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March 6, 2002

**BY HAND DELIVERY**

Ms. Blanca Bayó, Director  
The Commission Clerk and Administrative Services  
Room 110, Easley Building  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

020184-TX

Re: Application for Approval of Change of Control of Certificate of AT&T Broadband Phone of Florida, LLC d/b/a AT&T Digital Phone by AT&T Corp. and AT&T Comcast Corporation

Dear Ms. Bayó:

Please find enclosed for filing an original and six copies of the Joint Application for the Approval of a Change of Control of the Certificate of Public Convenience and Necessity held by AT&T Broadband Phone of Florida, LLC d/b/a AT&T Digital Phone by AT&T Corp. and AT&T Comcast Corporation. Pursuant to information received from Ms. Nancy Pruitt, no filing fee is applicable to this application for change of control.

Please acknowledge receipt of this letter by stamping the extra copy of this letter "filed" and returning the same to me.

If anyone has any questions or requires additional information, please do not hesitate to call me at (850) 425-5209.

Thank you for your assistance with this filing.

Sincerely yours,



Tracy W. Hatch

TWH/amb  
Enclosures

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FPSC-COMMISSION CLERK

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

**DIVISION OF REGULATORY OVERSIGHT**  
**CERTIFICATION SECTION**

**APPLICATION FORM**  
**for**  
**AUTHORITY TO PROVIDE**  
**ALTERNATIVE LOCAL EXCHANGE SERVICE**  
**WITHIN THE STATE OF FLORIDA**

**Instructions**

020184-TX

- ◆ This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 12).
- ◆ Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.
- ◆ Use a separate sheet for each answer which will not fit the allotted space.
- ◆ Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250.00 to:

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

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

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

## APPLICATION

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

- Original certificate (new company).
- Approval of transfer of existing certificate: Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.
- Approval of assignment of existing certificate: Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.
- Approval of transfer of control: Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

AT&T Comcast Corporation is acquiring a controlling interest in AT&T Broadband Phone of Florida, LLC d/b/a AT&T Digital Phone, (See Attachment A for details of the transactions)

3. Name under which the applicant will do business (fictitious name, etc.):

AT&T Broadband Phone of Florida, LLC d/b/a AT&T Digital Phone is currently certificated by the Florida Public Service Commission and is currently providing telecommunications services in Florida. AT&T Broadband Phone of Florida d/b/a AT&T Digital Phone will continue to be the operating entity in Florida.

4. Official mailing address (including street name & number, post office box, city, state, zip code):

AT&T Comcast Corporation  
1500 Market Street  
35<sup>th</sup> Floor, East Tower  
Philadelphia, PA 19102-2148

AT&T Broadband Phone of Florida, LLC  
188 Inverness Dr. West, Ste 600  
Englewood, CO 80112

5. Florida address (including street name & number, post office box, city, state, zip code):

N/A

6. Structure of organization:

- |  |  |
|--|--|
| <input type="checkbox"/> Individual          | <input type="checkbox"/> Corporation         |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input checked="" type="checkbox"/> Other    |  |

AT&T Broadband Phone of Florida, LLC is a Florida Corporation and will continue to be the operating entity providing telecommunication services in Florida. AT&T Broadband Phone of Florida, LLC will be a wholly owned subsidiary of AT&T Comcast Corporation. See Attachment A for a detailed description of the organizational structure.

7. If individual, provide:

Name: N/A

Title:

Address:

City/State/Zip:

Telephone No.: \_\_\_\_\_ Fax No.:

Internet E-Mail Address:

Internet Website Address:

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

(a) The Florida Secretary of State corporate registration number: N/A

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

(a) The Florida Secretary of State corporate registration number:

AT&T Broadband Phone of Florida's registration number is: M01000000499

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

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

The fictitious registration number for AT&T Digital Phone is G01109900221

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

(a) The Florida Secretary of State registration number:

N/A

12. If a partnership, provide name, title and address of all partners and a copy of the partnership agreement.

Name: N/A

Title:

Address:

City/State/Zip:

Telephone No.: \_\_\_\_\_ Fax No.:

Internet E-Mail Address:

Internet Website Address:

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

(a) The Florida registration number: N/A

14. Provide F.E.I. Number(if applicable):

AT&T Broadband Phone of Florida FEI number is: 134924710

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

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

N/A

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

N/A

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

(a) The application:

Name: Ms. Lisa Riley  
Title: Regulatory Manager  
Address: 1200 Peachtree Street NE  
City/State/Zip: Atlanta, GA 30309

Telephone No.: (404) 810-7812 Fax No.: (404) 877-7646

Internet E-Mail Address: lriley@att.com

Internet Website Address:

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

Name: Ms. Lisa Riley  
Title: Regulatory Manager  
Address: 1200 Peachtree Street NE, Ste 8066  
City/State/Zip: Atlanta, GA 30309

Telephone No.: (404) 810-7812 Fax No.: (404) 877-7646

Internet E-Mail Address: lriley@att.com

Internet Website Address:

**(c) Complaints/Inquiries from customers:**

**Name:** Ms. Lisa Riley  
**Title:** Regulatory Manager  
**Address:** 1200 Peachtree Street NE, Ste  
**City/State/Zip:** Atlanta, GA 30309

**Telephone No:** (404) 810-7812 **Fax No.:** (404) 877-7646

**Internet E-Mail Address:** lriley@att.com

**Internet Website Address:**

**17. List the states in which the applicant:**

**(a) has operated as an alternative local exchange company.**

AT&T Comcast has not previously operated as an ALEC or CLEC. Once AT&T Comcast acquires AT&T's Broadband Division, AT&T Comcast will control the AT&T Broadband operating companies which provide service in the following states: California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kentucky, Massachusetts, Minnesota, New Hampshire, Oregon, Pennsylvania, Texas, Utah, Virginia and Washington.

**(b) has applications pending to be certificated as an alternative local exchange company.**

AT&T Comcast does not have any pending applications to be certificated as an ALEC. AT&T Comcast does have pending applications to approve the change of control of AT&T's broadband operating companies.

**(c) is certificated to operate as an alternative local exchange company.**

See (a) above.

**(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.**

None

- (e) **has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.**

None

- (f) **has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.**

None

**18. Submit the following:**

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

AT&T Broadband Phone of Florida, LLC will continue to be the entity providing telecommunications services in Florida. AT&T Broadband Phone of Florida's managerial expertise was previously determined acceptable by the Florida Public Service Commission upon issuance of its ALEC Certificate. For more information see the benefits of the merger set forth in Attachment A to this application.

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

AT&T Broadband Phone of Florida will continue to be the entity providing telecommunications services in Florida and the change of control will be transparent to customers. Its operations will remain essentially unchanged. AT&T Broadband of Florida's technical expertise was previously determined acceptable by the Florida Service Commission upon issuance of its ALEC Certificate. For more information see the benefits of the merger set forth in Attachment A.

- C. Financial capability.**

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

Audited Financial Statements for the AT&T Comcast are not available.



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

1. the balance sheet:
2. income statement: and
3. statement of retained earnings.

See Attachment A, Exhibit 1, for financial information for AT&T Comcast.

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

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

1. written explanation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. written explanation that the applicant has sufficient financial capability to maintain the requested service.
3. written explanation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

AT&T Comcast through AT&T Broadband Phone of Florida, LLC, will have sufficient financial capability to provide and maintain telecommunications services in its serving area and to meet its lease or ownership obligations.

See Attachment A, Exhibit 1.

**ATTACHMENT A**

**TO**

**JOINT APPLICATION OF AT&T CORP. AND AT&T COMCAST CORP.  
FOR THE APPROVAL OF A CHANGE OF CONTROL OF  
AT&T BROADBAND PHONE OF FLORIDA, LLC**

AT&T Corp. and AT&T Comcast Corporation are completing a series of transactions that will result in the change of control of AT&T Broadband Phone of Florida, LLC d/b/a AT&T Digital Phone, including its certificate of public convenience and necessity, from AT&T Corp. to AT&T Comcast Corporation. The change of control of this company will promote the public interest by accelerating facilities-based competition in the provision of local telephony and thereby bring more new services and features to more customers more quickly and efficiently.

**THE PARENT CORPORATIONS, APPLICANTS AND  
SUMMARY OF THE TRANSACTION**

**The Parents and Applicants.**

**1. AT&T Corp.**

AT&T Broadband, is currently a division of AT&T Corp. AT&T Corp. is a New York corporation, which on its own and through a number of subsidiaries, is authorized to provide domestic and international telecommunications services throughout the United States.

AT&T Broadband is one of the nation's leading broadband communications businesses, providing cable television, video programming, telephony, and high-speed cable Internet services over its broadband networks across the country. Insofar as telephony is

concerned, AT&T Broadband, through its operating companies, including AT&T Broadband Phone of Florida, LLC d/b/a AT&T Digital Phone, now markets cable telephony service to approximately 7 million households in 16 markets, and has over one million customers (or 14.8% of its marketable homes) -- twice as many customers as all other cable operators combined.<sup>1</sup> In the past year alone, AT&T Broadband added almost a half a million new cable telephony customers, increasing its customer base by over 100%. Indeed, with its continued investment in cable telephony, AT&T Broadband's customer base and market reach will significantly expand in the near future.<sup>2</sup> It is estimated that, in 2002, AT&T Broadband's cable telephony service will be available to 9.9 million households (or 40.4% of the total homes passed by its cable systems) and its customer base will grow by an additional half a million customers.<sup>3</sup> AT&T Broadband is the recognized industry leader in cable-delivered mass market local telephony. AT&T Broadband's investment in and deployment of circuit-switched cable telephony technology have enabled it to offer a competitive alternative to the incumbent local exchange carrier's ("ILEC") telephone services over the same hybrid fiber/coaxial network that supplies video service.

Currently, AT&T Broadband Phone of Florida offers cable telephony services in Jacksonville, Hialeah and Pompano Beach. AT&T Broadband Phone of Florida offers Florida consumers a variety of options and calling plans with various competitive price

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<sup>1</sup> As of November 2001, Cox Communications was the second leading provider of cable telephony service with approximately 400,000 customers. See NCTA, *Cable & Telecommunications Industry Overview 2001*, at 4 (2001). Other MSO cable telephony deployments are negligible, and many represent numbers from VoIP trials. See *id.* See generally NCTA, *Cable Telephony: Offering Consumers Competitive Choice* (July 2001).

<sup>2</sup> See Solomon Smith Barney, *CMCSK: Merger w/ AT&T Broadband Redefines the Cable Industry* at 6 (Dec. 20, 2001) (noting that AT&T Comcast "is expected to continue AT&T's aggressive deployment of the circuit switched telephony").

<sup>3</sup> See Douglas S. Shapiro et al., Banc of Am. Sec., *Fourth Quarter Cable Industry Preview and 2002 Industry Outlook* at 85 (Jan. 15, 2002).

points. These options and calling plans range from basic one line service to multiple lines with full feature functionality.

**2. AT&T Comcast Corporation.**

AT&T Comcast Corporation is a Pennsylvania corporation to be headquartered at 1500 Market Street, 35th Floor, East Tower, Philadelphia, Pennsylvania 19102-2148. Currently, AT&T Comcast is a "shell" corporation equally owned by AT&T Corp. and Comcast. Upon completion of this transaction, AT&T Comcast will be the publicly traded holding company for the businesses of Comcast and AT&T Broadband Corp., a newly-formed Delaware corporation, to which AT&T Corp. will spin off its broadband business. It then will be owned by the shareholders of AT&T Corp. and Comcast as described below in the Summary of the Transaction.

**3. Comcast Corporation**

Founded in 1963 in Tupelo, Mississippi, with just over 1000 cable customers, Comcast has since experienced extraordinary growth in the scale and scope of its business. It has developed and deployed a range of new technologies and programming services as part of its ongoing efforts to improve the services it offers to its customers. As a result, Comcast has established an industry-leading reputation for strong financial performance and operational efficiency. This has made Comcast a leading provider of cable services, cable modem service, electronic commerce, video programming, and other services to millions of customers. Comcast is the nation's fourth largest multi-channel video programming distributor ("MVPD") and a provider of digital cable and high-speed Internet access. Comcast's cable systems currently serve 8.471 million customers in 26 states, passing approximately 13.8 million homes. Over the past six years, Comcast has invested over \$5

billion to upgrade its cable plant by installing fiber optics and other technological improvements. As the result of these upgrades, 95% of Comcast's customers are currently served by systems that provide bandwidth of 550 MHz or higher, and over 80% of its customers by systems that provide bandwidth of 750 MHz or higher.

Although Comcast to date has not initiated the deployment of telephony services on its cable systems, it has continued the telephone operations associated with several cable systems it has acquired, and as a result is offering circuit-switched telephone services to 46,000 customers in Maryland, Virginia, and Michigan.

#### **Summary of the Transaction.**

Under the Agreement, the parties will implement a series of steps to consummate the merger of their broadband businesses after receiving the necessary shareholder and governmental approvals. AT&T will contribute the assets of its AT&T Broadband division, including AT&T Broadband Phone of Florida, to a new, wholly-owned holding company, AT&T Broadband Corporation ("AT&T Broadband"). AT&T will then spin off AT&T Broadband to the shareholders of AT&T Corp. Immediately following this spin off, Comcast and AT&T Broadband will merge with different, wholly-owned subsidiaries of AT&T Comcast Corporation.<sup>4</sup> Following these steps, AT&T Comcast Corp. will be the new public company parent of AT&T Broadband and Comcast, which will be wholly-owned "brother/sister" subsidiaries of AT&T Comcast. As a result, AT&T Comcast Corp.

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<sup>4</sup> Specifically, Comcast will merge into Comcast Acquisition Corporation, a newly-formed, wholly-owned "shell" subsidiary of AT&T Comcast, with Comcast surviving. AT&T Broadband will merge into AT&T Broadband Acquisition Corp., also a newly-formed, wholly-owned "shell" subsidiary of AT&T Comcast, with AT&T Broadband surviving. It is presently contemplated that AT&T Comcast may form a wholly owned limited liability company to hold the stock of AT&T Broadband Corp. This step, which may be needed to facilitate future financing, would be taken at or soon after the closing of the transaction. In order to avoid the need for further commission considerations of this possible pro forma intra-corporate change and any attendant delay, we are including this step as part of this application.

will consist of both companies' cable systems, both companies' interests in programming services, both companies' telecommunications services, as well as other assets owned by the two companies.

Under the terms of the Agreement, the AT&T Comcast Corp. board will consist of 12 members, at least seven of whom will be independent persons. AT&T and Comcast will each contribute five board members to the new company, and will jointly select two additional members who have no current affiliation with either company. Brian Roberts will be Chief Executive Officer of AT&T Comcast, and C. Michael Armstrong, currently Chairman and CEO of AT&T Corp., will serve as Chairman of the new company upon the approval and closing of the merger. Brian Roberts will select the other AT&T Comcast senior management team in consultation with C. Michael Armstrong.

The proposed merger will result in a change in the ultimate control of AT&T Broadband Phone of Florida but will not involve any immediate change in the manner in which AT&T Broadband Phone of Florida provides service to its customers. The services currently being provided by AT&T Broadband Phone of Florida will continue to be offered immediately following the merger. Moreover, following the change, AT&T Broadband Phone of Florida will continue to be led by a team of well-qualified telecommunications managers, including existing AT&T Broadband personnel. Therefore, the merger will have no immediate impact on AT&T Broadband Phone of Florida's customers in terms of the services that they receive, and AT&T Comcast and AT&T Broadband Phone of Florida will honor all commitments to AT&T Broadband's existing customers.

### **Public Interest Benefits of the Merger**

The merger of Comcast and AT&T Broadband resulting in the creation of AT&T Comcast promises a host of substantial public interest benefits – principally in accelerating the availability, and improving the delivery, of broadband, local telephony, and digital video services, and the more rapid introduction of other services, to millions of consumers in areas of 41 states – that would not be achieved as broadly or quickly without the merger. AT&T Comcast, through its broadband operating companies, will provide significant immediate and long-term benefits to customers throughout the merged company’s territory. Both the FCC and state commissions have repeatedly recognized the enormous consumer benefits that will flow from facilities-based local telephony competition in general, and specifically, from cable-delivered residential local service.<sup>5</sup> Additionally, the FCC has twice recognized that the merger of an experienced telephony provider and a less experienced cable company attempting to provide telephony is “likely to benefit consumers by enhancing the merged entity’s ability to compete more effectively with incumbent local exchange companies...in providing facilities-based local telephony...to residential consumers.”<sup>6</sup>

Three years of real-world experience following the mergers of AT&T with TCI and MediaOne have confirmed the validity of federal and state regulatory findings in these prior proceedings. AT&T Broadband is now the industry leader for local and any-distance telephony delivered over cable systems. Despite formidable technological, economic and operational challenges, and starting from a total base of fewer than 60,000 established customers after the completion of the MediaOne merger, AT&T Broadband

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<sup>5</sup> See Collocation Remand Order, 16 FCC Rcd. 15435; UNE Remand Order, Par. 27; Building Access Notice, 14 FCC Rcd. 12,673, par. 4-7, 20; 2001 Video Competition Report, par. 50-54.

now markets cable telephony to over 7 million households, has over 1 million customers and 1.4 million lines, and continues to expand the availability of competitive local telephony services throughout the former TCI and MediaOne markets.

At great expense, time and effort, AT&T Broadband has developed unparalleled experience, expertise and customer recognition in the design, marketing, provisioning, operations and billing of local and any-distance cable telephony in a customer-friendly manner. This expertise is highly scalable, technology-neutral (i.e., it is applicable in both circuit-switched and voice over Internet Protocol environments), and can be applied immediately to additional cable systems.

By allowing AT&T Comcast to take full advantage of the AT&T Broadband learning curve, AT&T Comcast will be able to launch fully developed and market-tested offerings, and to accelerate the deployment and penetration of those offerings over the existing Comcast systems more quickly, less expensively and in a more customer-friendly manner.

The public interest benefits associated with accelerated facilities-based local telephony competition are greater now than ever. Six years post-passage of the 1996 Act, incumbent LECs continue to carry virtually all local exchange traffic.<sup>7</sup> Incumbent LECs continue to erect barriers to non-facilities local competition (resale and network elements), causing the few remaining entrants to scale back entry plans. Cable telephony offers customers a facilities-based choice, with “last-mile” facilities, and is not as easily deterred by ILEC intransigence.

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<sup>6</sup> AT&T—MediaOne Order, par. 7; AT&T – TCI Merger Order, par. 145-48.

<sup>7</sup> See generally Trends in Telephone Service, Industry Analysis Division, Common Carrier Bureau, ch. 9 (August 2001); Local Telephone Competition, Industry Analysis Division, Common Carrier Bureau (May 2001).



The merger will create the opportunity significantly to increase competition in Comcast's service areas by creating a number of efficiencies that directly address many of the most significant advantages that ILECs enjoy even against cable operators with their own facilities. Incumbent carriers enjoy enormous scale and clustering economies. The proposed merger will allow AT&T Comcast to spread the research, development and other significant up-front costs incurred when provisioning new cable telephony services over a broader customer base, thereby lowering the average cost per customer and increasing the combined company's ability to compete with the incumbent LECs.

AT&T Comcast will acquire AT&T Broadband's unparalleled marketing, technical and operations expertise in launching and providing residential cable telephony in new markets. Comcast currently has only limited telephony operations throughout the U.S. (Comcast inherited two small cable systems, one in Virginia/Maryland and the other in Michigan that were already upgraded to provide telephony), but this limited experience is much different in scope than attempting to deploy these services in the first instance. The ability profitably to offer competing local telephony service depends critically upon the time interval between the upgrade of the network and systems assets, and the time to market. The ability to realize revenue must follow closely the incurrence of the investment costs. A significant delay between the two can cause an otherwise profitable (on paper) enterprise to turn negative and collapse.

AT&T Comcast also will acquire AT&T Broadband's infrastructure and personnel essential to the rapid deployment of cable telephony service with the high level of quality necessary to compete successfully over the long term with the services of incumbent LECs. AT&T Broadband designed and scaled its services, centers, customer

care and overall approach not just to support existing telephony offerings, but to support deeper penetration into existing markets and also to support new launches throughout the United States. It is critical to avoid network interruptions when deploying and provisioning complex cable telephony services. New customers demand high reliability and service, and once lost because of poor service is likely not to be regained. A new cable telephony operator cannot afford to earn a reputation for poor service quality in telephony and hope to compete against the incumbent providers.

To ensure successful telephony roll-outs, AT&T Broadband has in place centralized personnel and systems to support the design, maintenance and operation of the complex two-way hybrid fiber-coaxial cable network and systems that must support digital voice and data applications, and must interconnect with copper, twisted wire and fiber optic technologies used by incumbent LECs. AT&T Broadband has in place a National Operations Team to provide support on a wide range of planning, engineering, technical and operational issues; and a Technical Operations Organization that has developed and implemented operational performance metrics to ensure quality cable telephony services, effective training of technicians and field fulfillment personnel, cost-effective resolution of trouble reports and subject matter expertise for corporate and field marketing initiatives. Post merger, these existing processes and systems, developed and refined at significant cost by AT&T Broadband, can be applied to Comcast's network and operations at little additional cost.

In order to provide local and any distance telephony, a cable provider must interconnect to, and coordinate essential functions with, incumbent LECs (both large and small, including independent companies), other competitive LECs, and a variety of third

parties to ensure proper set-up and call completion; rating, recording and billing accuracy; number portability; emergency services; and a host of other database-related functions and services. AT&T Broadband's National Service Assurance Center supports the provisioning of customer telephone lines (including the matching of switching and head-end equipment), end-user provisioning, third-party provisioning, and local number portability and emergency services, and will be available to the merged company immediately upon closing.

Consummation of the proposed transaction will therefore well serve the public interest. It will serve to promote competition among providers of local exchange services, by combining the financial resources (See attached Exhibit 1,) and complementary managerial skills, network facilities, and market capabilities of Comcast and AT&T Broadband to enhance their collective ability to provide telecommunications services to the customers in Florida.

There will be significant consumer welfare gains achieved by creating AT&T Comcast, which will be one of the leading communications companies in the world. Consumers will continue to enjoy the scope and variety of AT&T Broadband services currently offered, with potential expansion through advancing technologies and cable upgrades from a large, more robust company wholly focused on facilities-based telecommunications service, and able to withstand current economic trends within the telecommunications industry.

AT&T Broadband will simply experience a change in parental control with little or no impact to the AT&T Broadband telephony operation in existence in Florida today. From the customer perspective, the change of control of AT&T Broadband will be

transparent since this merger will not cause any change in service or service offerings of AT&T Broadband Phone of Florida, LLC d/b/a/ AT&T Digital Phone during this transition.

**EXHIBIT 1 – AT&T COMCAST FINANCIAL INFORMATION**

**CHAPTER THREE**  
**FINANCIAL INFORMATION RELATING TO THE AT&T COMCAST TRANSACTION**  
**AT&T COMCAST CORPORATION**  
**UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS**

The following Unaudited Pro Forma Combined Condensed Balance Sheet of AT&T Comcast as of September 30, 2001 gives effect to the AT&T Comcast transaction. The following Unaudited Pro Forma Combined Condensed Statements of Operations of AT&T Comcast for the nine months ended September 30, 2001 and for the year ended December 31, 2000 give effect to the AT&T Comcast transaction and AT&T's acquisition of MediaOne Group, which occurred on June 15, 2000. The pro forma financial statements reflect the fact that the AT&T Comcast transaction and the MediaOne acquisition are accounted for under the purchase method of accounting.

Since the acquisition of MediaOne Group occurred prior to September 30, 2001, the financial position of MediaOne Group has been included in the historical combined AT&T Broadband Group balance sheet as of September 30, 2001. The Unaudited Pro Forma Combined Condensed Balance Sheet assumes the AT&T Comcast transaction occurred on September 30, 2001. The Unaudited Pro Forma Combined Condensed Statements of Operations assume the AT&T Comcast transaction and AT&T's acquisition of MediaOne Group occurred on January 1, 2000. The unaudited pro forma financial data is based on the historical consolidated financial statements of Comcast, the historical combined financial statements of AT&T Broadband Group and the historical consolidated financial statements of MediaOne Group under the assumptions and adjustments set forth in the accompanying explanatory notes.

AT&T and Comcast have determined that the AT&T Comcast transaction will be accounted for as an acquisition by Comcast of AT&T Broadband Group. As Comcast is considered the accounting acquiror, the historical basis of Comcast's assets and liabilities will not be affected by the AT&T Comcast transaction. For purposes of developing the Unaudited Pro Forma Combined Condensed Balance Sheet as of September 30, 2001, AT&T Broadband Group's assets, including identifiable intangible assets, and liabilities have been recorded at their estimated fair values and the excess purchase price has been assigned to goodwill. The fair values assigned in these pro forma financial statements are preliminary and represent management's best estimates of current fair value which are subject to revision upon completion of the AT&T Comcast transaction. Management of both companies currently knows of no events or circumstances other than those disclosed in these pro forma notes that would require a material change to the preliminary purchase price allocation. However, a final determination of required purchase accounting adjustments will be made upon the completion of a study to be undertaken by AT&T Comcast in conjunction with independent appraisers to determine the fair value of certain of AT&T Broadband Group's assets, including identifiable intangible assets, and liabilities. Assuming completion of the AT&T Comcast transaction, the actual financial position and results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein due to a variety of factors, including access to additional information, changes in value not currently identified and changes in operating results between the dates of the pro forma financial data and the date on which the AT&T Comcast transaction takes place. See Note (b) to Unaudited Pro Forma Combined Condensed Balance Sheet.

Comcast stockholders will receive shares of AT&T Comcast Class A common stock, AT&T Comcast Class B common stock and AT&T Comcast Class A Special common stock in exchange for shares of Comcast Class A common stock, Comcast Class B common stock and Comcast Class A Special common stock, respectively, based on an exchange ratio of 1 to 1. AT&T Comcast will issue stock options to purchase shares of AT&T Comcast common stock in exchange for all outstanding stock options of Comcast, based on an exchange ratio of 1 to 1. See "Certain Legal Information — Comparison of AT&T, Comcast and AT&T Comcast Shareholder Rights" for a description and comparison of the rights of each class of common stock.

The estimated aggregate consideration and Comcast's transaction costs directly related to the AT&T Comcast transaction total \$49,235.6 million. This includes the fair value of the issuance of approximately 1,231 million shares of AT&T Comcast common stock to AT&T shareholders in exchange for all of AT&T's interests in AT&T Broadband Group, the fair value of the issuance of 115.0 million shares of AT&T Comcast common stock to Microsoft Corporation in exchange for AT&T Broadband Group shares that Microsoft will receive immediately prior to the completion of the AT&T Comcast transaction for settlement of their \$5 billion aggregate principal amount in quarterly income preferred securities (QUIPS), the fair value of AT&T Comcast stock options and stock appreciation rights issued in exchange for AT&T Broadband Group stock options and stock appreciation rights and Comcast's estimated transaction costs directly related to the AT&T Comcast transaction. The fair value of the shares to be issued for AT&T Broadband Group is based on a price per share of \$35.97 which reflects the weighted-average market price of Comcast Class A Special common stock during the period beginning two days before and ending two days after the AT&T Comcast transaction was announced. In limited circumstances the number of shares issued to AT&T shareholders is subject to adjustment. In the event this occurs, the fair value of all of the shares to be issued would be based on the market price of Comcast Class A Special common stock on the closing date. In addition to the consideration paid, AT&T Comcast will refinance \$7,819.6 million of debt and accrued interest assumed from AT&T Broadband Group based on the pro formas.

AT&T Comcast intends to review the synergies of the combined business, which may result in a plan to realign or reorganize certain of AT&T Broadband Group's existing operations. The costs of implementing such a plan, if it were to occur, have not been reflected in the accompanying pro forma financial statements. The impact of a potential realignment, assuming such a plan were in place at the consummation date of the AT&T Comcast transaction, could increase or decrease the amount of goodwill and intangible assets recognized by AT&T Comcast in accordance with Emerging Issues Task Force No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination." The Unaudited Combined Condensed Statements of Operations exclude any benefits that may result from synergies that may be derived, or the elimination of duplicative efforts.

Among the provisions of Statement of Financial Accounting Standards No. 141, "Business Combinations," new criteria have been established for determining whether intangible assets should be recognized separately from goodwill. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") provides, among other guidelines, that goodwill and intangible assets with indefinite lives will not be amortized, but rather will be tested for impairment on at least an annual basis. Management of both companies believes that cable franchise operating rights have indefinite lives based upon an analysis utilizing the criteria in paragraph 11 of SFAS 142. The pro forma adjustments to the Unaudited Pro Forma Combined Condensed Statements of Operations reflect the elimination of AT&T Broadband Group's amortization expense related to goodwill and cable franchise operating rights since this acquisition will be accounted for under the provisions of SFAS 142.

Comcast incurred goodwill and cable franchise operating rights amortization expense of approximately \$1,556.0 million and \$1,473.0 million for the year ended December 31, 2000 and nine months ended September 30, 2001, respectively. The historical consolidated financial statements of Comcast included in the Unaudited Pro Forma Combined Condensed Statements of Operations include the amortization expense related to Comcast's goodwill and cable franchise operating rights, which has not been eliminated in the pro forma adjustments. Effective January 1, 2002, Comcast will, in accordance with the provisions of SFAS 142, no longer amortize goodwill and cable franchise operating rights.

The pro forma financial data presented assumes the AT&T Comcast transaction is completed under the Preferred Structure (see "Description of the AT&T Comcast Transaction Agreements — The Merger Agreement — Merger Consideration — The Preferred Structure"). However, if the AT&T Comcast transaction were completed under the Alternative Structure (see "Description of the AT&T Comcast Transaction Agreements — The Merger Agreement — Merger Consideration — The Alternative Structure"), this would have no impact on the pro forma financial statements as presented. Management

of both companies believes that the assumptions used provide a reasonable basis on which to present the unaudited pro forma financial data. In addition to AT&T's acquisition of MediaOne Group, both companies have completed other acquisitions and dispositions which are not significant, individually or in the aggregate, and, accordingly, have not been included in the accompanying unaudited pro forma financial data. The unaudited pro forma financial data may not be indicative of the financial position or results that would have occurred if AT&T's acquisition of MediaOne Group and the AT&T Comcast transaction had been in effect on the dates indicated or which may be obtained in the future.

The unaudited pro forma financial data should be read in conjunction with the historical consolidated financial statements and accompanying notes thereto for Comcast, and the historical combined financial statements and accompanying notes thereto for AT&T Broadband Group, which have been incorporated by reference or included herein.



**AT&T COMCAST CORPORATION**  
**UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET**  
**As of September 30, 2001**

	<u>Historical Comcast(a)</u>	<u>Historical AT&amp;T Broadband(a)</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma AT&amp;T Comcast</u>
			(Dollars in millions)	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents .....	\$ 658.4	\$ 253.0		\$ 911.4
Investments .....	1,271.9			1,271.9
Accounts receivable, net .....	829.7	604.0		1,433.7
Inventories, net .....	504.3			504.3
Other current assets .....	165.5	570.0	25.0 (b1)	760.5
Total current assets .....	<u>3,429.8</u>	<u>1,427.0</u>	<u>25.0</u>	<u>4,881.8</u>
			1,878.2 (b2)	
INVESTMENTS .....	3,302.3	22,492.0	(1,701.0) (d)	25,971.5
PROPERTY AND EQUIPMENT, net .....	<u>7,001.7</u>	<u>14,292.0</u>		<u>21,293.7</u>
<b>INTANGIBLE ASSETS</b>				
Goodwill .....	7,168.3	20,008.0	(2,683.7) (b3)	24,492.6
Cable franchise operating rights .....	19,938.1	45,513.0	(2,226.0) (b4)	63,225.1
Other intangible assets .....	2,772.1			2,772.1
	29,878.5	65,521.0	(4,909.7)	90,489.8
Accumulated amortization .....	(5,503.2)	(2,841.0)	-2,841.0 (b5)	(5,503.2)
	<u>24,375.3</u>	<u>62,680.0</u>	<u>(2,068.7)</u>	<u>84,986.6</u>
OTHER NON-CURRENT ASSETS .....	672.3	3,370.0	25.0 (b6)	4,067.3
	<u>\$38,781.4</u>	<u>\$104,261.0</u>	<u>\$ (1,841.5)</u>	<u>\$141,200.9</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses .....	\$ 3,294.0	\$ 2,692.2	\$ 1,023.8 (b7)	\$ 7,010.0
Accrued interest .....	191.5	228.8	(48.4) (c)	371.9
Deferred income taxes .....	194.6			194.6
			25.0 (b8)	
Short-term debt .....		5,390.0	(1,480.2) (c)	3,934.8
Current portion of long-term debt .....	554.4	572.0		1,126.4
Total current liabilities .....	<u>4,234.5</u>	<u>8,883.0</u>	<u>(479.8)</u>	<u>12,637.7</u>
			250.0 (b8)	
			(11.9) (b9)	
LONG-TERM DEBT, less current portion .....	11,494.8	17,312.0	1,528.6 (c)	30,573.5
DEFERRED INCOME TAXES .....	<u>6,453.1</u>	<u>25,659.0</u>	<u>276.7</u> (b10)	<u>32,388.8</u>
			(179.0) (b11)	
OTHER NON-CURRENT LIABILITIES .....	806.2	974.0	(253.9) (b12)	1,347.3
MINORITY INTEREST .....	<u>954.0</u>	<u>3,319.0</u>	<u>(2,117.8)</u> (b13)	<u>2,155.2</u>
Company-Obligated Convertible Quarterly Income Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debt Securities of AT&T .....		4,718.0	(4,718.0) (b14)	
<b>STOCKHOLDERS' EQUITY</b>				
Common stock .....	944.9		1,346.0 (b15)	2,243.6
			(47.3) (d)	
Additional capital .....	11,742.6		(1,653.7) (d)	57,703.5
Retained earnings .....	1,952.0		47,614.6 (b15)	1,952.0
Accumulated other comprehensive income .....	199.3			199.3
Combined attributed net assets .....		43,396.0	(43,396.0) (b16)	
Total stockholders' equity .....	<u>14,838.8</u>	<u>43,396.0</u>	<u>3,863.6</u>	<u>62,098.4</u>
	<u>\$38,781.4</u>	<u>\$104,261.0</u>	<u>\$ (1,841.5)</u>	<u>\$141,200.9</u>

See notes to Unaudited Pro Forma Combined Condensed Balance Sheet

**AT&T COMCAST CORPORATION**

**NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET**

**(Dollars in millions, except per share amounts)**

- (a) These columns reflect the historical balance sheets of the respective companies. Certain reclassifications have been made to the consolidated historical financial statements of Comcast and to the combined historical financial statements of AT&T Broadband Group to conform to the presentation expected to be used by AT&T Comcast.
- (b) This entry reflects the preliminary allocation of the purchase price to identifiable net assets acquired and the excess purchase price to goodwill.

	<u>Common Stock</u>	<u>Additional capital</u>	<u>Total</u>
<b>Calculation of consideration</b>			
Issuance of common stock to AT&T shareholders (1,231.0 million shares * \$35.97) .....	\$1,231.0(i)	\$43,048.1	\$ 44,279.1
Issuance of common stock to Microsoft Corporation (115.0 million shares * \$35.97) .....	115.0	4,021.6	4,136.6
Fair value of AT&T Comcast stock options resulting from the conversion of AT&T Broadband Group stock options in the merger based on Black-Scholes option pricing model .....		544.9	544.9
(b15) Comcast common stock equity consideration .....	1,346.0	47,614.6	48,960.6
(b8) Transaction costs (assumed to be funded — \$25.0 short-term debt and \$250.0 long-term debt) .....			275.0
Total consideration .....			<u>\$ 49,235.6</u>
Preliminary estimate of fair value of identifiable net assets acquired:			
(b16) Book value of AT&T Broadband Group .....			\$ 43,396.0
Elimination of gross AT&T Broadband Group goodwill .....			(20,008.0)
(b1) Current portion of deferred financing fees .....			25.0
(b2) Preliminary estimate of adjustment to fair value of investments .....			1,878.2
(b4) Preliminary estimate of adjustment to fair value of cable operating franchise rights .....			(2,226.0)
(b5) Elimination of AT&T Broadband Group accumulated amortization .....			2,841.0
(b6) Long-term portion of deferred financing fees .....			25.0
(b7) Preliminary estimate of current tax liability arising from the transaction .....			(1,023.8)
(b9) Preliminary estimate of fair value of AT&T Broadband Group assumed long-term debt .....			11.9
(b10) Preliminary estimate of adjustment to deferred tax liability on pro forma adjustments at combined federal and state statutory rate .....			(276.7)
(b11) Certain liabilities retained by AT&T .....			179.0
(b12) Preliminary estimate of adjustment to fair value of other non- current liabilities .....			253.9
(b13) Liabilities retained by AT&T related to TCI Pacific Preferred shares .....			2,117.8
(b14) Redemption of Microsoft Corporation QUIPS .....			4,718.0
Preliminary estimate of fair value of identifiable net assets acquired .....			31,911.3
Acquisition goodwill .....			<u>\$ 17,324.3</u>
<b>Calculation of goodwill acquisition adjustment</b>			
Acquisition goodwill .....			\$ 17,324.3
Gross value of AT&T Broadband Group goodwill .....			(20,008.0)
(b3) Goodwill acquisition adjustment .....			<u>\$ (2,683.7)</u>
(i) Maximum number of shares of common stock that could be issued in the AT&T Broadband merger .....	1,235.0		
Share equivalent of intrinsic value of AT&T Broadband Group stock options and stock appreciation rights .....	(4.0)		
Common stock to be issued to AT&T shareholders .....	<u>1,231.0</u>		

Certain programming and other contracts of AT&T Broadband and Comcast may, by their terms, be assumed, altered or terminated as a result of the completion of the AT&T Comcast transaction. However, due to confidentiality provisions in those contracts as well as legal restrictions, those terms cannot be shared between the two parties as of the date of this proxy. Therefore, management cannot currently estimate the impact, if any, of favorable or unfavorable contracts that may result from the ultimate allocation of purchase price. See note (m) to the Unaudited Pro Forma Combined Condensed Statements of Operations for a sensitivity analysis of the purchase price allocation.

- (c) Represents the refinancing of existing short-term debt due to AT&T (\$5,390.0) and certain long-term debt (\$2,381.2 plus accrued interest of \$48.4) with new debt of AT&T Comcast. The refinancing is assumed to be funded half with short-term debt and half with long-term debt.
- (d) Represents the reclassification of AT&T Broadband Group's investment in Comcast as follows:
 

Elimination of Comcast stock held by AT&T Broadband Group.....	\$ (1,701.0)
Reclassification of Comcast stock held by AT&T Broadband Group to equity (par value common stock \$47.3 and additional capital \$1,653.7) .....	1,701.0
	\$ —

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**AT&T COMCAST CORPORATION**  
**UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS**  
**For the year ended December 31, 2000**

	Historical Comcast(a)	Historical AT&T Broadband(a)	Historical MediaOne 1/1/00-6/14/00(a)	Intercompany Adjustments	Pro Forma Adjustments(e)	Pro Forma AT&T Comcast(m)
(Dollars in millions, except per share amounts)						
<b>REVENUES</b>						
Service revenues .....	\$ 4,682.7	\$ 8,445.0	\$ 1,325.0	\$ (65.1) (b)	-	\$14,387.6
Net sales from electronic retailing .....	3,535.9	-	-	-	-	3,535.9
	<u>8,218.6</u>	<u>8,445.0</u>	<u>1,325.0</u>	<u>(65.1)</u>	<u>-</u>	<u>17,923.5</u>
<b>COSTS AND EXPENSES</b>						
Operating .....	2,212.5	4,600.0	554.0	(21.5) (b)	-	7,345.0
Cost of goods sold from electronic retailing .....	2,284.9	-	-	-	-	2,284.9
Selling, general and administrative .....	1,250.9	2,180.0	342.0	(21.6) (b)	-	3,751.3
Depreciation .....	837.3	1,674.0	435.0	-	-	2,946.3
Amortization .....	1,794.0	2,377.0	271.0	-	(2,435.8) (f)	2,006.2
Asset impairment, restructuring and other charges .....	-	6,270.0	-	-	-	6,270.0
	<u>8,379.6</u>	<u>17,101.0</u>	<u>1,602.0</u>	<u>(43.1)</u>	<u>(2,435.8)</u>	<u>24,603.7</u>
<b>OPERATING LOSS</b> .....	(161.0)	(8,656.0)	(277.0)	(22.0)	2,435.8	(6,680.2)
<b>OTHER INCOME (EXPENSE)</b>						
Interest expense .....	(691.4)	(1,323.0)	(312.0)	-	103.7 (g) 25.4 (h)	(2,197.3)
Investment income (expense) .....	983.9	(84.0)	-	(37.4) (b)	-	862.5
Income related to indexed debt .....	666.0	-	-	-	-	666.0
Equity in net income (losses) of affiliates .....	(21.3)	-	-	(67.0) (b)	(967.0) (i)	(570.3)
Other income (expense) .....	2,825.5	45.0	3,341.0	(2,756.0) (c)	485.0 (f)	3,455.5
	<u>3,762.7</u>	<u>(1,362.0)</u>	<u>3,029.0</u>	<u>(2,860.4)</u>	<u>(352.9)</u>	<u>2,216.4</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST, EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b> .....	3,601.7	(10,018.0)	2,752.0	(2,882.4)	2,082.9	(4,463.8)
<b>INCOME TAX (EXPENSE) BENEFIT</b> ...	(1,441.3)	1,183.0	(1,189.0)	1,181.0 (d)	370.0 (i) (721.1) (j)	(617.4)
<b>INCOME (LOSS) BEFORE MINORITY INTEREST, EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b> .....	2,160.4	(8,835.0)	1,563.0	(1,701.4)	1,731.8	(5,081.2)
Net loss from equity investments .....	-	(597.0)	-	-	597.0 (i)	-
<b>MINORITY INTEREST INCOME (EXPENSE)</b> .....	(115.3)	4,062.0	-	(106.0) (b)	160.0 (k)	4,000.7
<b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b> .....	2,045.1	(5,370.0)	1,563.0	(1,807.4)	2,488.8	(1,080.5)
<b>PREFERRED DIVIDENDS</b> .....	(23.5)	-	-	-	-	(23.5)
<b>INCOME (LOSS) FOR COMMON STOCKHOLDERS BEFORE EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b> .....	<u>\$ 2,021.6</u>	<u>\$ (5,370.0)</u>	<u>\$ 1,563.0</u>	<u>\$ (1,807.4)</u>	<u>\$ 2,488.8</u>	<u>\$ (1,104.0)</u>
Earnings (loss) per share from continuing operations before extraordinary items — basic .....	\$ 2.27	-	-	-	-	\$ (0.50)
Earnings (loss) per share from operations before extraordinary items — assuming dilution .....	\$ 2.16	-	-	-	-	\$ (0.50)
Weighted average number of common shares outstanding — basic .....	890.7	-	-	-	1,298.7 (l)	2,189.4
Weighted average number of common shares outstanding — assuming dilution .....	948.7	-	-	-	1,302.7 (l)	2,251.4

See Notes to Unaudited Pro Forma Combined Condensed Statement of Operations

**AT&T COMCAST CORPORATION**  
**UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS**  
For the nine months ended September 30, 2001

	<u>Historical Comcast (a)</u>	<u>Historical AT&amp;T Broadband (a)</u>	<u>Intercompany Adjustments</u>	<u>Pro Forma Adjustments (e)</u>	<u>Pro Forma AT&amp;T Comcast (m)</u>
	(Dollars in millions, except per share amounts)				
<b>REVENUES</b>					
Service revenues .....	\$4,195.0	\$ 7,756.0	\$ (96.7) (b)	\$	\$11,854.3
Net sales from electronic retailing .....	<u>2,655.1</u>	<u>2,655.1</u>	<u>          </u>	<u>          </u>	<u>2,655.1</u>
	<u>6,850.1</u>	<u>7,756.0</u>	<u>(96.7)</u>	<u>          </u>	<u>14,509.4</u>
<b>COSTS AND EXPENSES</b>					
Operating .....	1,991.6	4,245.0	(56.2) (b)		6,180.4
Cost of goods sold from electronic retailing .....	1,685.6	1,685.6			1,685.6
Selling, general and administrative .....	1,125.8	1,951.0	(17.0) (b)		3,059.8
Depreciation .....	760.4	1,952.0			2,712.4
Amortization .....	1,698.7	1,681.0		(1,462.4) (f)	1,917.3
Asset impairment, restructuring and other charges	<u>          </u>	<u>1,494.0</u>	<u>          </u>	<u>          </u>	<u>1,494.0</u>
	<u>7,262.1</u>	<u>11,323.0</u>	<u>(73.2)</u>	<u>(1,462.4)</u>	<u>17,049.5</u>
<b>OPERATING LOSS</b> .....	(412.0)	(3,567.0)	(23.5)	1,462.4	(2,540.1)
<b>OTHER INCOME (EXPENSE)</b>					
				217.3 (g)	
Interest expense .....	(549.2)	(1,347.0)		19.1 (h)	(1,659.8)
Investment income (expense) .....	1,045.7	(1,245.0)	(18.7) (b)		(218.0)
				(43.0) (i)	
Equity in net income (losses) of affiliates .....	(26.1)			120.0 (f)	50.9
Other income (expense) .....	<u>1,180.9</u>	<u>(911.0)</u>	<u>          </u>	<u>          </u>	<u>269.9</u>
	<u>1,651.3</u>	<u>(3,503.0)</u>	<u>(18.7)</u>	<u>313.4</u>	<u>(1,557.0)</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST, EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b> .....	1,239.3	(7,070.0)	(42.2)	1,775.8 (494.8) (j)	(4,097.1)
<b>INCOME TAX (EXPENSE) BENEFIT</b> .....	<u>(602.9)</u>	<u>3,214.0</u>	<u>(750.2) (d)</u>	<u>6.0 (i)</u>	<u>1,372.1</u>
<b>INCOME (LOSS) BEFORE MINORITY INTEREST, EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b> .....	636.4	(3,856.0)	(792.4)	1,287	(2,725.0)
Net loss in equity investments .....		(37.0)		37.0 (i)	
<b>MINORITY INTEREST (EXPENSE) INCOME</b>	<u>(89.8)</u>	<u>905.0</u>	<u>(24.0) (b)</u>	<u>120.0 (k)</u>	<u>911.2</u>
<b>INCOME (LOSS) FOR COMMON STOCKHOLDERS BEFORE EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b> .....	<u>\$ 546.6</u>	<u>\$(2,988.0)</u>	<u>\$(816.4)</u>	<u>\$ 1,444.0</u>	<u>\$(1,813.8)</u>
Earnings (loss) per share from continuing operations before extraordinary items and cumulative effect of accounting change — basic .....	\$ 0.58				\$ (0.81)
Earnings (loss) per share from continuing operations before extraordinary items and cumulative effect of accounting change — assuming dilution .....	\$ 0.56				\$ (0.81)
Weighted average number of common shares outstanding — basic .....	949.3			1,298.7 (l)	2,248.0
Weighted average number of common shares outstanding — assuming dilution .....	964.7			1,302.7 (l)	2,267.4

See Notes to Unaudited Pro Forma Combined Condensed Statement of Operations

**AT&T COMCAST CORPORATION**  
**NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED**  
**STATEMENTS OF OPERATIONS**  
(Dollars in millions, except per share amounts)

- (a) These columns reflect the historical statements of operations of the respective companies. Certain reclassifications have been made to the consolidated historical financial statements of Comcast and the combined historical financial statements of AT&T Broadband Group to conform to the presentation expected to be used by AT&T Comcast.
- (b) Adjustment reflects the elimination of historical intercompany transactions between Comcast and AT&T Broadband Group as follows: amounts charged by Comcast to AT&T Broadband Group for programming, the gains and losses resulting from the sales of certain cable systems by AT&T Broadband Group to Comcast, the gains recorded by AT&T Broadband Group resulting from the fair value exchange of certain cable systems with Comcast and Excite@Home transactions.
- (c) Adjustment represents the gains recorded by Comcast resulting from intercompany transactions with AT&T Broadband Group for the year ended December 31, 2000.
- |  |                  |
|--|------------------|
| Gain on systems exchanged .....            | \$1,711.0        |
| Gain on receipt of Excite@Home right ..... | <u>1,045.0</u>   |
| Total .....                                | <u>\$2,756.0</u> |
- (d) Represents the aggregate pro forma income tax effect of Notes (b) and (c) above at the combined federal and state statutory rate.
- (e) AT&T Broadband Group has certain intercompany agreements with AT&T Corp. which will be terminated as of the date of the AT&T Comcast transaction. The costs of replacing these services is uncertain. However, the impact of the termination of these arrangements is not expected to be material.
- (f) Represents the elimination of AT&T Broadband Group's and MediaOne Group's historical goodwill and cable franchise operating rights amortization expense for consolidated subsidiaries and equity method investments. Under the accounting rules set forth in SFAS 142 issued by the Financial Accounting Standards Board in June 2001, goodwill and intangibles with indefinite lives are not amortized against earnings other than in connection with an impairment.
- (g) Represents the net effect on interest expense resulting from the financings described in Note (c) to the Unaudited Pro Forma Combined Condensed Balance Sheet. Pro forma interest expense was calculated based on the interest rates of the historical debt outstanding plus the interest rates of the planned credit facilities. The pro forma financial information assumes the financings occurred on January 1, 2000. Amortization of deferred financing costs was calculated based on the expected amounts and terms of the new facilities. Short-term rates are assumed to be 4% and long-term rates are assumed to be 7%. Assuming interest rates changed by 0.125%, the related interest expense and pre-tax impact on earnings would be \$9.7 for the year ended December 31, 2000 and \$7.3 for the nine months ended September 30, 2001.
- (h) Represents the decrease in interest expense as a result of the adjustment of AT&T Broadband Group's long-term debt to its fair value as described in Note (c) to the Unaudited Pro Forma Combined Condensed Balance Sheet. The difference between the fair value and the face amount of each borrowing is amortized as a reduction to interest expense over the remaining term of the borrowing.
- (i) Represents the reclassification of losses in equity investments to conform with the presentation currently used by Comcast.
- (j) Represents the aggregate pro forma income tax effect of Notes (f) through (h) above at the combined federal and state statutory rate.

- (k) Represents the elimination of historical dividends on QUIPS exchanged for AT&T Broadband Group common stock.
- (l) For basic earnings per share, this adjustment represents the issuance of AT&T Comcast shares to AT&T shareholders and Microsoft Corporation offset by shares of Comcast owned by AT&T Broadband Group which are classified as treasury shares (see Note (d) to the Unaudited Pro Forma Combined Condensed Balance Sheet). In addition, earnings per share assuming dilution has been adjusted to include the dilutive effects of AT&T Comcast stock options issued in exchange for the AT&T Broadband Group stock options.
- (m) The pro forma combined condensed financial statements reflect a preliminary allocation to tangible assets, liabilities, goodwill and other intangible assets. The final purchase price allocation may result in different allocations for tangible and intangible assets than that presented in these pro forma combined condensed financial statements. The following table shows the absolute dollar effect on pro forma net income (loss) applicable to common stockholders and net income (loss) per share assuming dilution for every \$500 of purchase price allocated to amortizable assets or certain liabilities over assumed weighted average useful lives. An increase in the purchase amount allocated to amortizable assets or a decrease in the amount allocated to certain liabilities will result in a decrease to net income. A decrease in the amount allocated to amortizable assets or an increase in the amount allocated to certain liabilities will result in an increase to net income.

<u>Weighted Average Life</u>	<u>Year Ended December 31, 2000</u>	<u>Nine Months Ended September 30, 2001</u>
Five years		
Net income .....	\$61.5	\$46.1
Per share .....	\$0.03	\$0.02
Ten years		
Net income .....	\$30.8	\$23.1
Per share .....	\$0.01	\$0.01
Twenty years		
Net income .....	\$15.4	\$11.5
Per share .....	\$0.01	\$0.01