B common stock and approximately 12.0 million shares of UGC Holdings Class A common stock to United. In exchange for these contributions, United issued Liberty approximately 21.9 million shares of its Class C common stock;

- Certain long-term stockholders of UGC Holdings (the "Founders") transferred their shares of UGC Holdings Class B common stock to limited liability companies, which limited liability companies then merged into United. As a result of such mergers, the Founders received approximately 8.9 million shares of United's Class B common stock, which number of shares equals the number of shares of UGC Holdings Class B common stock transferred by them to the limited liability companies.

As a result of the merger transaction:

- UGC Holdings became United's 99.5%-owned subsidiary;

Each share of UGC Holdings' Class A and Class B common stock outstanding immediately prior to the merger was converted into one share of United's Class A common stock;

The shares of UGC Holdings' preferred stock outstanding immediately prior to the merger, other than UGC Holdings' Series E preferred stock, were converted into an aggregate of approximately 23.3 million shares of United's Class A common stock, which amount is equal to the number of shares

of UGC Holdings' Class A common stock the holders of UGC Holdings' preferred stock would have received had they converted their preferred stock immediately prior to the merger;

The shares of UGC Holdings' Series E preferred stock outstanding immediately prior to the merger were converted into an aggregate of 1,500 shares of UGC Holdings' Class A common stock;

Liberty has the right to elect four of United's 12 directors;

The Founders have the effective voting power to elect eight of United's 12 directors; and

United has the right to elect half of UGC Holdings' directors and four of the Founders, Gene W. Schneider, Mark L. Schneider, Albert M. Carollo, Sr. and Curtis W. Rochelle, have the right to elect the other half of UGC Holdings' directors.

Immediately following the merger transaction:

Liberty contributed to United the $1.225 billion 6.0% guaranteed discount notes due 2007 (the "Exchangeable Loan" or "Belmarken Notes") and, as a result, two of UGC Holdings' Dutch subsidiaries owe the amounts payable under such notes, which had an accreted value of $891.7 million as of January 30, 2002, to United rather than to Liberty;

Liberty contributed $200.0 million in cash to United;

Liberty contributed to United $1.435 billion face amount of United Pan-Europe Communications, N.V. ("UPC") senior notes and €263.1 million face amount of UPC senior discount notes and, as a result, UPC owes the obligations represented by such senior notes and senior discount notes to United rather than to Liberty; and

In exchange for the contribution of these assets to United, an aggregate of approximately 281.3 million shares of United's Class C common stock was issued to Liberty.

In December 2001, IDT United Inc. ("IDT United") commenced a cash tender offer for, and related consent solicitation with respect to, the entire $1.375 billion face amount of senior notes of UGC Holdings. This tender offer expired at 5:00 p.m., New York City time, on February 1, 2002. As of the expiration of the tender offer, holders of the notes had validly tendered and not withdrawn notes representing approximately $1.350 billion aggregate principal amount at maturity. At the time of the tender offer, Liberty had an equity and debt interest in IDT United.

Prior to the merger on January 30, 2002, United acquired from Liberty $751.2 million aggregate principal amount at maturity of the senior notes of UGC Holdings, as well as all of Liberty's interest in IDT United. The purchase price for the senior notes and Liberty's interest in IDT United was:

United's assumption of approximately $304.6 million of indebtedness owed by Liberty to UGC Holdings (due January 30, 2004); and

Cash in the amount of approximately $143.9 million.

On January 30, 2002, LBTW I, Inc., a subsidiary of Liberty, loaned United Argentina approximately $17.3 million, of which approximately $2.3 million was used to purchase shares of preferred stock and promissory notes issued by IDT United. Following January 30, 2002, LBTW I, Inc. loaned United Argentina an additional $85.4 million, as evidenced by promissory notes dated January 31, 2002, February 1, 2002, February 4, 2002, February 5, 2002 and February 28, 2002. United used the proceeds of these loans to purchase additional shares of preferred stock and promissory notes issued by IDT United. These notes to LBTW I, Inc. accrue interest at 8.0% annually, compounded and payable quarterly, and each note matures on its first anniversary.

United has no independent operations of its own other than those attributable to its 99.5% common stock interest in UGC Holdings. United's Board of Directors and the Board of Directors of UGC Holdings recently approved the conversion of the 0.5% economic interest held by the Founders into UGC Holdings Class C non-voting common stock, which would result in 100% voting control over UGC Holdings' Board of Director elections by United. Following conversion, United would consolidate UGC Holdings and its subsidiaries. The timing of that conversion is uncertain, but is expected to occur as soon as practicable.

The Company plans to account for the merger transaction on January 30, 2002 as a reorganization of entities under common ownership, followed by a preferred stock conversion at historical cost, and then a share issuance to Liberty for financial assets at fair value. Accordingly, United's investment in UGC Holdings and share in results of UGC Holdings are expected to be based on historical cost, using the equity method of accounting. Effective with the merger transaction, United anticipates reflecting a negative investment in UGC Holdings equal to the deficit in stockholders' equity of UGC Holdings at the effective time of the merger transaction, reduced by the UGC Holdings senior notes acquired directly from Liberty and through IDT United and by the conversion of Series B convertible preferred stock previously reflected in temporary equity. United plans to continue to record its share of UGC Holdings' losses because management believes it is probable that United will obtain 100% voting control over UGC Holdings' Board of Director elections in the foreseeable future, at which time United would consolidate UGC Holdings.

Financial Information of UGC Holdings

The following presents condensed consolidated financial information for UGC Holdings as of December 31, 2001 and 2000 and for the three years ended December 31, 2001. This financial information is derived from the historical financial statements of UGC Holdings included elsewhere in this Annual Report on Form 10-K. The financial statements and footnotes of UGC Holdings should be read in conjunction with the financial statements and footnotes of the Company.

UGC Holdings Consolidated Balance Sheets

	December 31,	
	2001	**2000**
	(In thousands)	
Current assets	$ 1,943,862	$ 2,937,331
Non-current assets	7,095,389	10,209,621
Total assets	$ 9,039,251	$ 13,146,952
Current liabilities	$ 10,223,125	$ 1,553,765
Non-current liabilities	2,100,340	9,765,736
Minority interests in subsidiaries	1,240,665	1,884,568
Preferred stock	29,990	28,117
Shareholders' deficit	(4,554,869)	(85,234)

	December 31,	
Total liabilities and stockholders' deficit	$ 9,039,251	$ 13,146,952

UGC Holdings Consolidated Statements of Operations

	Year Ended December 31,		
	2001	2000	1999
	(In thousands)		
Revenue	$ 1,561,894	$ 1,251,034	$ 720,762
Expenses	(4,433,593)	(2,391,837)	(1,496,387)
Operating loss	(2,871,699)	(1,140,803)	(775,625)
Other	(1,645,902)	(80,087)	1,411,943
(Loss) income from continuing operations before extraordinary gain and cumulative effect of change in accounting principle	(4,517,601)	(1,220,890)	636,318
Other	23,503		
Net (loss) income	$ (4,494,098)	$ (1,220,890)	$ 636,318

Certain Income Tax Consequences of the Merger Transaction

For U.S. income tax purposes, United and UGC Holdings will not file as part of a consolidated group because United does not have the requisite control of UGC Holdings to permit tax consolidation. As a separate entity, United may not use any tax attributes, which include but are not limited to net operating losses, tax credits, or capital losses, generated by UGC Holdings or its affiliated U.S. subsidiaries to reduce taxes paid by United.

As a result of the merger transaction, United owns certain senior notes of UGC Holdings. The direct acquisition of UGC Holdings senior notes by United triggered cancellation of debt ("COD") income at the UGC Holdings level for income tax purposes, which may result in the utilization of substantially all of UGC Holdings' net operating loss carryforwards existing as of December 31, 2001. United will recognize interest income on these bonds as they accrete. This interest will not be deductible by UGC Holdings for U.S. income tax purposes as it accretes. Instead, a portion of such interest may be deducted when and if such interest is paid in the future. The remaining portion is permanently non-deductible. In addition to the $10^3/_4$% senior discount notes, United owns several notes and bonds from other affiliates as a result of the merger transaction. United will generally be required to recognize interest income from such notes and bonds as it accrues or accretes to the extent it is likely that such amounts will ultimately be paid. As a result of this interest income, United may recognize taxable income in 2002 on which it will owe current federal and state income taxes.

Planned Restructuring

In connection with the restructuring plan of UPC, UPC signed a Memorandum of Understanding, dated February 1, 2002 (the "Memorandum of Understanding"), by and among UPC, United and UGC Holdings. The Memorandum of Understanding relates to an agreement in principle among UPC, United and UGC Holdings, to effectuate a series of transactions, which, if consummated, would result in a restructuring of the outstanding debt obligations of UPC and its subsidiaries. The Memorandum of Understanding with United and UGC Holdings is conditional, among other things, on the receipt of tenders of 95.0% of all UPC notes outstanding in an exchange offer. United has agreed in principle to convert $2.6 billion of indebtedness, which was acquired as a result of the merger transaction with Liberty, and $0.3 billion of convertible preference shares held by UGC Holdings into new UPC ordinary shares as part of the recapitalization.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To UGC Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of UGC Holdings, Inc. (a Delaware corporation f/k/a UnitedGlobalCom, Inc.) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations and comprehensive (loss) income, stockholders' (deficit) equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of UGC Holdings, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 3 to the consolidated financial statements, the Company changed its method of accounting for derivative instruments and hedging activities effective January 1, 2001.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations, is currently in default under certain of its significant bank credit facilities, senior notes and senior discount note agreements, which has resulted in a significant net working capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

ARTHUR ANDERSEN LLP

Denver, Colorado
April 12, 2002

UGC Holdings, Inc.

Consolidated Balance Sheets
(In thousands, except par value and number of shares)

	December 31,	
Assets	**2001**	**2000**
Current assets		
Cash and cash equivalents	$ 920,140	$ 1,876,828
Restricted cash	86,625	11,612
Short-term liquid investments	78,946	347,084
Subscriber receivables, net of allowance for doubtful accounts of $51,405 and $66,559, respectively	152,025	169,532
Notes receivable, related parties	310,660	247,134
Other receivables, including related party receivables of $32,389 and $20,275, respectively	108,559	173,995

	December 31,	
Deferred financing costs, net of accumulated amortization of $39,178	132,564	
Deferred taxes	3,604	2,896
Business transferred under contractual arrangement	78,672	
Other current assets, net	72,067	108,250
Total current assets	1,943,862	2,937,331
Investments in affiliates, accounted for under the equity method, net	231,625	756,322
Property, plant and equipment, net of accumulated depreciation of $1,174,197 and $920,972, respectively	3,692,485	3,880,657
Goodwill and other intangible assets, net of accumulated amortization of $564,149 and $448,012, respectively.	2,843,922	5,154,907
Deferred financing costs, net of accumulated amortization of $7,688 and $52,180, respectively	18,371	207,573
Derivative assets	131,320	154,195
Deferred taxes	8,866	5,057
Business transferred under contractual arrangement	143,124	
Other assets, net	25,676	50,910
Total assets	$ 9,039,251	$ 13,146,952
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable, including related party payables of $1,347 and $1,555, respectively	$ 350,813	$ 578,399
Accrued liabilities	697,827	619,609
Subscriber prepayments and deposits	88,975	96,296
Short-term debt	77,614	51,208
Current portion of senior notes and other long-term debt, including related party debt of $2,314,992 and nil, respectively	8,389,494	193,923
Business transferred under contractual arrangement	607,350	
Other current liabilities	11,052	14,330
Total current liabilities	10,223,125	1,553,765
Senior discount notes and senior notes	1,565,856	6,369,764
Other long-term debt	78,037	3,329,357
Business transferred under contractual arrangement	228,012	
Deferred taxes	80,300	8,237
Other long-term liabilities	148,135	58,378
Total liabilities	12,323,465	11,319,501
Commitments and contingencies (Notes 15 and 16)		
Minority interests in subsidiaries	1,240,665	1,884,568
Series B convertible preferred stock, stated at liquidation value, 113,983 shares issued and outstanding	29,990	28,117
Stockholders' deficit		
Class A common stock, $0.01 par value, 210,000,000 shares authorized, 98,042,205 and 83,820,633 shares issued and outstanding, respectively	981	838
Class B common stock, $0.01 par value, 30,000,000 shares authorized, 19,027,134 and 19,221,940 shares issued and outstanding, respectively	190	192
Series C convertible preferred stock, 425,000 shares issued and outstanding	425,000	425,000
Series D convertible preferred stock, 287,500 shares issued and outstanding	287,500	287,500
Additional paid-in capital	1,537,944	1,531,593
Deferred compensation	(74,185)	(117,136)

	December 31,	
Treasury stock, at cost, 5,604,948 shares of Class A common stock	(29,984)	(29,984)
Accumulated deficit	(6,436,679)	(1,892,706)
Other cumulative comprehensive loss	(265,636)	(290,531)
Total stockholders' deficit	(4,554,869)	(85,234)
Total liabilities and stockholders' deficit	$ 9,039,251	$ 13,146,952

The accompanying notes are an integral part of these consolidated financial statements.

2

UGC Holdings, Inc.

Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except per share amounts and number of shares)

	Year Ended December 31,		
	2001	2000	1999
Revenue	$ 1,561,894	$ 1,251,034	$ 720,762
Operating expense	(1,062,394)	(893,682)	(458,748)
Selling, general and administrative expense	(698,954)	(682,633)	(618,925)
Depreciation and amortization	(1,147,176)	(815,522)	(418,714)
Impairment and restructuring charges	(1,525,069)		
Operating loss	(2,871,699)	(1,140,803)	(775,625)
Interest income, including related party income of $35,340, $1,918 and $561, respectively.	104,700	133,297	54,375
Interest expense, including related party expense of $58,834, nil and nil, respectively	(1,070,830)	(928,783)	(399,999)
Foreign currency exchange loss, net	(148,192)	(215,900)	(39,501)
Proceeds from litigation settlement	194,830		
(Loss) gain on sale of investments in affiliates, net	(416,803)	6,194	
Provision for loss on investments	(342,419)	(5,852)	(7,127)
Gain on issuance of common equity securities by subsidiaries		127,731	1,508,839
Other expense, net	(117,923)	(4,305)	(14,641)
(Loss) income before other items	(4,668,336)	(2,028,421)	326,321
Income tax benefit (expense), net	40,661	2,897	(198)
Minority interests in subsidiaries	496,515	934,548	360,444
Share in results of affiliates, net	(386,441)	(129,914)	(50,249)
(Loss) income from continuing operations before extraordinary gain and cumulative effect of change in accounting principle	(4,517,601)	(1,220,890)	636,318
Extraordinary gain on early retirement of debt	3,447		
Cumulative effect of change in accounting principle	20,056		
Net (loss) income	$ (4,494,098)	$ (1,220,890)	$ 636,318
Foreign currency translation adjustments	$ 11,157	$ (47,625)	$ (127,154)
Unrealized holding gains (losses) arising during period	37,526	(31,668)	6,858
Change in fair value of derivative assets	(24,059)		

	Year Ended December 31,		
Cumulative effect on other comprehensive income of change in accounting principle	523		
Amortization of cumulative effect of change in accounting principle	(252)		
Comprehensive (loss) income	$ (4,469,203)	$ (1,300,183)	$ 516,022
Basic net (loss) income attributable to common stockholders (Note 20)	$ (4,545,846)	$ (1,272,482)	$ 617,926
Diluted net (loss) income attributable to common stockholders (Note 20)	$ (4,545,846)	$ (1,272,482)	$ 636,318
Net (loss) income per common share:			
Basic net (loss) income before extraordinary gain and cumulative effect of change in accounting principle	$ (45.76)	$ (13.24)	$ 7.53
Extraordinary gain on early retirement of debt	0.03		
Cumulative effect of change in accounting principle	0.20		
Basic net (loss) income	$ (45.53)	$ (13.24)	$ 7.53
Diluted net (loss) income before extraordinary gain and cumulative effect of change in accounting principle	$ (45.76)	$ (13.24)	$ 6.67
Extraordinary gain on early retirement of debt	0.03		
Cumulative effect of change in accounting principle	0.20		
Diluted net (loss) income	$ (45.53)	$ (13.24)	$ 6.67
Weighted-average number of common shares outstanding:			
Basic	99,834,387	96,114,927	82,024,077
Diluted	99,834,387	96,114,927	95,331,929

The accompanying notes are an integral part of these consolidated financial statements.

UGC Holdings, Inc.

Consolidated Statements of Stockholders' (Deficit) Equity
(In thousands, except number of shares)

	Class A Common Stock		Class B Common Stock		Series C Preferred Stock		Series D Preferred Stock				Treasury Stock				
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Deferred Compensation	Shares	Amount	Accumulated Deficit	Other Cumulative Comprehensive Loss	T
Balances, December 31, 1998	61,349,990	$ 614	19,831,760	$ 198		$		$	$ 378,191	$ (679)	5,569,240	$ (29,061)	$ (1,241,986)	$ (90,942)	$(9
Exchange of Class B common stock for Class A common stock	507,820	5	(507,820)	(5)											

	Class A Common Stock		Class B Common Stock		Series C Preferred Stock		Series D Preferred Stock								
Issuance of Class A common stock in connection with exercise of warrants	2,883,600	29							21,598						
Issuance of Class A common stock in connection with Company's stock option plans and 401(k) plan		18							10,235						
Exchange of Series A convertible preferred stock for Class A common stock	3,006,404 1,839,591	30							26,276						
Exchange of Series B convertible preferred stock for Class A common stock	487,410	5							5,173						
Issuance of Class A common stock in connection with public offering, net of offering costs	11,500,000	115							571,325						
Issuance of Series C and D convertible preferred stock, net of offering costs					425,000	395,250	287,500	267,375	(21,088)						
Accrual of dividends on Series A, B, C and D convertible preferred stock						14,875		1,398	(2,119)				(16,273)		
Equity transactions of subsidiaries									427,044	(221,640)					
Amortization of deferred compensation										102,323					
Net income													636,318		
Change in cumulative translation adjustments														(127,154)	(1
Change in unrealized gain on available-for-sale securities														6,858	
Balances, December 31, 1999	81,574,815	$ 816	19,323,940	$ 193	425,000	$ 410,125	287,500	$ 268,773	$ 1,416,635	$ (119,996)	5,569,240	$ (29,061)	$ (621,941)	$ (211,238)	$1,

The accompanying notes are an integral part of these consolidated financial statements.

UGC Holdings, Inc.

Consolidated Statements of Stockholders' (Deficit) Equity (Continued)
(In thousands, except number of shares)

	Class A Common Stock		Class B Common Stock		Series C Preferred Stock		Series D Preferred Stock		Additional Paid-In Capital	Deferred Compensation	Treasury Stock		Accumulated Deficit	Other Cumulative Comprehensive Loss	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Amount			
Balances, December 31, 1999	81,574,815	$ 816	19,323,940	$ 193	425,000	$ 410,125	287,500	$ 268,773	$ 1,416,635	$ (119,996)	5,569,240	$ (29,061)	$ (621,941)	$ (211,238)	$ 1
Exchange of Class B common stock for Class A common stock	102,000	1	(102,000)	(1)											
Issuance of Class A common stock in connection with Company's stock option plans and 401(k) plan	1,027,822	10							7,993						
Conversion of Series B convertible preferred stock into Class A common stock	48,996	1							519						
Accrual of dividends on Series B, C and D convertible preferred stock						29,750		23,758	(1,717)				(49,875)		
Issuance of Class A common stock in lieu of cash dividends on Series C and D convertible preferred stock	1,067,000	10				(14,875)		(5,031)	19,896						
Equity transactions of subsidiaries									127,518	7,467					
Amortization of deferred compensation									(28,235)	(4,607)					
Loans to related parties, collateralized with common shares and options									(11,016)						
Purchase of treasury shares											35,708	(923)			
Net loss													(1,220,890)		(1,
Change in cumulative translation adjustments														(47,625)	
Change in unrealized gain on available-for-sale securites														(31,668)	

	Class A Common Stock		Class B Common Stock		Series C Preferred Stock		Series D Preferred Stock								
Balances, December 31, 2000	83,820,633	$ 838	19,221,940	$ 192	425,000	$ 425,000	287,500	$ 287,500	$ 1,531,593	$ (117,136)	5,604,948	$ (29,984)	$ (1,892,706)	$ (290,531)	$

The accompanying notes are an integral part of these consolidated financial statements.

UGC Holdings, Inc.

Consolidated Statements of Stockholders' (Deficit) Equity (Continued)
(In thousands, except number of shares)

	Class A Common Stock		Class B Common Stock		Series C Preferred Stock		Series D Preferred Stock				Treasury Stock				
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Deferred Compensation	Shares	Amount	Accumulated Deficit	Other Cumulative Comprehensive Loss	
Balances, December 31, 2000	83,820,633	$ 838	19,221,940	$ 192	425,000	$ 425,000	287,500	$ 287,500	$ 1,531,593	$ (117,136)	5,604,948	$ (29,984)	$ (1,892,706)	$ (290,531)	$
Exchange of Class B common stock for Class A common stock	194,806	2	(194,806)	(2)											
Issuance of Class A common stock in connection with Company's stock option plans and 401(k) plan	76,504	1							386						
Issuance of Class A common stock for cash	11,991,018	120							19,905						
Accrual of dividends on Series B, C and D convertible preferred stock						14,875		10,063	(1,873)				(49,875)		
Issuance of Class A common stock in lieu of cash dividends on Series C and D convertible preferred stock	1,959,244	20				(14,875)		(10,063)	24,918						
Equity transactions of subsidiaries									(29,122)	22,159					
Amortization of deferred compensation									(1,292)	20,792					
Loans to related parties, collateralized with common shares and options									(6,571)						
Net loss													(4,494,098)		(4,
Cumulative effect of change in accounting principle														523	

	Class A Common Stock	Class B Common Stock	Series C Preferred Stock	Series D Preferred Stock	
Amortization of cumulative effect of change in accounting principle					(252)
Change in fair value of derivative assets					(24,059)
Change in cumulative translation adjustments					11,157
Change in unrealized gain on available-for-sale securites					37,526