AT&T COMCAST CORP
Form S-4/A
May 14, 2002

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 14, 2002

REGISTRATION NO. 333-82460

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO
FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

AT&T COMCAST CORPORATION
(Exact name of registrant as specified in its charter)

PENNSYLVANIA	4841	27-0000798
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1500 MARKET STREET
PHILADELPHIA, PENNSYLVANIA 19102
TEL: (215) 665-1700
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

ARTHUR R. BLOCK, ESQ.
SENIOR VICE PRESIDENT,
ASSISTANT SECRETARY AND ASSISTANT TREASURER
AT&T COMCAST CORPORATION
1500 MARKET STREET
PHILADELPHIA, PENNSYLVANIA 19102
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FAX: (212) 403-2000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: as soon as practicable after this registration statement is declared effective and all conditions to the proposed transaction have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

[COMCAST LOGO] [AT&

A MERGER PROPOSAL -- YOUR VOTE IS VERY IMPORTANT

Comcast and AT&T have agreed to combine Comcast and AT&T's broadband business. As a result, AT&T shareholders will have shares of both AT&T and the new corporation -- AT&T Comcast. We are proposing the transaction because we believe the combination of Comcast and AT&T Broadband will create the world's premier broadband communications company. The new corporation will be named AT&T Comcast Corporation and will be headquartered in Philadelphia.

When the transaction is completed,

- Comcast shareholders will receive one share of a corresponding class of AT&T Comcast common stock in exchange for each Comcast share they own; and

- AT&T shareholders will receive a number of shares of AT&T Comcast common stock determined pursuant to a formula described in this joint proxy statement/prospectus for each AT&T share they own. If the AT&T exchange ratio were determined as of the date of this joint proxy statement/prospectus, each AT&T shareholder would receive approximately 0.35 of a share of AT&T Comcast common stock for each of their AT&T shares, although the actual exchange ratio may differ. AT&T shareholders will also continue to hold their shares of AT&T common stock.

THE BOARDS OF DIRECTORS OF BOTH COMCAST AND AT&T HAVE UNANIMOUSLY APPROVED THE TRANSACTION AND RECOMMEND THAT THEIR RESPECTIVE SHAREHOLDERS VOTE FOR THE PROPOSAL TO APPROVE AND ADOPT THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT. THE BOARDS OF DIRECTORS OF BOTH COMCAST AND AT&T ALSO RECOMMEND THAT THEIR RESPECTIVE SHAREHOLDERS APPROVE THE AT&T COMCAST CHARTER PROPOSAL, INCLUDING THE CORPORATE GOVERNANCE PROVISIONS OF THE AT&T COMCAST CHARTER DESCRIBED IN THIS JOINT PROXY STATEMENT/PROSPECTUS. APPROVAL OF THE AT&T COMCAST CHARTER PROPOSAL IS A CONDITION TO COMPLETION OF THE AT&T COMCAST TRANSACTION. SURAL LLC HAS AGREED TO VOTE IN FAVOR OF THE TRANSACTION AND AT&T COMCAST CHARTER PROPOSALS, THEREBY ASSURING APPROVAL OF THE TRANSACTION AND AT&T COMCAST CHARTER PROPOSALS BY THE COMCAST SHAREHOLDERS.

In addition to the transaction and AT&T Comcast charter proposals, holders of Comcast common stock are also being asked to consider a proposal that is referred to in this joint proxy statement/prospectus as the preferred structure proposal. The outcome of the vote on this proposal will determine which of the two alternative capital structures described in this joint proxy statement/prospectus is implemented upon completion of the transaction.

THE COMCAST BOARD OF DIRECTORS RECOMMENDS THAT THE COMCAST SHAREHOLDERS VOTE FOR THE PREFERRED STRUCTURE PROPOSAL.

In addition to the transaction and AT&T Comcast charter proposals, the election of directors and other matters to be considered at the AT&T annual meeting, AT&T shareholders are also being asked to consider a proposal to create a tracking stock that is intended to reflect the financial performance and economic value of the AT&T Consumer Services business and related benefit plan proposals and to consider a reverse stock split of AT&T common stock.

THE AT&T BOARD OF DIRECTORS RECOMMENDS THAT THE AT&T SHAREHOLDERS VOTE FOR THE PROPOSAL TO CREATE AN AT&T CONSUMER SERVICES GROUP TRACKING STOCK.

Information about all the proposals is contained in this joint proxy statement/prospectus. We urge you to read this joint proxy statement/prospectus, including the section describing risk factors that begins on page I-30.

/s/ BRIAN L. ROBERTS
Brian L. Roberts
President
Comcast Corporation

/s/ MICHAEL ARMSTRONG
C. Michael Armstrong
Chairman and Chief Executive Officer
AT&T Corp.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE TRANSACTION OR DETERMINED IF THIS JOINT PROXY STATEMENT/PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This joint proxy statement/prospectus is dated May 14, 2002, and is first being mailed to shareholders of Comcast and AT&T on or about May 14, 2002.

COMCAST CORPORATION
1500 MARKET STREET
PHILADELPHIA, PENNSYLVANIA 19102-2148

NOTICE OF SPECIAL MEETING OF COMCAST SHAREHOLDERS

TO BE HELD ON JULY 10, 2002

A special meeting of shareholders of Comcast Corporation will be held on Wednesday, July 10, 2002 at 10:00 a.m. local time at The Doubletree Hotel Philadelphia, Broad and Locust Streets, Philadelphia, Pennsylvania, for the following purposes:

- to approve and adopt the merger agreement among Comcast Corporation, AT&T Corp. and the other parties thereto, whereby our company and a newly formed corporation containing AT&T's broadband business will each merge with separate wholly owned subsidiaries of a newly formed corporation called AT&T Comcast Corporation, and the transactions contemplated by the merger agreement,

- to approve the AT&T Comcast charter, including the corporate governance provisions of the AT&T Comcast charter described in this joint proxy statement/prospectus,

- to approve and adopt an amendment to our articles of incorporation to permit the above-described transaction to be completed on the terms and conditions described as the "preferred structure" in the accompanying joint proxy statement/prospectus, and

- to transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

We describe these items of business more fully in the accompanying joint proxy statement/prospectus. We will also be holding our annual meeting of shareholders of Comcast Corporation at 9:00 a.m. local time on the same day at the same location as the special meeting. A separate proxy statement for the annual meeting describing the matters to be acted upon at that meeting will be forwarded to our shareholders.

The close of business on Thursday, April 25, 2002 has been fixed as the record date for the special meeting. All shareholders of record at that time are entitled to notice of, and all holders of our Class A common stock and Class B common stock are entitled to vote at, the special meeting and any adjournment or postponement thereof.

Because holders of our Class A Special common stock are not generally entitled to vote and no resolution is proposed for the special meeting for which a vote of the Class A Special common stock is required by law, holders of Class A Special common stock are not entitled to vote at the special meeting. The enclosed joint proxy statement/prospectus is being sent to holders of Class A

Special common stock for informational purposes and as required by law.

ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE SPECIAL MEETING. OUR BOARD OF DIRECTORS URGES YOU TO VOTE BY TELEPHONE OR VIA THE INTERNET, OR TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY WITH RESPECT TO YOUR SHARES OF CLASS A COMMON STOCK AND MAIL IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON. YOU CAN WITHDRAW YOUR PROXY, OR CHANGE YOUR VOTE AT ANY TIME BEFORE IT IS VOTED. YOU CAN DO THIS BY EXECUTING A LATER-DATED PROXY, BY VOTING BY BALLOT AT THE SPECIAL MEETING, BY TELEPHONE OR VIA THE INTERNET, OR BY FILING AN INSTRUMENT OF REVOCATION WITH THE INSPECTORS OF ELECTION IN CARE OF OUR SECRETARY AT THE ABOVE ADDRESS.

IMPORTANT NOTICE: ALL SPECIAL MEETING ATTENDEES MAY BE ASKED TO PRESENT A VALID GOVERNMENT-ISSUED PHOTO IDENTIFICATION (FEDERAL, STATE OR LOCAL), SUCH AS A DRIVER'S LICENSE OR PASSPORT, BEFORE ENTERING THE SPECIAL MEETING. IN ADDITION, VIDEO AND AUDIO RECORDING DEVICES AND OTHER ELECTRONIC DEVICES WILL NOT BE PERMITTED AT THE SPECIAL MEETING, AND ATTENDEES WILL BE SUBJECT TO SECURITY INSPECTIONS.

STANLEY WANG
Secretary

May 14, 2002

AT&T CORP.
295 NORTH MAPLE AVENUE
BASKING RIDGE, NJ 07920-1002

NOTICE OF ANNUAL MEETING OF AT&T SHAREHOLDERS

TO BE HELD ON JULY 10, 2002

The 117th annual meeting of shareholders of AT&T Corp. will be held at 9:30 a.m., local time, on Wednesday, July 10, 2002, at the Charleston Area Convention Center Complex, 5001 Coliseum Drive, N. Charleston, South Carolina 29418, for the following purposes:

- to elect directors for the ensuing year;

- to ratify the appointment of auditors to examine AT&T's accounts for the year 2002;

- to approve and adopt the merger agreement by and among AT&T Corp., AT&T Broadband Corp., Comcast Corporation, and the other parties thereto, whereby AT&T Broadband, a newly formed company that will contain our broadband businesses, will be spun off and combined with Comcast in a new Pennsylvania corporation called "AT&T Comcast Corporation," and the transactions contemplated by the merger agreement, including the AT&T Broadband spin-off;

- to approve the AT&T Comcast charter, including the corporate governance provisions of the AT&T Comcast charter described in the joint proxy statement/prospectus;

- to approve and adopt an amendment to AT&T's charter to authorize the creation of AT&T Consumer Services Group tracking stock;

- to approve a new incentive plan to enable AT&T to grant incentive awards based on shares of AT&T Consumer Services Group tracking stock to officers and employees of AT&T and its subsidiaries;

- to approve an amendment to AT&T's employee stock purchase plan to permit the issuance of AT&T Consumer Services Group tracking stock under the plan;

- to approve an amendment to AT&T's charter to effect a one-for-five reverse stock split of AT&T common stock at the discretion of our board of directors; and

- to act upon such other matters, including the shareholder proposals set forth in Chapter XIV of the joint proxy statement/prospectus, as may properly come before the AT&T annual meeting or any adjournment or postponement thereof.

We describe these items of business more fully in the joint proxy statement/prospectus.

Only holders of record of AT&T common stock at the close of business on May 14, 2002 are entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof.

BY ORDER OF THE BOARD OF DIRECTORS

MARILYN J. WASSER
Vice President -- Law and Secretary

Basking Ridge, NJ

May 14, 2002

If you attend the meeting you may be asked to present valid government-issued identification, such as a driver's license or passport, before being admitted. Cameras, recording devices, and other electronic devices will not be permitted, and attendees will be subject to security inspections.

WE URGE YOU TO VOTE BY TELEPHONE OR VIA THE INTERNET, OR TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON. YOU CAN WITHDRAW YOUR PROXY, OR CHANGE YOUR VOTE AT ANY TIME BEFORE IT IS VOTED. YOU CAN DO THIS BY EXECUTING A LATER-DATED PROXY, BY VOTING BY BALLOT AT THE ANNUAL MEETING, BY TELEPHONE OR VIA THE INTERNET, OR BY FILING AN INSTRUMENT OF REVOCATION WITH THE INSPECTORS OF ELECTION IN CARE OF OUR VICE PRESIDENT -- LAW AND SECRETARY AT THE ABOVE ADDRESS.

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CHAPTER ONE
SUMMARY AND OVERVIEW OF THE TRANSACTIONS

QUESTIONS AND ANSWERS ABOUT THE TRANSACTIONS

Q: When and where will the meetings of shareholders take place?

A: The Comcast special meeting will take place on Wednesday, July 10, 2002 in Philadelphia, Pennsylvania. The AT&T annual meeting will take place on July 10, 2002 in Charleston, South Carolina. The address of your meeting is specified in the notice for your meeting.

Q: What proposals am I being asked to vote upon and what vote is required to approve each proposal?

A: If you are a Comcast shareholder, you are being asked to vote upon the following proposals:

- Approval and adoption of the merger agreement and the transactions contemplated by the merger agreement. The Comcast transaction proposal requires the affirmative vote of a majority of the votes cast by holders of shares of Comcast Class A common stock and Comcast Class B common stock, voting together as a single class. Approval of this proposal is assured because Sural LLC, which holds approximately 86.7% of the combined voting power of the Comcast stock, has agreed to vote its shares in favor of the Comcast transaction proposal. Any shares of Comcast Class A common stock not voted, whether by abstention, broker non-vote or otherwise, have no impact on the vote.

- Approval of the AT&T Comcast charter. The AT&T Comcast charter proposal requires the affirmative vote of a majority of the votes cast by holders of shares of Comcast Class A common stock and Comcast Class B common stock, voting together as a single class. Approval of this proposal is assured because Sural LLC has agreed to vote its shares in favor of it. Any shares of Comcast Class A common stock not voted, whether by abstention, broker non-vote or otherwise, have no impact on the vote.

- Approval and adoption of an amendment to the Comcast charter to allow the implementation of the Preferred Structure. The preferred structure proposal requires the affirmative vote of a majority of the votes cast by (1) holders of shares of Comcast Class A common stock, voting as a single class, and (2) holders of shares of Comcast Class A common stock and Comcast Class B common stock, voting together as a single class. Sural LLC has agreed to vote its shares in favor of the preferred structure proposal, thereby assuring approval by holders of Comcast Class A common stock and Comcast Class B common stock, voting together as a single class. Any shares of Comcast Class A common stock not voted, whether by abstention, broker non-vote or otherwise, have no impact on the vote.

APPROVAL OF THE AT&T COMCAST CHARTER PROPOSAL, INCLUDING THE CORPORATE GOVERNANCE PROVISIONS CONTAINED IN THE AT&T COMCAST CHARTER, IS A CONDITION TO COMPLETION OF THE AT&T COMCAST TRANSACTION. THEREFORE, IF COMCAST SHAREHOLDERS WISH TO APPROVE THE AT&T COMCAST TRANSACTION, THEY MUST ALSO APPROVE THE AT&T COMCAST CHARTER PROPOSAL.

APPROVAL OF THE COMCAST TRANSACTION PROPOSAL AND THE AT&T COMCAST CHARTER PROPOSAL IS NOT CONDITIONED ON APPROVAL OF THE PREFERRED STRUCTURE PROPOSAL.

If you are an AT&T shareholder, you are being asked to vote upon the following proposals:

- Approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the AT&T Broadband spin-off. The AT&T transaction proposal requires the affirmative vote of a majority of outstanding shares of AT&T common stock. Any shares of AT&T common stock not voted, whether by abstention, broker non-vote or otherwise, have the effect of a vote against the AT&T transaction proposal.

- Approval of the AT&T Comcast charter. The AT&T Comcast charter proposal requires the affirmative vote of a majority of the votes cast by holders of shares of AT&T common stock. Any shares of AT&T common stock not voted, whether by abstention, broker non-vote or otherwise, have no impact on the vote. Approval of the AT&T Comcast charter proposal, including the corporate governance provisions contained in the AT&T Comcast charter, is a condition to completion of the AT&T Comcast transaction. THEREFORE, IF AT&T SHAREHOLDERS WISH TO APPROVE THE AT&T COMCAST TRANSACTION, THEY MUST ALSO APPROVE THE AT&T COMCAST CHARTER PROPOSAL.

- Approval and adoption of an amendment to AT&T's charter to authorize the creation of AT&T Consumer Services Group tracking stock. The Consumer Services charter amendment proposal requires the affirmative vote of a majority of outstanding shares of AT&T common stock. Any shares of AT&T

common stock not voted, whether by abstention, broker non-vote or otherwise, have the effect of a vote against the Consumer Services charter amendment proposal.

- Approval and adoption of an amendment to AT&T's charter to authorize a reverse stock split on AT&T common stock. The reverse stock split proposal requires the affirmative vote of a majority of outstanding shares of AT&T common stock. Any shares of AT&T common stock not voted, whether by abstention or otherwise, have the effect of a vote against the reverse stock split proposal.

- Approval of other matters related to the creation of AT&T Consumer Services Group tracking stock and various annual meeting matters, in each case as described more fully in this document.

APPROVAL OF THE AT&T COMCAST CHARTER PROPOSAL, INCLUDING THE CORPORATE GOVERNANCE PROVISIONS CONTAINED IN THE AT&T COMCAST CHARTER, IS A CONDITION TO COMPLETION OF THE AT&T COMCAST TRANSACTION. THEREFORE, IF AT&T SHAREHOLDERS WISH TO APPROVE THE AT&T COMCAST TRANSACTION, THEY MUST ALSO APPROVE THE AT&T COMCAST CHARTER PROPOSAL.

APPROVAL OF THE AT&T TRANSACTION PROPOSAL AND THE AT&T COMCAST CHARTER PROPOSAL IS NOT CONDITIONED ON APPROVAL OF ANY OF THE OTHER AT&T PROPOSALS. APPROVAL OF THE OTHER AT&T PROPOSALS IS NOT CONDITIONED ON APPROVAL OF THE AT&T TRANSACTION PROPOSAL OR THE AT&T COMCAST CHARTER PROPOSAL.

Q: What if I return my proxy but do not mark it to show how I am voting?

A: If you sign and return your proxy card without marking a box with respect to one or more of your proposals, the shares will be voted with respect to such proposal or proposals as recommended by your board of directors.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this document, please respond by completing, signing and dating your proxy card or voting instructions and returning it in the enclosed postage-paid envelope or, if available, by submitting your proxy or voting instructions by telephone or through the Internet as soon as possible so that your shares may be represented at your meeting.

Registered shareholders and most beneficial holders that hold shares through a bank or broker may vote by telephone or via the Internet. If one of these options is available to you, we strongly encourage you to use it because it is faster and less costly.

Registered shareholders of Comcast can vote by telephone by calling 1-877-779-8683 or via the Internet at http://www.eproxyvote.com/cmcsa1.

Registered shareholders of AT&T can vote by telephone by calling 1-800-273-1174 or via the Internet at http://att.proxyvoting.com.

If you are a beneficial holder of Comcast common stock or AT&T common stock and you hold shares through a bank or broker, you will receive separate voting instructions on the form you receive from the bank or broker.

Q: What percentage of AT&T Comcast's economic interest and voting power will AT&T shareholders hold upon completion of the AT&T Comcast transaction?

A: AT&T shareholders will own approximately 54.8% of AT&T Comcast's economic interest upon completion of the AT&T Comcast transaction. If the preferred capital structure is implemented, AT&T shareholders will own approximately 60.6% of AT&T Comcast's voting power upon completion of the AT&T Comcast transaction. If the alternative capital structure is implemented, AT&T shareholders will own approximately 56.6% of AT&T Comcast's voting power upon completion of the AT&T Comcast transaction.

Q: What percentage of AT&T Comcast's economic interest and voting power will Comcast shareholders hold upon completion of the AT&T Comcast transaction?

A: Comcast Class A shareholders, Comcast Class B shareholders and Comcast Class A Special shareholders, who presently own approximately 2.3%, 1.0% and 96.7%, respectively, of Comcast's economic interest, will own approximately 1.0%, 0.4% and 38.6%, respectively, of AT&T Comcast's economic interest upon completion of the AT&T Comcast transaction.

If the preferred capital structure is implemented, Comcast Class A shareholders, who presently own approximately 13.4% of Comcast's voting power, will own approximately 1.1% of AT&T Comcast's voting power upon completion of the AT&T Comcast transaction. If the alternative capital structure is implemented, Comcast Class A shareholders will own approximately 5.14% of AT&T Comcast's voting power upon completion of the AT&T Comcast transaction.

Under either of these capital structures, Comcast Class B shareholders, who presently own approximately 86.6% of Comcast's voting power, will own 33 1/3% of AT&T Comcast's voting power upon completion of the AT&T Comcast transaction.

Under either of the capital structures, Comcast Class A Special shareholders, who presently have no voting rights, will own AT&T Comcast Class A Special stock, which also will have no voting rights.

The percentages described in this answer and the preceding answer assume that the transaction with Microsoft Corporation described in this document is completed and that AT&T Comcast is not required to make any of the potential additional payments of AT&T Comcast common stock described in this document. If the Microsoft transaction is not completed, Comcast Class A shareholders, Comcast Class B shareholders, Comcast Class A Special shareholders and AT&T shareholders will own approximately 1%, 0.4%, 40.6% and 57.7%, respectively, of AT&T Comcast's economic interest upon completion of the AT&T Comcast transaction. In addition, if the Microsoft transaction is not completed, AT&T Comcast Class A shareholders, under the preferred capital structure, or AT&T Comcast Class C shareholders, under the alternative capital structure, will own an additional 4.95% of AT&T Comcast's voting power upon completion of the AT&T Comcast transaction.

Q: Who will hold the remaining percentage of AT&T Comcast's economic interest and voting power upon completion of the AT&T Comcast transaction?

A: If the transaction with Microsoft Corporation described in this document is completed, Microsoft will hold AT&T Comcast's remaining approximately 5.3% economic interest and 4.95% voting power upon completion of the AT&T Comcast transaction.

Q: If I am a holder of Comcast Class A Special common stock, do I have the right to vote on the AT&T Comcast transaction?

A: No. Except as required by applicable law, holders of Comcast Class A Special common stock do not have any voting rights. As required by applicable law, Comcast has forwarded this document to you to notify you of the AT&T Comcast transaction.

Q: Can I change my vote after I have delivered my proxy?

A: Yes. You can change your vote at any time before your proxy is voted at your meeting. You can do this in one of three ways.

- First, you can revoke your proxy.

- Second, you can submit a new proxy with a later date.

- Third, you can attend your meeting and vote in person.

If you choose either of the methods set forth in the first two bullet points above, you must submit your notice of revocation or your new proxy to the secretary of Comcast or AT&T, as appropriate, before your meeting. If your shares are held in an account at a brokerage firm or bank, you should contact your brokerage firm or bank to change your vote.

You may change your vote by submitting a new vote by telephone or via the Internet regardless of whether you submitted your earlier proxy by mail, telephone or via the Internet.

Q: If my shares are held in an account in a brokerage firm or bank, will my broker vote my shares for me?

A: If you are a Comcast shareholder and you do not provide your broker with instructions on how to vote your shares, your broker will not be permitted to vote them with respect to any of the Comcast proposals. You should therefore be sure to provide your broker with instructions on how to vote your shares.

If you are an AT&T shareholder and you do not provide your broker with instructions on how to vote your shares, your broker will not be permitted to vote them with respect to the AT&T transaction proposal, the AT&T Comcast charter proposal, the Consumer Services charter amendment proposal, the incentive plan proposal or the employee stock purchase plan proposal but will be permitted to vote them with respect to the reverse stock split proposal, the election of directors, the ratification of auditors and each of the shareholder proposals.

If you are an AT&T shareholder and you do not give voting instructions to your broker, you will, in effect, be voting against the AT&T transaction proposal and the Consumer Services charter amendment proposal.

PLEASE CHECK THE VOTING FORM USED BY YOUR BROKER TO SEE IF IT OFFERS TELEPHONE OR INTERNET VOTING.

Q: Will I receive dividends on my AT&T Comcast shares?

A: AT&T Comcast does not currently intend to pay dividends on its common stock.

Q: Should I send in my stock certificates now?

A: No. If you are a Comcast shareholder and you currently hold your Comcast shares in certificated form, after the AT&T Comcast transaction is completed you will receive written instructions from the exchange agent on how to exchange your Comcast stock certificates for your AT&T Comcast shares.

If you are a Comcast shareholder and you currently hold your shares in uncertificated form, after the AT&T Comcast transaction is completed your AT&T Comcast shares will be delivered to you without your having to take any action.

If you are an AT&T shareholder, after the AT&T Comcast transaction is completed you will not need to exchange any stock certificates in order to receive your AT&T Comcast shares.

PLEASE DO NOT SEND IN YOUR STOCK CERTIFICATES WITH YOUR PROXY.

Q: When do you expect to complete the AT&T Comcast transaction?

A: We expect to complete the AT&T Comcast transaction by the end of 2002.

Q: Who can help answer my questions?

A: If you have any questions about the AT&T Comcast transaction or how to submit your proxy, or if you need additional copies of this

document, the enclosed proxy card or voting instructions, you should contact:

- if you are a Comcast shareholder:

  D.F. King & Co., Inc.

  77 Water Street

  New York, NY 10005

  Shareholders: 1-866-880-6503

Innisfree M&A Incorporated

501 Madison Avenue

20th Floor

New York, NY 10022

Shareholders: 1-877-750-9499

Banks and Brokers: 1-212-750-5833

For additional copies of this document, you should contact D.F. King & Co., Inc. or Innisfree M&A Incorporated as described above or send email to comcastinfo@dfking.com or info@innisfreema.com.

- if you are an AT&T shareholder:

Georgeson Shareholder Communications
Attn: AT&T Inquiries
17 State Street, 10th Floor
New York, NY 10004

Telephone:1-866-777-9124 (shareholders)

1-212-440-9800 (bank and broker inquiries)

e-mail: attinfo@georgesonshareholder.com

QUESTIONS AND ANSWERS ABOUT
AT&T CONSUMER SERVICES GROUP TRACKING STOCK

Q: What is the purpose of AT&T Consumer Services Group tracking stock?

A: Approval and issuance of AT&T Consumer Services Group tracking stock will allow AT&T to offer two separate classes of stock of AT&T -- existing AT&T common stock plus a new tracking stock intended to track the performance of AT&T's Consumer Services business. Following the issuance of AT&T Consumer Services Group tracking stock, if the AT&T Comcast transaction is completed, AT&T common stock will effectively act as tracking stock for AT&T Business Services Group plus any retained portion of AT&T Consumer Services Group.

Q: What is a tracking stock and how does it work?

A: A tracking stock is a separate class or series of a company's common stock that is intended to reflect the financial performance and economic value of a group of assets or a specific business unit, division, subsidiary or equity investment of the company. You should note that:

- Holders of a tracking stock of AT&T are shareholders of AT&T and not of the underlying business or subsidiary. Thus, holders of AT&T Consumer Services Group tracking stock will have no direct interest in the assets, subsidiaries or businesses whose performance AT&T Consumer Services Group tracking stock is intended to reflect.

- AT&T intends the terms of its tracking stock to link the economic value of the tracking stock to the performance of the tracked business rather than to the performance of AT&T as a whole. However, there may not always be a linkage between the market value of the tracking stock and the financial performance and economic value of the tracked business.

- The market value of the tracking stock may be adversely affected not only by factors that adversely affect the tracked business, but also by factors that adversely affect AT&T generally.

Q: Will AT&T Consumer Services Group tracking stock be intended to reflect 100% of the value and performance of AT&T's Consumer Services business?

A: AT&T expects that, when it distributes AT&T Consumer Services Group tracking stock, it will distribute shares intended to reflect all of the financial performance and economic value of AT&T Consumer Services Group. However, if AT&T determines to distribute less than all these shares, AT&T would retain the remaining portion of the value and performance of AT&T Consumer Services Group. While AT&T intends that this retained portion would be reflected in AT&T common stock, there is no assurance that it will be. We refer to any portion that AT&T does not distribute as AT&T's "retained portion" of the value of AT&T Consumer Services Group.

Q: If I continue to hold all my shares of AT&T common stock, what will I receive as a result of all the transactions?

A: If you continue to hold your shares of AT&T common stock and shares of AT&T securities that you receive as dividends on your AT&T common stock, and if AT&T completes the AT&T Comcast transaction and the distribution of AT&T Consumer Services Group tracking stock, you will end up with shares of:

- Common stock of AT&T Corp. These will be your existing shares of AT&T common stock, which will primarily be intended to track the financial performance and economic value of AT&T Business Services Group plus any retained portion of the value of AT&T Consumer Services Group.

- AT&T Consumer Services Group tracking stock of AT&T Corp. You would receive shares of AT&T Consumer Services Group tracking stock as a dividend on your existing shares of AT&T common stock.

- Common stock of AT&T Comcast Corporation. In the AT&T Comcast

transaction, you will receive a number of shares of AT&T Comcast common stock based on the number of shares of AT&T common stock, NYSE symbol "T," that you own.

Q: Why is AT&T proposing a tracking stock rather than splitting off AT&T's Consumer Services business into a separate company?

A: AT&T is proposing a tracking stock to allow AT&T to offer a more specific, targeted class of stock for investors while at the same time maintaining the benefits of keeping both AT&T Business Services Group and AT&T Consumer Services Group together in a larger, integrated company.

Q: Will AT&T issue fractional shares of AT&T Consumer Services Group tracking stock?

A: No. AT&T expects that it will issue cash in lieu of any fractional shares of AT&T Consumer Services Group tracking stock, including with respect to shares held in AT&T's Dividend Reinvestment Plan.

Q: Is approval or completion of any AT&T proposal a condition to the Consumer Services charter amendment proposal?

A: No. However, AT&T will not implement the Incentive Plan proposal or the Employee Stock Purchase Plan proposal if AT&T Consumer Services Group tracking stock is not issued.

Q: When does AT&T expect to distribute the AT&T Consumer Services Group tracking stock?

A: If the AT&T Consumer Services Group tracking stock proposal is approved, AT&T plans to distribute these shares as a dividend to holders of AT&T common stock at such time as AT&T determines that there is sufficient market receptivity and support for such a distribution. AT&T has not yet determined the timing of the distribution, which may be made within a year of shareholder approval or may be made thereafter, depending on market conditions.

Q: If AT&T shareholders approve all the AT&T proposals, will AT&T definitely implement them all?

A: No. There are a number of conditions to the AT&T Comcast transaction other than AT&T shareholder approvals, including regulatory approvals. Similarly, there are a number of factors that could cause the AT&T Board to decide not to proceed with the distribution of AT&T Consumer Services Group tracking stock as well, such as future market conditions and receptivity, financial performance or superior alternatives that may arise. Other events or circumstances, including litigation, could occur that affect the timing or terms of the proposed transactions or AT&T's ability to complete the proposed transactions.

The Consumer Services charter amendment proposal gives the AT&T Board the authority to amend AT&T's charter to create AT&T Consumer Services Group tracking stock. The proposed Consumer Services charter amendment, however, does not mandate that the AT&T Board use this power or specify the manner in which AT&T may issue AT&T Consumer Services Group tracking stock. Rather, AT&T Consumer Services Group tracking stock will be a new class of AT&T common stock that the AT&T Board may issue from time to time as it determines appropriate, up to the total number of authorized shares and subject to stock exchange rules with respect to shareholder approval of share issuances.

AT&T does not plan to seek new shareholder approval for any change that the AT&T Board may approve in the timing or manner of issuing AT&T Consumer Services Group tracking stock.

SUMMARY

This summary highlights selected information from this document and may not contain all of the information that is important to you. To better understand the AT&T Comcast transaction, you should read this entire document carefully, as well as those additional documents to which we refer you. See "Additional Information for Shareholders -- Where You Can Find More Information."

THE COMPANIES

COMCAST CORPORATION
1500 Market Street
Philadelphia, Pennsylvania 19102-2148
(215) 665-1700
http://www.comcast.com

Comcast is a Pennsylvania corporation incorporated in 1969. Comcast is involved in three principal lines of business:

- Cable -- through the development, management and operation of broadband communications networks;

- Commerce -- through QVC, its electronic retailing subsidiary; and

- Content -- through its consolidated subsidiaries Comcast Spectacor, Comcast SportsNet, Comcast SportsNet Mid-Atlantic, Comcast Sports Southeast, E! Entertainment Television, The Golf Channel and Outdoor Life Network, and through its other programming investments.

AT&T CORP.
295 North Maple Avenue
Basking Ridge, NJ 07920-1002
(908) 221-2000
http://www.att.com

AT&T is a New York corporation incorporated in 1885. AT&T currently consists primarily of AT&T Broadband Group, AT&T Consumer Services Group and AT&T Business Services Group. These AT&T groups are not separate companies, but, rather, are parts of AT&T. The transactions proposed in this document would:

- separate and spin off AT&T Broadband into a separate company that immediately would be combined with and become a part of AT&T Comcast, and

- establish a tracking stock for AT&T Consumer Services Group.

AT&T BROADBAND GROUP

AT&T Broadband Group is one of the nation's largest broadband communications businesses, providing cable television, high-speed cable Internet services and communications services over one of the most extensive broadband networks in the country. At or for the year ended December 31, 2001, AT&T Broadband Group:

- owned and operated cable systems aggregating approximately 13.56 million analog video subscribers;

- had approximately $10.1 billion in combined revenue;

- had approximately $3.9 billion in net loss;

- had debt of approximately $23.3 billion; and

- had investments in companies, joint ventures and partnerships, including Time Warner Entertainment Company, L.P., Insight Midwest, L.P. and Texas Cable Partners, L.P.

AT&T CONSUMER SERVICES GROUP

AT&T Consumer Services Group is the leading provider of domestic and international long distance service to residential consumers in the United States. AT&T Consumer Services Group provides a broad range of communications services to consumers, including:

- inbound and outbound domestic and international long distance;

- transaction-based long distance services, such as operator-assisted calling services and prepaid phone cards;

- local calling offers; and

- dial-up Internet service through AT&T WorldNet Service.

AT&T BUSINESS SERVICES GROUP

AT&T Business Services Group is one of the nation's largest business services communications providers, providing a variety of global communications services to over 4 million customers, including large domestic and multinational businesses, small- and medium-sized businesses, and government agencies. AT&T Business Services Group operates one of the largest telecommunications networks in the United States.

AT&T Business Services Group provides a broad range of communications services and customized solutions, including:

- long distance, international and toll-free voice services;

- local services, including private line, local data and special access services;

- data and internet protocol, or IP, services, including frame relay and asynchronous transfer mode, or ATM;

- managed networking services and outsourcing solutions; and

- wholesale transport services.

The table below sets forth the approximate percentage of consolidated revenue, operating income, net loss, assets and indebtedness of AT&T, giving prior effect to the split-off of the AT&T Wireless Services Group, that were attributable to each of AT&T Broadband Group, AT&T Consumer Services Group and AT&T excluding AT&T Broadband Group at or for the year ended December 31, 2001. In the future, these percentages will vary with the relative performance of the different AT&T groups. In addition, the actual debt levels of each of the AT&T groups in the future will depend on a variety of other factors, including the progress AT&T makes on its various debt reduction activities. The table also should be read in the context of the financial and other information set forth in this document.

	AT OR FOR YEAR ENDED DECEMBER 31, 2001			
	% OF AT&T REVENUE	% OF AT&T OPERATING INCOME	% OF AT&T NET LOSS*	% OF AT&T ASSETS
AT&T Broadband Group..............................	19.3%	(111.4)%	61.0%	62.4%
AT&T Consumer Services Group......................	28.7%	123.1%	(42.0)%	1.4%
AT&T Corp. (excluding AT&T Broadband Group)**.......	81.2%	211.4%	(1.9)%	37.7%

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* Based on net loss from continuing operations before cumulative effect of accounting change.

** Includes AT&T Business Services Group and AT&T Consumer Services Group and excludes Liberty Media Group and AT&T Wireless Services Group.

AT&T COMCAST CORPORATION
1500 Market Street
Philadelphia, Pennsylvania 19102-2148
(215) 665-1700

AT&T Comcast is a newly formed Pennsylvania corporation that has not, to date, conducted any activities other than those incident to its formation, the financing and other matters contemplated by the merger agreement and the preparation of this document. Upon completion of the AT&T Comcast transaction, Comcast and AT&T Broadband will each become a wholly owned subsidiary of AT&T Comcast. The business of AT&T Comcast will be the combined businesses currently conducted by Comcast and AT&T Broadband Group.

THE AT&T COMCAST TRANSACTION

REASONS FOR THE AT&T COMCAST TRANSACTION (SEE PAGE II-8)

Comcast and AT&T believe that the combined strengths of Comcast and AT&T's broadband business will enable them to create the world's premier broadband communications company. The AT&T Comcast transaction will combine the companies' extensive broadband communications networks, technologically advanced broadband delivery systems and managerial expertise to build a business that Comcast and AT&T expect will create substantial long-term value for shareholders of both companies. Comcast and AT&T believe that AT&T Comcast will grow the broadband business with more efficiency to create stronger operating and financial results than either company could achieve on its own.

RECOMMENDATIONS OF THE BOARDS OF DIRECTORS (SEE PAGE II-8)

To Comcast Shareholders: The Comcast Board believes that the AT&T Comcast transaction, including the Comcast merger and the AT&T Comcast charter, is fair to you and in your best interest, and unanimously voted to approve the merger agreement and the transactions contemplated by the merger agreement. The Comcast Board unanimously recommends that you vote FOR the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement and recommends that you vote FOR the AT&T Comcast charter proposal.

The Comcast Board believes that the preferred structure proposal is in your best interest and unanimously recommends that you vote FOR the preferred structure proposal.

To AT&T Shareholders: The AT&T Board believes that the AT&T Comcast transaction, including the separation, the AT&T Broadband spin-off, the AT&T Broadband merger and the AT&T Comcast charter, is fair to you and in your best interest and unanimously voted to approve the merger agreement and the transactions contemplated by the merger agreement. The AT&T Board unanimously recommends that you vote FOR the approval and adoption of the merger agreement and the transactions contemplated by the merger agreement and FOR the AT&T Comcast charter proposal.

OPINIONS OF FINANCIAL ADVISORS (SEE PAGE IV-1)

Opinions of Comcast's Financial Advisors. In deciding to approve the AT&T Comcast transaction, the Comcast Board considered opinions of three of its financial advisors, Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith, Incorporated, each dated December 19, 2001, to the Comcast Board to the effect that as of that date, the conversion ratios in the Comcast merger applicable to holders of Comcast common stock, in the aggregate, were fair, from a financial point of view, to Comcast shareholders, taken together. The full text of these opinions are attached as Annexes G, H and I to this document. Comcast urges its shareholders to read each of these opinions in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. THESE OPINIONS DO NOT CONSTITUTE A RECOMMENDATION TO ANY SHAREHOLDER AS TO ANY MATTER RELATING TO THE MERGERS OR ANY RELATED TRANSACTIONS.

Opinions of AT&T's Financial Advisors. In connection with the proposed mergers, AT&T's financial advisors, Credit Suisse First Boston Corporation and

Goldman, Sachs & Co., each has delivered a written opinion to the AT&T Board as to the fairness as of the date of the opinion, from a financial point of view, of the AT&T Broadband exchange ratio provided for in the AT&T Broadband merger to holders of AT&T Broadband common stock immediately prior to the mergers, other than Comcast and its affiliates. The full text of the separate written opinions of Credit Suisse First Boston Corporation and Goldman, Sachs & Co., each dated December 19, 2001, to the AT&T Board are attached to this document as Annexes J and K, respectively. AT&T urges its shareholders to read each opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. THESE OPINIONS DO NOT CONSTITUTE A RECOMMENDATION TO ANY SHAREHOLDER AS TO ANY MATTER RELATING TO THE MERGERS OR ANY RELATED TRANSACTIONS.

THE STRUCTURE OF THE AT&T COMCAST TRANSACTION

The AT&T Comcast transaction will occur in several steps. First, AT&T will transfer the assets and liabilities of AT&T's broadband business to AT&T Broadband, a holding company formed for the purpose of effectuating the AT&T Comcast transaction. Second, AT&T will spin off AT&T Broadband to its shareholders. Third, Comcast and AT&T Broadband will each merge with a different, wholly owned subsidiary of AT&T Comcast. In the AT&T Comcast transaction, Comcast and AT&T shareholders will receive the consideration described below.

The merger agreement provides for all of the steps described above to occur on the closing date for the mergers.

CAPITAL STRUCTURE (SEE PAGE V-1)

AT&T Comcast will have one of two capital structures upon completion of the AT&T Comcast transaction, the Preferred Structure or the Alternative Structure. These capital structures are described in the following paragraphs.

PREFERRED STRUCTURE

If holders of Comcast Class A common stock, voting as a single class, approve the preferred structure proposal, AT&T Comcast's capital structure upon completion of the AT&T Comcast transaction will be as follows:

- Class B common stock -- each share will have 15 votes and all shares in the aggregate will have 33 1/3% of the voting power of AT&T Comcast stock,

- Class A common stock -- each share will have a number of votes determined pursuant to a formula and all shares in the aggregate will initially have 66 2/3% of the voting power of AT&T Comcast stock, and

- Class A Special common stock -- will be non-voting.

The 33 1/3% aggregate voting power of AT&T Comcast Class B common stock will not be diluted by additional issuances of any other class of AT&T Comcast stock and will be reduced only in limited circumstances. For a more complete description of the voting rights of the various classes of AT&T Comcast stock that will be outstanding upon completion of the AT&T Comcast transaction if the Preferred Structure is implemented, see "Certain Legal Information -- Description of AT&T Comcast Capital Stock."

ALTERNATIVE STRUCTURE

If holders of Comcast Class A common stock, voting as a single class, do not approve the preferred structure proposal, AT&T Comcast's capital structure upon completion of the AT&T Comcast transaction will be as follows:

- Class B common stock -- each share will have 15 votes and all shares in the aggregate will have 33 1/3% of the voting power of AT&T Comcast stock,
- Class A common stock -- each share will have 1 vote and all shares in the aggregate will have approximately 5.14% of the voting power of AT&T Comcast stock,
- Class A Special common stock -- will be non-voting, and
- Class C common stock -- each share will have a number of votes determined pursuant to a formula and all shares in the aggregate will initially have approximately 61 53/100% of the voting power of AT&T Comcast stock.

The 33 1/3% aggregate voting power of AT&T Comcast Class B common stock and approximately 5.14% aggregate voting power of AT&T Comcast Class A common stock will not be diluted by additional issuances of any other class of AT&T Comcast stock and will be reduced only in limited circumstances. For a more complete description of the voting rights of the various classes of AT&T Comcast stock that will be outstanding upon completion of the AT&T Comcast transaction if the Alternative Structure is implemented, see "Certain Legal Information -- Description of AT&T Comcast Capital Stock."

WHY THE COMCAST BOARD RECOMMENDS THE PREFERRED STRUCTURE OVER THE ALTERNATIVE STRUCTURE

The Comcast Board has recommended that holders of Comcast Class A common stock approve the preferred structure proposal because the Comcast Board believes that the Preferred Structure is in the best interests of the holders of Comcast Class A common stock.

Under the Preferred Structure:

- holders of Comcast Class A common stock will receive shares of AT&T Comcast Class A common stock (approximately 22 million shares in the aggregate) and
- holders of AT&T common stock will also receive shares of AT&T Comcast Class A common stock (up to 1.235 billion shares in the aggregate).

Upon completion of the AT&T Comcast transaction under the Preferred Structure, there will be outstanding approximately 1.37 billion shares of AT&T Comcast Class A common stock, assuming that the transaction with Microsoft described below is completed and that AT&T Comcast is not required to make any of the

additional payments of AT&T Comcast common stock described below.

By contrast, under the Alternative Structure:

- holders of Comcast Class A common stock will receive shares of AT&T Comcast Class A common stock (approximately 22 million shares in the aggregate) and

- holders of AT&T common stock will receive shares of a different class of AT&T Comcast common stock, AT&T Comcast Class C common stock.

Upon completion of the AT&T Comcast transaction under the Alternative Structure, there will be outstanding only approximately 22 million shares of AT&T Comcast Class A common stock.

The Comcast Board believes that holders of Comcast Class A common stock would benefit from the increased liquidity of the AT&T Comcast shares they receive under the Preferred Structure and that this benefit outweighs the potential benefits of the greater per share voting rights of the AT&T Comcast Class A common stock under the Alternative Structure.

WHAT COMCAST SHAREHOLDERS WILL RECEIVE IN THE COMCAST MERGER (SEE PAGE V-1)

Comcast shareholders will receive one share of the corresponding class of AT&T Comcast common stock in exchange for each of their shares of Comcast common stock.

Upon completion of the AT&T Comcast transaction, assuming that the Microsoft transaction described below is completed and AT&T Comcast is not required to make any of the additional payments of AT&T Comcast common stock described below, Comcast shareholders will own approximately

- 40.0% of AT&T Comcast's economic interest and

- if the Preferred Structure is implemented, 34.4% of AT&T Comcast's voting power or, if the Alternative Structure is implemented, 38.5% of AT&T Comcast's voting power.

Upon completion of the AT&T Comcast transaction, regardless of which capital structure is implemented and whether or not the Microsoft transaction described below is completed or AT&T Comcast is required to make any of the potential additional payments of AT&T Comcast common stock described below, Sural LLC, which is controlled by Brian L. Roberts, President of Comcast, and currently holds approximately 86.7% of Comcast's voting power, will hold approximately 33 1/3% of AT&T Comcast's voting power, including all of the outstanding AT&T Comcast Class B common stock.

WHAT AT&T SHAREHOLDERS WILL RECEIVE IN THE AT&T COMCAST TRANSACTION (SEE PAGE V-1)

The precise number of shares of AT&T Comcast common stock that each holder of AT&T common stock will receive in the AT&T Comcast transaction will depend upon the number of shares of AT&T common stock outstanding and the value of the employee stock options and stock appreciation rights held by current AT&T Broadband employees and former AT&T and AT&T Broadband employees, in each case at the time the AT&T Comcast transaction is completed, and the number of shares, if any, of AT&T common stock held by Comcast immediately prior to the record date for the AT&T Broadband spin-off.

If the exchange ratio were determined as of the date of this document, assuming AT&T Comcast is not required to make any of the additional payments of AT&T Comcast common stock described below, AT&T shareholders will receive with respect to each of their shares of AT&T common stock:

- if the Preferred Structure is implemented, approximately 0.35 of a share of AT&T Comcast Class A common stock or

- if the Alternative Structure is implemented, approximately 0.35 of a share of AT&T Comcast Class C common stock.

Upon completion of the AT&T Comcast transaction, assuming the Microsoft transaction described below is completed and AT&T Comcast is not required to make any of the additional payments of AT&T Comcast common stock described below, AT&T shareholders will own approximately

- 54.8% of AT&T Comcast's economic interest and

- if the Preferred Structure is implemented, 60.6% of AT&T Comcast's voting power or, if the Alternative Structure is

implemented, 56.6% of AT&T Comcast's voting power.

The actual exchange ratio may vary from the 0.35 estimate calculated as of the date of this document. For example, if Comcast were to sell all of its shares of AT&T common stock prior to the record date for the AT&T Broadband spin-off and if AT&T were to issue the maximum number of shares it is permitted to issue under the merger agreement, the exchange ratio, determined as of the date of this document and otherwise using then current information but giving effect to such sales and issuances, would be approximately 0.32 shares of AT&T Comcast common stock for each share of AT&T common stock.

AT&T Comcast will not issue any fractional shares in the AT&T Comcast transaction. AT&T shareholders will receive a check in the amount of the net proceeds from the sale of their fractional shares in the market.

AT&T Consumer Services Group tracking stock will not entitle holders thereof to receive any shares of AT&T Comcast common stock.

POTENTIAL ADDITIONAL PAYMENTS (SEE PAGE V-2)

Subject to the limitations described in the next paragraph, AT&T Comcast may be required to issue additional shares of AT&T Comcast common stock to AT&T securityholders who receive shares in connection with the AT&T Comcast transaction

- if prior to the completion of the AT&T Comcast transaction Standard & Poor's does not commit to include the class of AT&T Comcast common stock that the AT&T shareholders receive in the AT&T Comcast transaction in the Standard & Poor's 500 Index and

- the average trading price for that class of AT&T Comcast common stock during 10 trading days randomly selected from a specified post-closing pricing period is less than the average trading price for the AT&T Comcast Class A Special common stock on the same trading days.

The post-closing pricing period from which the 10 days will be selected will be a 20-trading day period that commences no later than 45 days after the closing date of the AT&T Comcast transaction.

However, the obligation of AT&T Comcast to issue additional shares of AT&T Comcast common stock as described in the preceding paragraph will be subject to the following limitations:

- AT&T Comcast will not be obligated to compensate AT&T securityholders who receive shares in connection with the AT&T Comcast transaction to the extent the price differential exceeds 3%,

- the number of shares that would otherwise be issued will be reduced by the number of shares, if any, issued as described in the next paragraph and

- if the class of AT&T Comcast common stock to be issued to AT&T shareholders in connection with the AT&T Comcast transaction is included in the Standard & Poor's 500 Index prior to the close of the pricing period referred to in the preceding paragraph, no additional shares will be issued.

AT&T Comcast may also be required to issue additional shares of AT&T Comcast common stock to AT&T securityholders who receive shares in connection with the AT&T Comcast transaction to ensure that they receive shares of AT&T Comcast common stock with a value in excess of 50% of the value of all shares of AT&T Comcast common stock issued in connection with the AT&T Comcast transaction. Unless AT&T receives a ruling from the Internal Revenue Service that permits AT&T and Comcast to use the valuation methodology described in the second preceding paragraph, the value of the shares of AT&T Comcast common stock will be determined as of the closing date of the AT&T Comcast transaction. It is not expected that any additional shares will be issued as a result of the requirement described in this paragraph.

Any additional payments of AT&T Comcast common stock that are owed will be made promptly after the amount of such payment can be determined.

The potential additional payments described in this subsection are sometimes referred to in this document as "additional payments."

SUPPORT AGREEMENT (SEE PAGE V-21)

Sural LLC, which is controlled by Brian L. Roberts, President of Comcast, has entered into a support agreement with, among others, AT&T pursuant to which it has agreed to vote its shares of Comcast common stock in favor of the Comcast transaction proposal, the AT&T Comcast charter proposal and the preferred structure proposal. Because Sural held approximately 86.7% of the aggregate voting power of Comcast stock as of the record date for the Comcast special meeting, Sural's vote in favor of the Comcast transaction proposal and the AT&T Comcast charter proposal will be sufficient to approve the Comcast transaction proposal and the AT&T Comcast charter proposal without the vote of any other Comcast shareholder. Approval of the preferred structure proposal will still require the affirmative vote of a majority of the votes cast by holders of shares of Comcast Class A common stock, voting as a single class.

Sural has also agreed in the support agreement to vote its shares of AT&T Comcast Class B common stock in favor of the nominees selected by AT&T Comcast's directors nominating committee or otherwise nominated by AT&T Comcast for election as directors at the 2004 annual meeting of AT&T Comcast shareholders, subject to certain exceptions. Sural has further agreed in the support agreement to restrictions on its ability to transfer its shares of AT&T Comcast Class B common stock. Those restrictions survive until the tenth anniversary of the completion of the AT&T Comcast transaction.

AT&T COMCAST BOARD AND MANAGEMENT FOLLOWING THE AT&T COMCAST TRANSACTION (SEE PAGE VIII-1)

Upon completion of the AT&T Comcast transaction, the AT&T Comcast Board will consist of 12 members, at least seven of whom will be independent directors. Comcast and AT&T will each designate five of the initial members of the AT&T Comcast Board from among its then-existing Board members and will jointly designate the two remaining initial members of the AT&T Comcast Board, each of whom will be an independent director. Except for certain pre-approved designees, the individuals designated by Comcast and AT&T will be mutually agreed by Comcast and AT&T. If the AT&T Comcast Board decides to establish an executive committee, Ralph J. Roberts, Chairman of the Board of Comcast, will be its chairman.

Upon completion of the AT&T Comcast transaction, C. Michael Armstrong, Chairman of the Board and Chief Executive Officer of AT&T, will become Chairman of the Board of AT&T Comcast and Brian L. Roberts, President of Comcast, will become Chief Executive Officer and President of AT&T Comcast. The other members of senior management of AT&T Comcast upon completion of the AT&T Comcast transaction will be selected by Brian L. Roberts in consultation with C. Michael Armstrong.

INTERESTS OF DIRECTORS AND OFFICERS IN THE AT&T COMCAST TRANSACTION (SEE PAGE IX-1)

When considering our Board's recommendations that you vote in favor of the AT&T Comcast transaction, you should be aware that a number of our directors and officers have interests in the AT&T Comcast transaction that are different from, or in addition to, yours. These interests include the following:

- C. Michael Armstrong, Chairman of the Board and Chief Executive Officer of AT&T, will become Chairman of the Board of AT&T Comcast upon completion of the AT&T Comcast transaction and will be able to be removed from his position only with the approval of at least 75% of the entire AT&T Comcast Board;

- Brian L. Roberts, President of Comcast, will become Chief Executive Officer and President of AT&T Comcast upon completion of the AT&T Comcast transaction and will be able to be removed from his position only with the approval of at least 75% of the entire AT&T Comcast Board; and

- five of the then-existing members of each of the Comcast Board and the AT&T Board will become members of the AT&T Comcast Board upon completion of the AT&T Comcast transaction for a term that does not expire until the 2004 annual meeting of AT&T Comcast shareholders.

Furthermore, a number of our directors and officers will receive:

-- funding of benefits in trust;

-- employment agreements with AT&T Comcast;

-- accelerated vesting of stock options and other equity-based awards; and

-- the right to continued indemnification and insurance coverage by AT&T Comcast for acts or omissions occurring prior to the AT&T Comcast transaction.

CONDITIONS TO THE COMPLETION OF THE AT&T COMCAST TRANSACTION (SEE PAGE V-12 AND PAGE V-18)

The completion of the AT&T Comcast transaction is subject to the satisfaction or waiver of several conditions, including:

- approval by AT&T shareholders of the AT&T transaction proposal and the AT&T Comcast charter proposal;

- approval by Comcast shareholders of the Comcast transaction proposal and the AT&T Comcast charter proposal;

- expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

- the absence of any law, regulation or order prohibiting the completion of the AT&T Comcast transaction;

- receipt of all required regulatory approvals other than those the failure of which to be obtained would not reasonably be expected to have a material adverse effect on either Comcast or AT&T Broadband Group;

- accuracy of the representations and warranties of the other party, including with respect to the absence of a material adverse effect;

- receipt and continuing effectiveness of an Internal Revenue Service ruling or rulings, or an opinion from tax counsel acceptable to Comcast and AT&T, to the effect that, for U.S. federal income tax purposes, the AT&T Broadband spin-off will be tax-free to AT&T and its shareholders, the mergers will not cause the AT&T Broadband spin-off to fail to be qualified as a tax-free transaction, and the AT&T Broadband spin-off will not cause the distributions by AT&T of the common stock of AT&T Wireless Services, Inc. or of Liberty Media Corporation to fail to qualify as tax-free transactions;

- receipt by each party of an opinion of its counsel to the effect that the combination of AT&T Broadband and Comcast will qualify as a tax-free transaction for U.S. federal income tax purposes;

- performance by Sural LLC in all material respects of its obligations under the support agreement; and

- receipt of appropriate note consents, or the defeasance, purchase or acquisition of indebtedness, in respect of at least 90% in aggregate principal amount of the securities issued under the AT&T indenture, dated as of September 7, 1990, and outstanding as of December 19, 2001.

TERMINATION RIGHTS (SEE PAGE V-13)

The merger agreement may be terminated by mutual agreement of Comcast and AT&T.

The merger agreement may be terminated by Comcast or AT&T if:

- the AT&T shareholders fail to approve either the AT&T transaction proposal or the AT&T Comcast charter proposal;

- the Comcast shareholders fail to approve either the Comcast transaction proposal or the AT&T Comcast charter proposal;

- the AT&T Comcast transaction is not completed by March 1, 2003;

- the other party breaches the merger agreement such that the related closing conditions cannot be satisfied by March 1, 2003; or

- any material law or regulation makes completion of the AT&T Comcast transaction illegal or a permanent injunction prohibiting completion of the AT&T Comcast transaction is entered.

In addition, AT&T may terminate the merger agreement if, as permitted by the merger agreement, the closing date for the AT&T Comcast transaction is delayed because the Microsoft transaction described below does not occur; provided that AT&T may terminate the merger agreement pursuant to this provision only (1) on two business days' notice delivered to Comcast between 30 and 45 days after the commencement of the delay; and (2) if prior to the effectiveness of the termination Comcast does not agree to close the AT&T Comcast transaction within 60 days of the commencement of the delay.

In addition, Comcast may terminate the merger agreement if:

- the AT&T Board withdraws or modifies, in a manner adverse to Comcast, its recommendation of either the AT&T transaction proposal or the AT&T Comcast charter proposal; or

- AT&T willfully and materially breaches its obligations described below in this summary under "Duty to Recommend the AT&T Comcast Transaction" or "No Solicitation of Competing Transactions."

TERMINATION FEES (SEE PAGE V-14)

AT&T will pay a wholly owned subsidiary of Comcast a termination fee in the amount of $1.5 billion in cash if the merger agreement is terminated because:

- the AT&T Board withdraws or modifies, in a manner adverse to Comcast, its recommendation of either the AT&T transaction proposal or the AT&T Comcast charter proposal; or

- AT&T willfully and materially breaches its obligations described below under "Duty to Recommend the AT&T Comcast Transaction" or "No Solicitation of Competing Transactions."

In addition, if (1) a competing acquisition proposal made by a third party is pending at the time of the AT&T meeting, (2) the merger agreement is terminated because the AT&T shareholders fail to approve the AT&T transaction proposal or the AT&T Comcast charter proposal at the AT&T meeting, and (3) within one year of the AT&T meeting, AT&T enters into an agreement relating to an alternative material transaction, AT&T will pay a wholly owned subsidiary of Comcast a $1.5 billion termination fee in cash.

Comcast will pay AT&T a $1.5 billion termination fee in cash if the merger agreement is terminated because the Comcast Board withdraws or modifies, in a manner adverse to AT&T, its recommendation of either the Comcast transaction proposal or the AT&T Comcast charter proposal or if Comcast shareholders fail to approve either the Comcast transaction proposal or the AT&T Comcast charter proposal. See "Support Agreement" above.

DUTY TO RECOMMEND THE AT&T COMCAST TRANSACTION (SEE PAGE V-8)

The AT&T Board has recommended that the AT&T shareholders approve the AT&T transaction proposal and the AT&T Comcast charter proposal. The AT&T Board is permitted to withdraw or modify, in a manner adverse to Comcast, its recommendation of the AT&T transaction proposal or the AT&T Comcast charter proposal if the AT&T Board determines in good faith that it must take such action to comply with its fiduciary duties under applicable law and provides Comcast with two business days' prior written notice. AT&T does not have the right to terminate the merger agreement to accept a superior acquisition proposal for its broadband business and subject to applicable law must submit the AT&T Comcast transaction to AT&T shareholders at the AT&T annual meeting.

NO SOLICITATION OF COMPETING TRANSACTIONS (SEE PAGE V-9)

AT&T is generally prohibited from soliciting or encouraging, among other specific acquisition proposals, acquisition proposals from third parties that would reasonably be expected to be inconsistent in any material respect with the AT&T Comcast transaction or materially delay, impede or adversely affect the AT&T Comcast transaction. AT&T is also prohibited from providing nonpublic information to or engaging in negotiations with any third party that has made or is known by AT&T to be considering making an acquisition proposal of the type described in the previous sentence.

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However, AT&T may furnish nonpublic information and engage in negotiations with a third party that has made an unsolicited acquisition proposal if the AT&T Board determines in good faith that such acquisition proposal would reasonably be expected to lead to a proposal that would be more favorable to AT&T shareholders than the AT&T Comcast transaction and that it must take such action to comply with its fiduciary duties under applicable law.

MICROSOFT ARRANGEMENT (SEE PAGE V-24)

Comcast, AT&T and AT&T Comcast have entered into an exchange agreement with Microsoft Corporation pursuant to which at the time of the AT&T Broadband spin-off Microsoft will exchange $5 billion of quarterly income preferred securities, or QUIPS, issued by AT&T Finance Trust I, an AT&T subsidiary, for a number of shares of AT&T Broadband common stock that, subject to the limitation described in the next sentence, will be converted in the AT&T Broadband merger into 115 million shares of AT&T Comcast Class A common stock under the Preferred Structure or AT&T Comcast Class C common stock under the Alternative Structure. To the extent necessary so that Microsoft will not hold more than 4.95% of AT&T Comcast's voting power as a result of the AT&T Comcast transaction, Microsoft has agreed to accept shares of the non-voting AT&T Comcast Class A Special common stock in the AT&T Broadband merger, on a one-for-one basis, instead of shares of voting AT&T Comcast common stock.

If the Microsoft transaction is completed, AT&T Comcast has agreed in the exchange agreement that it will not discriminate against Microsoft with respect to the provision of high-speed Internet services over AT&T Comcast cable systems.

REGULATORY MATTERS (SEE PAGE II-20)

Under U.S. antitrust laws, Comcast and AT&T may not complete the AT&T Comcast transaction until Comcast and AT&T have notified the Antitrust Division of the United States Department of Justice and the Federal Trade Commission of the AT&T Comcast transaction by filing the necessary report forms and until a required waiting period has ended. Comcast and AT&T have filed the required information and materials to notify the U.S. Department of Justice and the Federal Trade Commission of the AT&T Comcast transaction. On February 21, 2002, Comcast and AT&T received a request from the United States Department of Justice, the reviewing agency, for additional information regarding the AT&T Comcast transaction. Comcast and AT&T are in the process of responding to this request.

Under federal communications law and local franchise requirements, Comcast and AT&T must also obtain the approval of the Federal Communications Commission, or FCC, and a number of state and local authorities in connection with the AT&T Comcast transaction. Comcast and AT&T have filed the required applications with the FCC and these state and local authorities. The FCC and most of these state and local authorities have not completed their reviews of the AT&T Comcast transaction.

Comcast and AT&T have agreed to use their best efforts to obtain all regulatory approvals that are necessary or advisable in connection with the AT&T Comcast transaction. In addition, Comcast and AT&T have also agreed to take all actions necessary to obtain termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 relating to the AT&T Comcast transaction and to obtain all consents of the FCC required to complete the AT&T Comcast transaction.

There can be no assurances that Comcast and AT&T will obtain all regulatory approvals necessary to complete the AT&T Comcast transaction or that the granting of these approvals will not involve the imposition of conditions on the completion of the AT&T Comcast transaction or require changes to the terms of the AT&T Comcast transaction.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES (SEE PAGE II-16)

It is a condition to the AT&T Broadband spin-off and to the mergers that AT&T receive a private letter ruling from the Internal Revenue Service, or an opinion of counsel, to the effect that AT&T, AT&T Broadband and holders of AT&T common stock who receive shares of AT&T Broadband common stock in the AT&T Broadband spin-off will not recognize gain or loss for U.S. federal income tax purposes in connection with the AT&T Broadband spin-off. AT&T has filed a private letter ruling request in respect of this matter with the IRS. It is a condition to the mergers that AT&T and Comcast each receive an opinion of counsel to the effect that AT&T Broadband, Comcast and their respective shareholders who exchange their shares for shares of AT&T Comcast common stock in the mergers will not recognize gain or loss for U.S. federal income tax purposes in connection with the mergers, except for gain or loss with respect to cash received instead of fractional shares. The receipt of this opinion by AT&T is also a condition to the AT&T Broadband spin-off.

Subject to the limitations and qualifications described in "The AT&T Comcast Transaction -- Material Federal Income Tax Consequences," it is the opinion of Wachtell, Lipton, Rosen & Katz, counsel to AT&T, that the AT&T Broadband spin-off will qualify as a tax-free reorganization. As a result, (1) no gain or loss will be recognized by AT&T or AT&T Broadband upon the separation and the AT&T Broadband spin-off (other than gains related to certain intercompany transactions that will be triggered by the AT&T Broadband spin-off) and (2) no gain or loss will be recognized by U.S. holders of AT&T common stock upon their receipt of shares of AT&T Broadband common stock in the AT&T Broadband spin-off.

Subject to the limitations and qualifications described in "The AT&T Comcast Transaction -- Material Federal Income Tax Consequences," it is the opinion of Wachtell, Lipton, Rosen & Katz, counsel to AT&T, and Davis Polk & Wardwell, counsel to Comcast, that the mergers will constitute an exchange to which Section 351 of the Internal Revenue Code applies. As a result, (1) no gain or loss will be recognized by Comcast, AT&T Broadband, the AT&T Broadband merger subsidiary, or the Comcast merger subsidiary upon the mergers and (2) except for gain or loss with respect to cash received instead of fractional shares, no gain or loss will be recognized by U.S. holders of AT&T Broadband common stock or Comcast common stock on the exchange of such stock for AT&T Comcast common stock.

MARKET PRICE INFORMATION (SEE PAGE I-29)

Comcast Class A common stock and Comcast Class A Special common stock are listed on The Nasdaq Stock Market under the symbols "CMCSA" and "CMCSK," respectively. AT&T common stock is primarily listed on the New York Stock Exchange under the symbol "T."

On July 6, 2001, the last full trading day before Comcast publicly announced its proposal to AT&T to acquire AT&T's broadband business, Comcast Class A common stock and Comcast Class A Special common stock closed at $41.85 and $42.08, respectively, and AT&T common stock closed at $16.65, as adjusted to reflect the AT&T Wireless Services split-off. On December 19, 2001, the last full trading day before the public announcement of the AT&T Comcast transaction, Comcast Class A common stock and Comcast Class A Special common stock closed at $38.09 and $38.07, respectively, and AT&T common stock closed at $16.80. On May 13, 2002, the last full trading day before the date of this document, Comcast Class A common stock and Comcast Class A Special common stock closed at $31.03 and $29.09, respectively, and AT&T common stock closed at $13.70.

STOCK EXCHANGE LISTINGS (SEE PAGE XV-15)

The shares of AT&T Comcast Class A common stock, AT&T Comcast Class A Special common stock and, if the Alternative Structure is implemented, AT&T Comcast Class C common stock issued in connection with the AT&T Comcast transaction will be quoted on The Nasdaq Stock Market under the ticker symbols "CMCSA," "CMCSK" and, if applicable, "CMCSJ," respectively.

APPRAISAL RIGHTS (SEE PAGE II-23)

Holders of Comcast Class A common stock, Comcast Class A Special common stock and AT&T common stock are not entitled to appraisal rights in connection with the AT&T Comcast transaction.

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AT&T CONSUMER SERVICES GROUP TRACKING STOCK

THE CONSUMER SERVICES CHARTER AMENDMENT PROPOSAL

AT&T shareholders are being asked to approve an amendment to the AT&T charter to authorize AT&T to create a new class of AT&T common stock -- AT&T Consumer Services Group tracking stock -- and certain related benefit plan proposals. The Consumer Services charter amendment proposal requires the affirmative vote of holders of a majority of the outstanding shares of AT&T common stock.

AT&T Consumer Services Group tracking stock is intended to reflect the separate performance of AT&T Consumer Services Group, which includes the assets and liabilities shown in the combined balance sheets of AT&T Consumer Services Group. AT&T will include within AT&T Consumer Services Group all net income or net losses generated by the assets that comprise AT&T Consumer Services Group and all net proceeds from any disposition of these assets.

If AT&T Consumer Services Group tracking stock is issued and if the AT&T Comcast transaction is completed, AT&T common stock will effectively act as tracking stock for AT&T Business Services Group plus any retained portion of AT&T Consumer Services Group.

TERMS OF AT&T CONSUMER SERVICES GROUP TRACKING STOCK

The proposed Consumer Services charter amendment would authorize AT&T to issue up to 500 million shares of AT&T Consumer Services Group tracking stock. We describe some of the most significant terms of AT&T Consumer Services Group tracking stock below, but we include a more detailed description of AT&T Consumer Services Group tracking stock later in this document.

Voting Rights. Each share of AT&T Consumer Services Group tracking stock will initially have one vote per share. If AT&T completes the AT&T Broadband spin-off or otherwise distributes one or more entities holding all or substantially all of the assets of its broadband business to its securityholders, each share of AT&T Consumer Services Group tracking stock will initially have 2.5 votes per share. If the reverse stock split proposal is approved and implemented, AT&T Consumer Services Group tracking stock would have ..2 of a vote per share if the AT&T Broadband separation is not completed or .5 of a vote per share if the AT&T Broadband separation is completed. Except as required by law or by any special voting rights of any other class or series of AT&T stock, holders of shares of AT&T Consumer Services Group tracking stock will vote together with all other AT&T shareholders on matters presented to AT&T shareholders.

Dividends. Holders of AT&T Consumer Services Group tracking stock will be entitled to dividends only to the extent declared by the AT&T Board. AT&T's charter will define an available dividend amount with respect to AT&T Consumer Services Group tracking stock. The available dividend amount is designed to be equivalent to an allocable portion of the amount that would legally be available for the payment of dividends by AT&T Consumer Services Group plus an amount equal to its net income available to common shareowners for the year in which the dividend is declared and/or the prior year, determined in each case as if it were a separate legal entity.

Dividends on AT&T Consumer Services Group tracking stock may only be paid up to the applicable amounts described above and also will be subject to the legal capacity of AT&T as a whole to pay dividends. Subject to these limitations and to the discretion of the AT&T Board, AT&T currently expects to pay dividends on AT&T Consumer Services Group tracking stock equal in the aggregate to two-thirds of the aggregate annual dividend AT&T currently pays on AT&T common stock, and to pay dividends on AT&T common stock equal to one-third of the aggregate annual current dividend. The aggregate annual current dividend paid on AT&T common stock is $0.15 per share.

Redemption. AT&T may, or, in some cases, is required to, redeem shares of AT&T Consumer Services Group tracking stock under a number of circumstances, in each case without the approval of holders of AT&T Consumer Services Group tracking stock:

- At any time, AT&T may redeem shares of AT&T Consumer Services Group tracking

stock for a comparable tracking stock of any company that owns substantially all the assets and liabilities allocated to AT&T Consumer Services Group at that time without the payment of any premium.

- At any time, AT&T may redeem the shares of AT&T Consumer Services Group tracking stock for shares of AT&T common stock having a market value equal to 110% of the market value of AT&T Consumer Services Group tracking stock.

- At any time, AT&T may redeem shares of AT&T Consumer Services Group tracking stock for shares of one or more subsidiaries that hold all material assets and liabilities allocated to AT&T Consumer Services Group, as long as the redemption is tax free to shareholders. This would result in a split-off of AT&T Consumer Services Group.

- With some exceptions, in the event of certain dispositions of all or substantially all the assets of AT&T Consumer Services Group, AT&T is generally required to redeem shares of AT&T Consumer Services Group tracking stock for (1) shares of AT&T common stock or (2) cash and/or property in an amount equal to the net proceeds of the disposition that are allocable to AT&T Consumer Services Group tracking stock.

Liquidation. In the event of a liquidation of AT&T, holders of AT&T Consumer Services Group tracking stock and AT&T common stock will be entitled to share in the funds available for distribution to AT&T common shareholders in proportion to the relative market capitalization of the outstanding shares of each class of AT&T stock.

ISSUANCE OF AT&T CONSUMER SERVICES GROUP TRACKING STOCK

If the AT&T Consumer Services Group tracking stock proposal is approved, AT&T plans to distribute these shares as a dividend to holders of AT&T common stock at such time as AT&T determines that there is sufficient market receptivity and support for such a distribution. AT&T has not yet determined the timing of the distribution, which may be made within a year of shareholder approval or may be made thereafter, depending on market conditions. AT&T expects that, when it distributes AT&T Consumer Services Group tracking stock, it will distribute shares intended to reflect all of the financial performance and economic value of AT&T Consumer Services Group.

NOTWITHSTANDING AT&T'S CURRENT PLANS, THE AT&T BOARD COULD DECIDE NOT TO PROCEED WITH THE PROPOSAL, COULD ISSUE SHARES REPRESENTING LESS THAN ALL OF THE FINANCIAL PERFORMANCE AND ECONOMIC VALUE OF AT&T CONSUMER SERVICES GROUP, OR COULD PROCEED AT A TIME OR IN A MANNER DIFFERENT FROM ITS CURRENT INTENTIONS. AT&T's plans may change, for example, if the AT&T Board decides that market conditions and receptivity warrant such a change or do not support a distribution of shares of AT&T Consumer Services Group tracking stock. If the AT&T Consumer Services Group tracking stock proposal is approved, the AT&T Board will have the ability to issue shares of AT&T Consumer Services Group tracking stock at such time, in such amount and in such manner as it determines appropriate.

Approval of the Consumer Services charter amendment proposal will give the AT&T Board wide discretion on how to implement the Consumer Services charter amendment proposal. If you do not want to give the AT&T Board this authority with respect to implementing the Consumer Services charter amendment proposal, you should not vote for the proposal.

If AT&T Consumer Services Group tracking stock is issued and if the AT&T Comcast transaction is completed, AT&T intends the AT&T common stock to reflect only the financial performance and economic value of AT&T Business Services Group, together with AT&T's retained portion, if any, of the value of AT&T Consumer Services Group, although there is no assurance that it will.

AT&T expects to list AT&T Consumer Services Group tracking stock on a national securities exchange or quotation system.

REASONS FOR AT&T CONSUMER SERVICES GROUP TRACKING STOCK

AT&T believes that issuance of AT&T Consumer Services Group tracking stock will improve shareholder value by creating separate

classes of stock, AT&T believes that AT&T Consumer Services Group tracking stock will:

- allow AT&T shareholders to view more clearly the performance of each of AT&T Consumer Services Group and AT&T Business Services Group, and to evaluate each of AT&T Consumer Services Group's and AT&T Business Services Group's results against those of its competitors; and

- enable AT&T shareholders and other investors to invest in the securities that fit their needs and investment profiles without the requirement of simultaneously investing in other businesses, and permit the creation of more effective management incentive and retention programs.

For additional reasons for, and more detail on the reasons for, AT&T Consumer Services Group tracking stock, see "AT&T Consumer Services Group Tracking Stock -- Reasons for AT&T Consumer Services Group Tracking Stock."

U.S. FEDERAL INCOME TAX CONSIDERATIONS

AT&T expects the distribution of AT&T Consumer Services Group tracking stock to holders of AT&T common stock to be tax free to AT&T and to holders of AT&T common stock.

RECENT FINANCIAL RESULTS

For information on Comcast's earnings for the quarter ended March 31, 2002, please see the Current Report on Form 8-K filed by Comcast with the SEC on May 3, 2002, which is incorporated by reference into this document.

For information on AT&T's earnings for the quarter ended March 31, 2002, please see the Current Report on Form 8-K filed by AT&T with the SEC on April 25, 2002, which is incorporated by reference into this document.

SELECTED FINANCIAL DATA OF COMCAST CORPORATION

The following summary consolidated financial data is derived from Comcast's audited consolidated financial statements. You should read the financial data presented below in conjunction with the consolidated financial statements, accompanying notes and management's discussion and analysis of results of operations and financial condition of Comcast, which are incorporated by reference into this document.

	YEAR ENDED DECEMBER 31,			
	2001	2000	1999	1998
			(UNAUDITED)	
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE D			
STATEMENT OF OPERATIONS DATA:				
Revenues......................................	$ 9,674.2	$ 8,218.6	$ 6,529.2	$ 5,419.0

Operating income (loss)	(746.2)	(161.0)	664.0	557.1
Income (loss) from continuing operations before extraordinary items and cumulative effect of accounting change	225.6	2,045.1	780.9	1,007.7
Gain (loss) from discontinued operations(1)			335.8	(31.4)
Cumulative effect of accounting change	384.5			
Extraordinary items	(1.5)	(23.6)	(51.0)	(4.2)
Net income (loss)	608.6	2,021.5	1,065.7	972.1
BASIC EARNINGS (LOSS) FOR COMMON STOCKHOLDERS PER COMMON SHARE(2):				
Income (loss) from continuing operations before extraordinary items and cumulative effect of accounting change	$ .24	$ 2.27	$ 1.00	$ 1.34
Gain (loss) from discontinued operations(1)			.45	(.04)
Cumulative effect of accounting change	.40			
Extraordinary items		(.03)	(.07)	(.01)
Net income (loss)	$ .64	$ 2.24	$ 1.38	$ 1.29
DILUTED EARNINGS (LOSS) FOR COMMON STOCKHOLDERS PER COMMON SHARE(2):				
Income (loss) from continuing operations before extraordinary items and cumulative effect of accounting change	$ .23	$ 2.16	$ .95	$ 1.25
Gain (loss) from discontinued operations(1)			.41	(.03)
Cumulative effect of accounting change	.40			
Extraordinary items		(.03)	(.06)	(.01)
Net income (loss)	$ .63	$ 2.13	$ 1.30	$ 1.21
Cash dividends declared per common share(2)				$ .0467
BALANCE SHEET DATA (AT END OF PERIOD):				
Total assets	$38,131.8	$35,744.5	$28,685.6	$14,710.5
Working capital	1,419.5	1,670.9	4,771.6	2,497.0
Long-term debt(3)	11,741.6	10,517.4	8,707.2	5,464.2
Total debt(3)	12,201.8	10,811.3	9,224.7	5,577.7
Stockholders' equity	14,473.0	14,086.4	10,341.3	3,815.3

	YEAR ENDED DECEMBER 31,			
	2001	2000	1999	1998
		(UNAUDITED) (DOLLARS IN MILLIONS, EXCEPT PER SHARE D		
Debt ratio(4)	45.7%	43.4%	47.1%	59.4%
SUPPLEMENTARY FINANCIAL DATA:				
Operating income before depreciation and amortization(5)	2,701.8	$ 2,470.3	$ 1,880.0	$ 1,496.7
Net cash provided by (used in)(6)				
Operating activities	1,229.5	1,219.3	1,249.4	1,067.7
Financing activities	1,476.3	(271.4)	1,341.4	809.2
Investing activities	(3,007.3)	(1,218.6)	(2,539.3)	(1,415.3)

Capital expenditures	2,181.7	1,636.8	893.8	898.9

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(1) In July 1999, Comcast sold Comcast Cellular Corporation to SBC Communications, Inc. Comcast Cellular is presented as a discontinued operation for all periods presented.

(2) Adjusted for Comcast's two-for-one stock split in the form of a 100% stock dividend in May 1999.

(3) Includes a $666.0 million adjustment to carrying value at December 31, 1999.

(4) Debt ratio reflects debt from continuing operations as a percent of capital (debt plus stockholders' equity).

(5) Operating income before depreciation and amortization is commonly referred to in Comcast's businesses as "operating cash flow." Operating cash flow is a measure of a company's ability to generate cash to service its obligations, including debt service obligations, and to finance capital and other expenditures. In part due to the capital intensive nature of Comcast's businesses and the resulting significant level of non-cash depreciation and amortization expense, operating cash flow is frequently used as one of the bases for comparing businesses in Comcast's industries, although Comcast's measure of operating cash flow may not be comparable to similarly titled measures of other companies. Operating cash flow is the primary basis used by Comcast's management to measure the operating performance of its businesses. Operating cash flow does not purport to represent net income or net cash provided by operating activities, as those terms are defined under generally accepted accounting principles, and should not be considered as an alternative to those measurements as an indicator of Comcast's performance.

(6) This represents net cash provided by (used in) operating activities, financing activities and investing activities as presented in Comcast's consolidated statement of cash flows.

SELECTED FINANCIAL DATA OF AT&T CORP. AND SUBSIDIARIES

The consolidated income statement data below for the three years ended December 31, 2001, and the consolidated balance sheet data at December 31, 2001 and 2000, were derived from audited consolidated financial statements. The remaining data was derived from AT&T's unaudited consolidated financial statements.

	FOR THE YEARS ENDED DECEMBER 31			
	2001	2000(1)	1999(2)	1998
			(UNAUDITED)	
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE			
RESULTS OF OPERATIONS AND EARNINGS PER SHARE:				
Revenue	$ 52,550	$ 55,533	$ 54,973	$ 47,817

Operating income	3,754	4,228	11,458	7,632
(Loss) income from continuing operations before cumulative effect of accounting change	(6,842)	4,133	3,861	5,052
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE:				
AT&T Common Stock Group:				
(Loss) income	(4,131)	2,645	5,883	5,052
(Loss) earnings per basic share	(1.33)	0.76	1.91	1.89
(Loss) earnings per diluted share	(1.33)	0.75	1.87	1.87
Dividends declared per share	0.15	0.6975	0.88	0.88
Liberty Media Group(3):				
(Loss) income	(2,711)	1,488	(2,022)	--
(Loss) earnings per basic and diluted share	(1.05)	0.58	(0.80)	--
ASSETS AND CAPITAL:				
Property, plant and equipment, net	$ 41,322	$ 41,269	$ 33,366	$ 21,780
Total assets -- continuing operations	165,282	207,136	146,094	40,134
Total assets	165,282	234,360	163,457	54,185
Long-term debt	40,527	33,089	23,214	5,555
Total debt	53,485	64,927	35,694	6,638
Mandatorily redeemable preferred securities	2,400	2,380	1,626	--
Shareowners' equity	51,680	103,198	78,927	25,522
Debt ratio(4)	47.7%	57.2%	54.3%	36.7
Gross capital expenditures	8,388	10,462	11,194	6,871

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(1) AT&T Common Stock Group continuing operations results exclude Liberty Media Group (LMG). In addition, on June 15, 2000, AT&T completed the acquisition of MediaOne Group, Inc.

(2) In connection with the March 9, 1999 merger with Tele-Communications, Inc., AT&T issued separate tracking stock for LMG. LMG was accounted for as an equity investment prior to its split-off from AT&T on August 10, 2001.

(3) No dividends have been declared for LMG tracking stocks.

(4) Debt ratio reflects debt from continuing operations as a percent of total capital (debt plus equity, excluding LMG and AT&T Wireless Group). For purposes of this calculation, equity includes convertible quarterly trust preferred securities as well as redeemable preferred stock of subsidiary.

SELECTED FINANCIAL DATA OF AT&T BROADBAND GROUP

Presented in the table below is selected historical financial data of AT&T Broadband Group. AT&T Broadband Group is an integrated business of AT&T and not a stand-alone entity. AT&T Broadband Group represents the assets, liabilities and businesses that AT&T will assign and transfer to AT&T Broadband Corp., a newly formed holding company for AT&T's broadband business, in connection with the AT&T Comcast transaction. AT&T Broadband Group consists primarily of the assets, liabilities and business of AT&T Broadband, LLC (formerly TCI), acquired by AT&T on March 9, 1999, and MediaOne Group, Inc., acquired by AT&T on June 15, 2000.

The combined income statement data for the years ended December 31, 2001 and 2000 and the ten months ended December 31, 1999 and the combined balance sheet data at December 31, 2001 and 2000 were derived from the audited combined financial statements of AT&T Broadband Group. The remaining data was derived from unaudited combined financial statements.

The financial data presented below is not necessarily comparable from period to period as a result of several transactions, including the acquisition and dispositions of cable systems, primarily the TCI and MediaOne acquisitions. For this and other reasons, you should read the selected historical financial data provided below in conjunction with the combined financial statements and accompanying notes beginning on page XII-78 and the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page VI-1.

	YEAR ENDED DECEMBER 31,		TEN EN DECEM
	2001	2000(1)	199
	(UNAUDITED) (DOLLARS IN MILLIONS)		
INCOME STATEMENT DATA:			
Revenue..	$ 10,132	$ 8,445	$ 5
Operating loss...	(4,183)	(8,656)	(1
Loss before cumulative effect of accounting change..........	(4,171)	(5,370)	(2
BALANCE SHEET DATA:			
Total assets...	$103,187	$117,534	$58
Total debt...	$ 23,285	$ 28,420	$14
Minority interest......................................	$ 3,302	$ 4,421	$ 2
Company-Obligated Convertible Quarterly Income Preferred Securities..	$ 4,720	$ 4,710	$ 4

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(1) Effective June 15, 2000, AT&T acquired MediaOne Group, Inc. which is attributed to AT&T Broadband Group. The acquisition was accounted for under the purchase method of accounting.

(2) Effective March 1, 1999, AT&T acquired TCI which is attributed to AT&T Broadband Group. The acquisition was accounted for under the purchase method of accounting.

SELECTED PRO FORMA FINANCIAL DATA

This information is only a summary and you should read it together with the financial information we included elsewhere in this document.

AT&T COMCAST

The following unaudited pro forma combined condensed financial data set forth below for AT&T Comcast gives effect to the AT&T Comcast transaction, as if such transaction had been completed on January 1, 2001 for income statement purposes and at December 31, 2001 for balance sheet purposes. The unaudited selected pro forma financial data does not necessarily represent what AT&T Comcast's financial position or results of operations would have been had the AT&T Comcast transaction occurred on such dates.

We have included detailed unaudited pro forma combined condensed financial statements in Chapter 3 of this document.

SUMMARY PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION
(Unaudited)
(Dollars in Millions, Except Per Share Amounts)

	AT OR FOR THE YEAR ENDED DECEMBER 31, 2001
INCOME STATEMENT DATA:	
Revenues	$ 19,697.3
Operating loss	$ (3,069.8)
Loss before extraordinary items and cumulative effect of accounting change	$ (3,026.4)
Weighted average AT&T Comcast common shares outstanding-basic	2,248.4
Loss per AT&T Comcast common share	$ (1.35)
BALANCE SHEET DATA:	
Total assets	$140,774.9
Long-term debt, less current portion	$ 31,528.6
Total stockholders' equity	$ 61,741.8

SELECTED PRO FORMA FINANCIAL DATA

AT&T

The unaudited pro forma combined condensed financial data set forth below for AT&T give effect to:

- the Liberty Media Group distribution

- the AT&T Broadband Group distribution

as if such events had been completed on January 1, 1999 for income statement purposes, and at December 31, 2001 for balance sheet purposes. Since Liberty Media Group was split-off from AT&T on August 10, 2001, no balance sheet pro forma adjustments were made for Liberty Media Group. The unaudited selected pro forma financial information does not necessarily represent what AT&T's financial position or results of operations would have been had the AT&T Broadband distribution or the Liberty Media Group distribution occurred on such dates.

We have included detailed unaudited pro forma financial statements in Chapter 12 of this document.

SUMMARY PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION
(Unaudited)

(Dollars in Millions, Except Per Share Amounts)

	AT AND FOR THE YEARS ENDED DECEMBER 31,		
	2001	2000	1999
INCOME STATEMENT DATA:			
Revenue	$42,665	$47,204	$49,925
Operating income	7,937	12,884	12,635
(Loss) income from continuing operations -- attributable to AT&T common stock group	(3,475)	3,903	3,450
Weighted average AT&T common shares -- basic	3,695	3,526	3,115
(Loss) earnings per AT&T common share -- basic(1)	(0.94)	1.11	1.11
Weighted average AT&T common shares -- diluted	3,695	3,545	3,152
(Loss) earnings per AT&T common share -- diluted(1)	(0.94)	1.10	1.09
Cash dividends declared per AT&T common share	$ 0.15	$0.6975	$ 0.88
BALANCE SHEET DATA:			
Total assets	$62,257		
Long-term debt	24,025		
Total shareowners' equity	9,242		

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(1) Adjusted for the proposed one-for-five reverse stock split of AT&T common stock, (loss) earnings per basic share would have been $(4.70), $5.53 and $5.54 for the years ended December 31, 2001, 2000 and 1999, respectively. (Loss) earnings per diluted share on the same basis would have been $(4.70), $5.50 and $5.47 for the years ended December 31, 2001, 2000 and 1999, respectively.

UNAUDITED COMPARATIVE PER SHARE DATA

In the table below, we provide you with historical per share information for Comcast, pro forma per share information for AT&T Comcast and historical and pro forma equivalent per share information for AT&T Broadband Group as of and for the year ended December 31, 2001. We have assumed, for purposes of the AT&T Comcast pro forma financial information, that the AT&T Comcast transaction had been completed on January 1, 2001 for income statement purposes, and that the AT&T Comcast transaction had been completed on December 31, 2001 for balance sheet purposes. Comcast did not pay dividends during the year ended December 31, 2001; therefore no historical or pro forma equivalent per share information is presented.

At December 31, 2001, AT&T Broadband Group did not have any shares outstanding as it represents an integrated business of AT&T. As a step in the AT&T Comcast transaction, AT&T will spin off AT&T Broadband to its shareholders by distributing one share of AT&T Broadband common stock for each share of AT&T common stock, NYSE symbol "T," outstanding. The following comparative per share information assumes that 3,542 million shares of AT&T Broadband common stock were outstanding in 2001, which represents the number of shares of AT&T common stock, NYSE symbol "T," outstanding on December 31, 2001.

Assuming Comcast retains its AT&T shares and converts them into exchangeable preferred stock of AT&T as contemplated by the merger agreement, the exchange ratio would be approximately 0.35 as of the date of this document. The AT&T Broadband Group pro forma equivalent per share data presents AT&T Comcast pro forma per share data multiplied by an exchange ratio of 0.35.

It is important that when you read this information, you read it along with the financial statements and accompanying notes of Comcast, AT&T and AT&T Broadband Group incorporated by reference into this document or included elsewhere in this document. You should not rely on the unaudited pro forma financial information as an indication of the results of operations or financial position that would have been achieved if the AT&T Comcast transaction had taken place on the dates indicated or of the results of operations or financial position of AT&T Comcast after the completion of the AT&T Comcast transaction.

	COMCAST HISTORICAL	AT&T COMCAST PRO FORMA	AT&T BROADBAND GROUP HISTORICAL	AT&T BROAD GROUP PRO EQUIVALE
Book Value per common share:				
December 31, 2001..................	$ 15.31	$ 27.52	$11.90	$ 9.63
Income (loss) before extraordinary items and cumulative effect of accounting change per share -- basic for the year ended December 31, 2001............................	$ 0.24	$ (1.35)	$(1.18)	$(0.47
Income (loss) before extraordinary items and cumulative effect of accounting change per share -- diluted for the year ended December 31, 2001............................	$ 0.23	$ (1.35)	$(1.18)	$(0.47

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COMPARATIVE MARKET PRICE INFORMATION

Shares of Comcast Class A Special common stock are listed on The Nasdaq Stock Market under the symbol "CMCSK" and shares of Comcast Class A common stock are listed on The Nasdaq Stock Market under the symbol "CMCSA." The Comcast Class B common stock is not publicly traded. AT&T Broadband Group has been an integrated business of AT&T and its common stock is not publicly traded. The following table sets forth, for the periods indicated, the high and low sales prices paid per share of Comcast Class A Special common stock and Comcast Class A common stock, as furnished by The Nasdaq Stock Market, and dividends paid on such classes of common stock, as adjusted for Comcast's two-for-one stock split in the form of a 100% stock dividend in May 1999. For current price information, you should consult publicly available sources.

	COMCAST CLASS A SPECIAL COMMON STOCK	COMCAST CLASS A COMMON STOCK

CALENDAR PERIOD	HIGH	LOW	DIVIDENDS PAID	HIGH	LOW	DIVIDEND PAID
1999						
First Quarter	$38.56	$29.63	$.0117	$37.34	$28.94	$.0117
Second Quarter	42.00	29.44		39.69	28.38	
Third Quarter	41.56	32.63		38.56	29.44	
Fourth Quarter	56.50	35.69		53.13	32.06	
2000						
First Quarter	$54.56	$38.31		$51.44	$36.25	
Second Quarter	44.19	29.75		41.75	29.75	
Third Quarter	41.06	31.06		40.69	30.75	
Fourth Quarter	43.94	34.00		43.94	33.88	
2001						
First Quarter	$45.88	$38.69		$45.25	$38.06	
Second Quarter	45.50	39.50		44.75	38.88	
Third Quarter	43.30	32.51		42.70	32.79	
Fourth Quarter	40.18	35.19		40.06	34.95	
2002						
First Quarter	$37.33	$29.65		$37.13	$30.10	
Second Quarter (Through May 13)	32.36	25.65		33.75	27.14	

The following table sets forth the high and low sales prices per share of Comcast Class A Special common stock and Comcast Class A common stock, as furnished by The Nasdaq Stock Market, on July 6, 2001, the last full trading day before Comcast publicly announced its proposal to AT&T to acquire AT&T's broadband business, on December 19, 2001, the last full trading day prior to the public announcement of the AT&T Comcast transaction, and on May 13, 2002, the last full trading day for which this information could be calculated prior to the date of this document:

	COMCAST CLASS A SPECIAL COMMON STOCK		COMCAST CLASS A COMMON STOCK	
	HIGH	LOW	HIGH	LOW
July 6, 2000	$42.79	$42.08	$42.09	$41.46
December 19, 2001	39.15	37.75	39.13	37.80
May 13, 2002	29.29	28.49	31.06	30.30

RISK FACTORS

RISK FACTORS RELATING TO THE AT&T COMCAST TRANSACTION

In addition to the other information contained in or incorporated by reference in this document, you should carefully consider the following risk factors in deciding whether to vote for your transaction proposal and the AT&T Comcast charter proposal.

Merger Consideration Subject to Adjustment Only in Limited Circumstances. Upon completion of the mergers, all shares of Comcast common stock and AT&T Broadband common stock will be converted into shares of AT&T Comcast common stock. Except as described in the next paragraph, the exchange ratios applicable to the mergers are fixed, and the per share number of shares of AT&T Comcast common stock to be issued to Comcast shareholders in the Comcast merger and to AT&T Broadband shareholders in the AT&T Broadband merger will not be adjusted to reflect the economic performance of either Comcast or AT&T Broadband between the date of the execution of the merger agreement and the completion of the mergers. Accordingly, a Comcast shareholder or AT&T Broadband shareholder will not receive any additional shares of AT&T Comcast common stock in the mergers if the economic performance of its company improves relative to the economic performance of the other company between the date of the execution of the merger agreement and the completion of the mergers.

AT&T Comcast will issue up to 1.235 billion shares of AT&T Comcast common stock to holders of AT&T Broadband common stock in the AT&T Broadband merger, excluding 115 million shares to be issued to an affiliate of Microsoft in the Microsoft transaction described in this document and assuming that AT&T Comcast is not required to make any additional payments of AT&T Comcast common stock in connection with the AT&T Comcast transaction. The number of shares of AT&T Comcast common stock that AT&T Comcast will issue in the AT&T Broadband merger to each holder of AT&T Broadband common stock in exchange for each of such holder's shares of AT&T Broadband common stock (the "AT&T Broadband exchange ratio") will be calculated pursuant to the formula included in "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Calculation of the AT&T Broadband Exchange Ratio." Assuming that AT&T Comcast is not required to make any of the additional payments of AT&T Comcast common stock described herein, if the AT&T Broadband exchange ratio were determined as of the date of this document, the AT&T Broadband exchange ratio would be approximately 0.35. However, since the AT&T Broadband exchange ratio is calculated by reference to the number of shares of AT&T Broadband common stock outstanding at the completion of the AT&T Comcast transaction, the value of the employee stock options and stock appreciation rights held by current employees of AT&T Broadband and former employees of AT&T and AT&T Broadband at the completion of the AT&T Comcast transaction and the number of shares of AT&T common stock held by Comcast immediately prior to the record date for the AT&T Broadband spin-off, the exchange ratio will change if any of these variables change after the date of this document. Accordingly, holders of AT&T Broadband common stock may receive less than approximately 0.35 of a share of AT&T Comcast common stock in exchange for each of their shares of AT&T Broadband common stock in the AT&T Broadband merger. The actual exchange ratio may vary from the 0.35 estimate calculated as of the date of this document. For example, if Comcast were to sell all of its shares of AT&T common stock prior to the record date for the AT&T Broadband spin-off and if AT&T were to issue the maximum number of shares it is permitted to issue under the merger agreement, the exchange ratio, determined as of the date of this document and otherwise using then current information but giving effect to such sales and issuances, would be approximately 0.32 shares of AT&T Comcast common stock for each share of AT&T Broadband common stock.

AT&T Comcast May Fail to Realize the Anticipated Benefits of the AT&T Comcast Transaction. The AT&T Comcast transaction will combine two companies that have previously operated separately. Comcast and AT&T Broadband expect to realize cost savings and other financial and operating benefits as a result of the AT&T Comcast transaction. However, Comcast and AT&T Broadband cannot predict with certainty when these cost savings and benefits will occur, or the extent to which they actually will be achieved. There are a large number of systems that must be integrated, including management

information, purchasing, accounting and finance, sales, billing, payroll and benefits and regulatory compliance. The integration of Comcast and AT&T Broadband will also require substantial attention from management. The diversion of management attention and any difficulties associated with integrating Comcast and AT&T Broadband could have a material adverse effect on AT&T Comcast's operating results and on the value of AT&T Comcast common stock.

Regulatory Agencies May Impose Conditions on Approvals Relating to the Mergers. Before the AT&T Comcast transaction may be completed, various approvals must be obtained from, or notifications submitted to, among others, the Antitrust Division of the U.S. Department of Justice, the Federal Trade Commission, the FCC, the Internal Revenue Service and numerous state and local authorities. These governmental entities may attempt to condition their approval of the AT&T Comcast transaction, or of the transfer to AT&T Comcast of licenses and other entitlements, on the imposition of certain conditions that could have a material adverse effect on AT&T Comcast's operating results and on the value of AT&T Comcast common stock.

Comcast and AT&T have agreed to use their best efforts to obtain all regulatory approvals that are necessary or advisable in connection with the AT&T Comcast transaction. In addition, Comcast and AT&T have also agreed to take all actions necessary to obtain termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 relating to the AT&T Comcast transaction and to obtain all consents of the FCC required to complete the AT&T Comcast transaction.

AT&T Comcast Will Have to Abide by Restrictions to Preserve the Tax Treatment of the AT&T Comcast Transaction. Because of the limitations imposed by Section 355(e) of the Internal Revenue Code of 1986, as amended, or the "Code," and by the separation and distribution agreement, the ability of AT&T Comcast and AT&T Broadband to engage in certain acquisitions, redeem stock or issue equity securities will be limited for a period of 25 months following the AT&T Broadband spin-off. See "Description of the AT&T Comcast Transaction Agreements -- The Separation and Distribution Agreement -- Post-Spin-off Transactions." These restrictions may prevent AT&T Comcast from entering into transactions which might be advantageous to its shareholders, such as issuing equity securities to satisfy its financing needs or acquiring businesses or assets by issuing equity securities.

AT&T Comcast and its Subsidiaries May Not Be Able to Obtain the Necessary Financing At All or on Terms Acceptable to it. To complete the AT&T Comcast transaction, Comcast estimates it will require financing of $11 billion to $14 billion, assuming that the Microsoft transaction is completed. This financing is expected to include (1) approximately $9 billion to $10 billion to retire the intercompany debt balance which AT&T Broadband is expected to owe AT&T upon completion of the AT&T Comcast transaction, (2) approximately $1 billion to $2 billion to refinance certain AT&T Broadband debt that may be put for redemption by investors or that will mature on or soon after the completion of the AT&T Comcast transaction and (3) approximately $1 billion to $2 billion to provide appropriate cash reserves to fund the operations and capital expenditures of AT&T Broadband after completion of the AT&T Comcast transaction.

On May 3, 2002, AT&T Broadband and AT&T Comcast entered into definitive credit agreements with a syndicate of lenders, including JPMorgan Chase Bank, Citibank, N.A., Bank of America, N.A., Merrill Lynch Capital Corporation and Morgan Stanley Senior Funding, Inc. for an aggregate of approximately $12.8 billion in new indebtedness in order to satisfy these financing requirements. See "-- Description of New Credit Facilities." Comcast may also use other available sources of financing to fund its requirements, including existing cash, cash equivalents and short term investments, amounts available under Comcast subsidiaries' lines of credit, and the proceeds of sales of Comcast's and AT&T Broadband's investments.

Under the terms of the new credit agreements referred to above, the obligations of the lenders to provide the financing upon completion of the AT&T Comcast transaction are subject to a number of conditions, including the condition that AT&T Comcast obtain an investment-grade credit rating. It is possible that AT&T Comcast will not obtain an investment-grade credit rating or that other of the conditions to borrowing may not be satisfied. If the conditions to borrowing are not satisfied, and if other

sources of financing are not sufficient or available, Comcast may not be able to obtain the necessary financing. If Comcast fails to obtain the necessary financing or fails to obtain it on acceptable terms, such failure could have a material adverse effect on the business and financial condition of AT&T Comcast and its subsidiaries. If Comcast is unable to obtain the necessary financing, it may be forced to consider other alternatives to raise the necessary funds, including sales of assets. There can be no assurance that Comcast will be able to obtain the necessary financing at all or on terms acceptable to it.

AT&T Comcast and its Subsidiaries Will Have Significant Debt and Debt-like Obligations and May Not Obtain Investment-Grade Credit Ratings. After completion of the AT&T Comcast transaction, AT&T Comcast and its subsidiaries will have a significant amount of debt and debt-like obligations. Although this amount will be reduced by $5 billion if the Microsoft transaction described in this document is completed, the credit ratings of AT&T Comcast and its subsidiaries after completion of the AT&T Comcast transaction may be lower than the existing credit ratings of Comcast, AT&T's principal broadband subsidiaries and their respective subsidiaries. In addition, it is possible that neither AT&T Comcast nor any of its subsidiaries that issue debt may obtain an investment-grade credit rating. The likelihood of lower or non-investment-grade credit ratings for AT&T Comcast and its subsidiaries after completion of the AT&T Comcast transaction will be increased if the Microsoft transaction described in this document, which is not a condition to the completion of the AT&T Comcast transaction, is not completed. Differences in credit ratings would affect the interest rates charged on financings, as well as the amounts of indebtedness, types of financing structures and debt markets that may be available to AT&T Comcast and its subsidiaries. In addition, the failure of certain subsidiaries of AT&T Comcast to maintain certain credit ratings during the period that is 90 days before and after the completion of the AT&T Comcast transaction could trigger put rights on the part of holders of up to approximately $4.8 billion of debt as of the date of this document, which would require AT&T Comcast to obtain additional financing. Accordingly, a downgrade in the existing credit ratings of Comcast, AT&T's principal broadband subsidiaries and their respective subsidiaries or the failure of AT&T Comcast and its subsidiaries to obtain investment-grade credit ratings, in each case upon completion of the AT&T Comcast transaction, could have a material adverse effect on AT&T Comcast's operating results and on the value of AT&T Comcast common stock.

The Voting Power of AT&T Comcast's Principal Shareholder May Discourage Third Party Acquisitions of AT&T Comcast at a Premium. After completion of the AT&T Comcast transaction, Brian L. Roberts will have significant control over the operations of AT&T Comcast through his control of Sural LLC, which as a result of its ownership of all outstanding shares of AT&T Comcast Class B common stock will hold a nondilutable 33 1/3% of the combined voting power of AT&T Comcast stock and will also have separate approval rights over certain material transactions involving AT&T Comcast. See "Certain Legal Information -- Description of AT&T Comcast Capital Stock -- AT&T Comcast Class B Common Stock." In addition, upon completion of the AT&T Comcast transaction, Brian L. Roberts will be the CEO and President of AT&T Comcast and will, together with the Chairman of the Board of AT&T Comcast, comprise the Office of the Chairman, AT&T Comcast's principal executive deliberative body. The extent of Brian L. Roberts's control over AT&T Comcast may have the effect of discouraging offers to acquire control of AT&T Comcast and may preclude holders of AT&T Comcast common stock from receiving any premium above market price for their shares that may be offered in connection with any attempt to acquire control of AT&T Comcast.

The Historical Financial Information of AT&T Broadband Group After the AT&T Broadband Spin-off May Not Be Representative of its Results Without the Other AT&T Businesses and Therefore Is Not a Reliable Indicator of Its Historical or Future Results. AT&T Broadband Group is currently a fully integrated business unit of ATT consequently, the financial information of AT&T Broadband Group included in this document has been derived from the consolidated financial statements and accounting records of AT&T and reflects certain assumptions and allocations. The financial position, results of operations and cash flows of AT&T Broadband Group without the other AT&T businesses could differ from those that would have resulted had AT&T Broadband Group operated with the other AT&T businesses.

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Shares of AT&T Comcast Issued in the AT&T Broadband Merger May Not Be Included in the Standard & Poor's 500 Index. In the merger agreement, each of AT&T, Comcast and AT&T Comcast agreed to use its reasonable best efforts to have the shares issued to holders of AT&T Broadband common stock in the AT&T Broadband merger included in the Standard & Poor's 500 Index. However, the decision as to whether or not these securities are included in the index will be made by Standard & Poor's, Inc. and they may decide not to include them. If these securities are not included in that index, there could be downward pressure on the trading prices of those securities. Although in some cases AT&T Comcast will issue additional shares to former shareholders of AT&T Broadband if there is a trading disparity between the shares of AT&T Comcast Class A Special common stock issued in the Comcast merger and the shares of AT&T Comcast common stock issued in the AT&T Broadband merger, the number of shares AT&T Comcast is required to issue is limited and is calculated as of a set time and as a result may not adequately compensate shareholders for any downward price pressure resulting from the failure of these securities to be included in that index. For more information, see "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Merger Consideration -- Potential Additional Payments."

If The Transaction With Microsoft Corporation Is Not Completed, AT&T Comcast May Have Significant Additional Debt and More Stringent Limitations On Its Ability To Issue Equity. The AT&T Comcast transaction is not conditioned on completion of the transaction with Microsoft Corporation described in this document. If the Microsoft transaction is not completed, as described under "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Covenants -- QUIPS Failure," AT&T Broadband will either assume AT&T's obligations to Microsoft under the trust preferred securities, or QUIPS, issued by AT&T Finance Trust I or pay AT&T an amount in cash equal to the fair market value of the QUIPS and indemnify AT&T for certain possible related liabilities. Absent selling assets or stock to pay down debt and depending on which outcome occurs, AT&T Comcast and its subsidiaries would have up to an additional $5 billion of debt upon completion of the AT&T Comcast transaction and the risks detailed in two of the preceding risk factors -- that AT&T Comcast and its subsidiaries may not be able to obtain the necessary financing at all or on terms acceptable to it and that AT&T Comcast and its subsidiaries will have significant debt and debt-like obligations and may not obtain investment-grade credit ratings -- would be significantly heightened. In addition, if the Microsoft transaction is not completed, the limitations imposed by Section 355(e) of the Code on AT&T Comcast's and AT&T Broadband's ability to issue equity that are described above would be expected to be more stringent.

Atypical Governance Arrangements May Make It More Difficult for Shareholders to Act. In connection with the AT&T Comcast transaction, AT&T Comcast will implement a number of governance arrangements that are atypical for a large, publicly held corporation. A number of these arrangements relate to the election of the AT&T Comcast Board. The term of the AT&T Comcast Board upon completion of the AT&T Comcast transaction will not expire until the 2004 annual meeting of AT&T Comcast shareholders. Since AT&T Comcast shareholders will not have the right to call special meetings of shareholders or act by written consent and AT&T Comcast directors will be able to be removed only for cause, AT&T Comcast shareholders will not be able to replace the initial AT&T Comcast Board members prior to that meeting. After the 2004 annual meeting of AT&T Comcast shareholders, AT&T Comcast directors will be elected annually. Even then, however, it will be difficult for an AT&T Comcast shareholder, other than Sural LLC or a successor entity controlled by Brian L. Roberts, to elect a slate of directors of its own choosing to the AT&T Comcast Board. Brian L. Roberts, through his control of Sural LLC or a successor entity, will hold a 33 1/3% nondilutable voting interest in AT&T Comcast stock. In addition, AT&T Comcast will adopt a shareholder rights plan upon completion of the AT&T Comcast transaction that will prevent any holder of AT&T Comcast stock, other than any holder of AT&T Comcast Class B common stock or any of such holder's affiliates, from acquiring AT&T Comcast stock representing more than 10% of AT&T Comcast's voting power without the approval of the AT&T Comcast Board.

In addition to the governance arrangements relating to the AT&T Comcast Board, Comcast and AT&T have agreed to a number of governance arrangements which will make it difficult to replace the senior management of AT&T Comcast. Upon completion of the AT&T Comcast transaction, C. Michael Armstrong, Chairman of the Board and CEO of AT&T, will be the Chairman of the Board of AT&T Comcast and Brian L. Roberts, President of Comcast, will be the CEO and President of AT&T Comcast. After the 2005 annual meeting of AT&T Comcast shareholders, Brian L. Roberts will also be the Chairman of the Board of AT&T Comcast. Prior to the sixth anniversary of the 2004 annual meeting of AT&T Comcast shareholders, unless Brian L. Roberts ceases to be Chairman of the Board or CEO of AT&T Comcast prior to such time, the Chairman of the Board and CEO of AT&T Comcast will be able to be removed only with the approval of at least 75% of the entire AT&T Comcast Board. This supermajority removal requirement will make it unlikely that C. Michael Armstrong or Brian L. Roberts will be removed from their management positions.

For a more detailed description of these and other AT&T Comcast governance arrangements that will be in effect upon completion of the AT&T Comcast transaction, see "Description of Governance Arrangements Following the AT&T Comcast Transaction."

If AT&T Shareholders and Comcast Shareholders Do Not Approve the AT&T Comcast Charter Proposal, the AT&T Comcast Transaction Will Not Be Completed. AT&T and Comcast are asking their respective shareholders to approve separately the AT&T Comcast charter proposal, including the corporate governance arrangements contained in the AT&T Comcast charter. Approval of the AT&T Comcast charter proposal is a condition to completion of the AT&T Comcast transaction. Therefore, if AT&T shareholders or Comcast shareholders do not approve the AT&T Comcast charter proposal, the AT&T Comcast transaction will not be completed. If AT&T shareholders and Comcast shareholders wish to approve the AT&T Comcast transaction, they must also approve the AT&T Comcast charter proposal.

Directors of Comcast and AT&T Have Potential Conflicts of Interest that May Have Influenced Their Recommendations. A number of directors of Comcast and AT&T who recommend that you vote in favor of the AT&T Comcast transaction have interests in the AT&T Comcast transaction that are different from, or in addition to, yours. Upon completion of the AT&T Comcast transaction, C. Michael Armstrong, Chairman of the Board and Chief Executive Officer of AT&T, will become Chairman of the Board of AT&T Comcast and Brian L. Roberts, President of Comcast, will become Chief Executive Officer and President of AT&T Comcast. As noted above, removal of these officers from their positions will require the approval of at least 75% of the entire AT&T Comcast Board. Also upon completion of the AT&T Comcast transaction, five of the existing members of each of the Comcast Board and AT&T Board will become members of the AT&T Comcast Board. Their term as directors will not expire until the 2004 annual meeting of AT&T Comcast shareholders. Furthermore, in connection with the AT&T Comcast transaction, a number of Comcast and AT&T directors will receive funding of benefits in trust, employment agreements with AT&T Comcast, acceleration of vesting of AT&T Broadband stock options and other equity-based awards and the right to continued indemnification and insurance coverage by AT&T Comcast for acts or omissions occurring prior to the AT&T Comcast transaction. These interests may have influenced these directors in making their recommendation that you vote in favor of the AT&T Comcast transaction. For a description of these interests, see "Employee Benefits Matters -- Interests of Directors and Officers in the AT&T Comcast Transaction."

AT&T Comcast Does Not Currently Intend to Pay Dividends. AT&T shareholders have historically received quarterly dividends from AT&T. AT&T Comcast does not currently intend to pay dividends after completion of the AT&T Comcast transaction.

The Absence of an Historical Trading Market Creates Uncertainty about Future Trading Prices. As AT&T and Comcast complete the AT&T Comcast transaction, shares of AT&T Comcast common stock will begin trading publicly for the first time. Until an orderly trading market for AT&T Comcast common stock develops, and after that time as well, there may be significant fluctuations in price.

Future Sales of Shares of AT&T Common Stock and AT&T Comcast Common Stock May Materially Adversely Affect Trading Prices. There are a variety of potential future transactions that could result in sales of shares of AT&T common stock before or after the completion of the AT&T Comcast transaction or of shares of AT&T Comcast common stock after the completion of the AT&T Comcast transaction. Depending on the timing and size of these sales, the trading prices of these securities could be materially adversely affected. The trading prices could also be affected by the perception that those sales might occur. Potential transactions include the following:

- Shares of substantially all the AT&T Comcast common stock issued in the AT&T Comcast transaction (including shares issued upon the exercise of any options or other equity based awards) will be freely tradeable after the completion of the AT&T Comcast transaction. See also "-- Shares of AT&T Comcast Issued in the AT&T Broadband Merger May Not Be Included in the Standard & Poor's 500 Index."

- As described under "Description of AT&T Business Services Group -- International -- AT&T Canada," AT&T currently intends to raise cash to settle a substantial portion of its AT&T Canada back end purchase requirement through the issuance of equity or equity-like securities. It is likely that AT&T will take steps to raise such funds through the issuance of these equity or equity-like securities and AT&T currently is evaluating commencing such issuance in the near future. Subject to the limitations on the number of shares that can be issued that are set forth in the merger agreement, AT&T could issue these securities at any time by use of a currently effective shelf registration statement. The maximum aggregate number of shares of AT&T common stock AT&T is permitted to issue under the merger agreement prior to the completion of the AT&T Comcast transaction pursuant to the transactions described in this bullet point and in the last bullet point is 275 million.

- Comcast currently has approximately 83.5 million shares of AT&T common stock. The merger agreement provides that these shares will not participate in the AT&T Broadband spin-off but will instead be effectively concentrated into shares of AT&T common stock after the completion of the AT&T Comcast transaction. However, as permitted by the merger agreement, Comcast may dispose of some or all of its shares of AT&T common stock before or after the shareholder meetings or before or after completion of the AT&T Comcast transaction. In addition, as described under "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Covenants -- Covenant Regarding Comcast's AT&T Stock," AT&T Comcast will be required to dispose of shares of AT&T common stock within one year of the completion of the AT&T Comcast transaction to the extent necessary so that its ownership of AT&T common stock will not exceed 5% of the outstanding shares of AT&T common stock.

- AT&T made an offer to certain active and former employees, as well as active and former non-employee directors, to relinquish certain deferred compensation benefits in exchange for a single payment to be made in shares of AT&T common stock with a value equal to 90% of the present value of such individual's future benefits. The election period has expired. As a result of this offer, AT&T is required to issue AT&T common stock with a value of approximately $220 million, subject to certain contingencies. The actual number of shares of AT&T common stock, if any, to be issued would depend on the trading prices of AT&T common stock over a specified trading period. Virtually all shares issued in connection with this offer will be freely tradeable.

Additional Risk Factors. For a description of additional risk factors, see "The AT&T Comcast Transaction -- Comcast's Reasons for the AT&T Comcast Transaction" and "The AT&T Comcast Transaction -- AT&T's Reasons for the AT&T Comcast Transaction."

RISK FACTORS FOR AT&T RELATING TO THE AT&T COMCAST TRANSACTION, INCLUDING THE PROPOSED AT&T BROADBAND SPIN-OFF

Holders of shares of AT&T common stock should also consider the following risk factors in deciding whether to vote for approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the AT&T Broadband spin-off.

The AT&T Broadband Spin-off May Materially Adversely Impact AT&T's Competitive Position. If the AT&T Comcast transaction is completed, AT&T and AT&T Comcast will compete in some markets. Competition between AT&T's and AT&T Comcast's business units in overlapping markets, including consumer markets where cable, telephone and digital subscriber lines, or DSL, solutions may be available at the same time, could result in material downward price pressure on product or service offerings which could materially adversely impact the companies. In addition, any incremental costs associated with operating as separate entities may materially adversely affect the different businesses and companies and their competitive positions. Synergies resulting from cooperation and joint ownership among AT&T's businesses may be lost due to the proposed transactions.

AT&T Will Have to Abide By Potentially Significant Restrictions to Preserve the Tax Treatment of the AT&T Comcast Transaction. Because of the restrictions imposed by Section 355(e) of the Code and by the separation and distribution agreement, the ability of AT&T to engage in certain acquisitions, redeem stock or issue equity securities will be limited for a period of 25 months following the AT&T Broadband spin-off. These restrictions may prevent AT&T from entering into transactions which might be advantageous to its shareholders, such as issuing equity securities to satisfy its financing needs or acquiring businesses or assets by issuing equity securities.

The AT&T Comcast Transaction is Conditioned on AT&T Obtaining Consents Under a Substantial Amount of Indebtedness, Which May Involve Material Costs and May Be Difficult to Complete. The AT&T Comcast transaction is conditioned on AT&T's obtaining Note Consents, as described below, or having defeased, purchased, retired or acquired debt, in respect of series representing at least 90% in aggregate principal amount of the securities issued under the AT&T indenture, dated September 7, 1990, and outstanding as of December 19, 2001. At December 19, 2001, there was approximately $12.7 billion in aggregate principal amount of debt issued under that indenture. "Note Consent" means, with respect to any series of securities issued under the indenture, the consent to the transactions contemplated by the separation and distribution agreement of holders of at least a majority in aggregate principal amount of such series to the AT&T Broadband spin-off. AT&T may seek to obtain these consents through a variety of measures. Although AT&T Comcast has agreed to bear a portion of the related costs, the consent process and any related transaction may result in increased costs for, and additional covenants imposed upon, AT&T. In addition, the consent process itself involves a number of uncertainties and AT&T may not be able to complete it on a timely basis on commercially reasonable terms. AT&T and Comcast are exploring a variety of alternatives to satisfy this condition, including the possibility of offering to exchange new bonds of AT&T Broadband for one or more series of AT&T's existing long-term debt. To the extent any bonds were so exchanged, there would be an appropriate reduction in the amount of intercompany indebtedness AT&T Broadband would be required to repay to AT&T at the closing.

AT&T and Comcast could mutually agree to waive this condition with respect to all or any portion of any indebtedness for which consents are not obtained. In the event that AT&T and Comcast elect to waive the condition with respect to any portion of this indebtedness, if bondholders were to assert successfully that completing the AT&T Broadband spin-off requires their consent, AT&T would be required to refinance the indebtedness. Depending on the amount of such indebtedness, market conditions and other factors, this could have a material adverse effect on AT&T and its financial condition.

If the AT&T Comcast Transaction is Completed, AT&T Will Need to Obtain Financing on a Stand-Alone Basis Which May Involve Costs. Following the AT&T Comcast transaction, AT&T will have to raise financing with the support of a reduced pool of less diversified assets, and AT&T may not be able to secure adequate debt or equity financing on desirable terms. The cost to AT&T of financing without AT&T Broadband Group may be materially higher than the cost of financing with AT&T Broadband Group as part of AT&T.

AT&T's current long-term/short-term debt ratings are A-3/P-2 by Moody's, BBB+/A-2 by Standard & Poor's, and A-/F-2 by Fitch. All long-term ratings are under further review for further downgrade. The short-term ratings are not under review. The credit rating of AT&T following the AT&T Comcast transaction may be different than the historical ratings of AT&T and different from what it

would be without the AT&T Comcast transaction. Differences in credit ratings affect the interest rate charged on financings, as well as the amounts of indebtedness, types of financing structures and debt markets that may be available to AT&T following the AT&T Comcast transaction. AT&T may not be able to raise the capital it requires on favorable terms following the AT&T Comcast transaction.

The Historical Financial Information of AT&T Excluding AT&T Broadband Group May Not Be Representative of its Results Without AT&T Broadband Group and therefore is Not a Reliable Indicator of its Historical or Future Results. AT&T currently includes AT&T Broadband Group as a fully integrated business unit of ATT consequently the financial information of AT&T without AT&T Broadband Group included in this document has been derived from the consolidated financial statements and accounting records of AT&T and reflects certain assumptions and allocations. The financial position, results of operations and cash flows of AT&T without AT&T Broadband Group could differ from those that would have resulted had AT&T operated without AT&T Broadband Group or as an entity independent of AT&T Broadband Group.

AT&T Could Incur Material U.S. Federal Income Tax Liabilities in Connection with the AT&T Comcast Transaction. AT&T may incur material U.S. federal income tax liabilities as a result of certain issuances of shares or change of control transactions with respect to AT&T Comcast, Liberty Media Corporation or AT&T Wireless Services, Inc. Under Section 355(e) of the Code, a split-off/spin-off that is otherwise tax free may be taxable to the distributing company (i.e., AT&T) if, as a result of certain transactions occurring generally within a two-year period after the split-off/spin-off, non-historic shareholders acquire 50% or more of the distributing company or the spun-off company. It is possible that transactions with respect to AT&T could cause all three split-offs or spin-offs to be taxable to AT&T.

Under separate intercompany agreements between AT&T and each of Liberty Media Corporation, AT&T Wireless and AT&T Broadband Corp., AT&T generally will be entitled to indemnification from the spun-off company for any tax liability that results from the split-off or spin-off failing to qualify as a tax-free transaction, unless, in the case of AT&T Wireless and AT&T Comcast, the tax liability was caused by post split-off or spin-off transactions with respect to the stock or assets of AT&T. AT&T Comcast's indemnification obligation is generally limited to 50% of any tax liability that results from the split-off or spin-off failing to qualify as tax free, unless such liability was caused by a post split-off or spin-off transaction with respect to the stock or assets of AT&T Comcast.

If one or more of the split-offs or spin-offs were taxable to AT&T and AT&T were not indemnified for this tax liability, the liability could have a material adverse effect on AT&T. To the extent AT&T is entitled to an indemnity with respect to the tax liability, AT&T would be required to collect the claim on an unsecured basis. In addition, there may be other tax costs incurred as a result of the AT&T Broadband spin-off. If incurred, these costs could be significant to AT&T and AT&T Broadband.

The Total Value of the Securities Following the AT&T Comcast Transaction Might be Less Than the Value of AT&T Common Stock Without the AT&T Comcast Transaction. If AT&T completes the AT&T Comcast transaction, holders of AT&T common stock that do not dispose of those shares of AT&T common stock eventually will own a new security -- shares of AT&T Comcast -- in addition to their shares of AT&T common stock. The aggregate value of the shares of AT&T Comcast and of the shares of AT&T common stock securities could be less than what the value of AT&T common stock would have been if the AT&T Comcast transaction were not completed. The trading price of AT&T common stock may decline as a result of the AT&T Comcast transaction or as a result of other factors.

As AT&T completes the AT&T Comcast transaction, shares of AT&T Comcast will begin trading publicly for the first time. Until orderly trading markets develop for each of these new securities, and after that time as well, there may be significant fluctuations in price.

RISK FACTORS RELATING TO THE BUSINESS OF AT&T COMCAST

Actual Financial Position and Results of Operations of AT&T Comcast May Differ Significantly and Adversely From the Pro Forma Amounts Reflected in this Document. Assuming completion of the AT&T

Comcast transaction, the actual financial position and results of operations of AT&T Comcast may differ, perhaps significantly and adversely, from the pro forma amounts reflected in the AT&T Comcast Corporation Unaudited Pro Forma Combined Condensed Financial Statements included in this document due to a variety of factors, including access to additional information, changes in value not currently identified and changes in operating results between the date of the pro forma financial data and the date on which the AT&T Comcast transaction is completed.

In addition, in many cases each of Comcast and AT&T Broadband Group has long-term agreements, in some cases with the same counterparties, for the same services and products, such as programming, billing services and interactive programming guides. Comcast and AT&T Broadband Group cannot disclose the terms of many of these contracts to each other because of confidentiality provisions included in these contracts or other legal restrictions. For this and other reasons, it is not clear, in the case of certain services and products, whether after completion of the AT&T Comcast transaction each of the existing agreements will continue to apply only to the operations to which they have historically applied or whether instead one of the two contracts will apply to the operations of both companies and the other contract will be terminated. Since these contracts often differ significantly in their terms, resolution of these contractual issues could cause the actual financial position and results of operations of AT&T Comcast to differ significantly and adversely from the pro forma amounts reflected in the AT&T Comcast Corporation Unaudited Pro Forma Combined Condensed Financial Statements included in this document.

Programming Costs Are Increasing and AT&T Comcast May Not Have the Ability to Pass These Increases on to Its Customers, Which Would Materially Adversely Affect Its Cash Flow and Operating Margins. Programming costs are expected to be AT&T Comcast's largest single expense item. In recent years, the cable and satellite video industries have experienced a rapid increase in the cost of programming, particularly sports programming. This increase is expected to continue, and AT&T Comcast may not be able to pass programming cost increases on to its customers. The inability to pass these programming cost increases on to its customers would have a material adverse impact on its cash flow and operating margins. In addition, as AT&T Comcast upgrades the channel capacity of its systems and adds programming to its basic, expanded basic and digital programming tiers, AT&T Comcast may face increased programming costs, which, in conjunction with the additional market constraints on its ability to pass programming costs on to its customers, may reduce operating margins.

AT&T Comcast also will be subject to increasing financial and other demands by broadcasters to obtain the required consent for the transmission of broadcast programming to its subscribers. Comcast and AT&T cannot predict the financial impact of these negotiations or the effect on AT&T Comcast's subscribers should AT&T Comcast be required to stop offering this programming.

AT&T Comcast Will Face a Wide Range of Competition in Areas Served by its Cable Systems, Which Could Adversely Affect its Future Results of Operations. AT&T Comcast's cable communications systems will compete with a number of different sources which provide news, information and entertainment programming to consumers. AT&T Comcast will compete directly with program distributors and other companies that use satellites, build competing cable systems in the same communities AT&T Comcast will serve or otherwise provide programming and other communications services to AT&T Comcast's subscribers and potential subscribers. In addition, federal law now allows local telephone companies to provide directly to subscribers a wide variety of services that are competitive with cable communications services. Some local telephone companies provide, or have announced plans to provide, video services within and outside their telephone service areas through a variety of methods, including broadband cable networks.

Additionally, AT&T Comcast will be subject to competition from telecommunications providers and ISPs in connection with offerings of new and advanced services, including telecommunications and Internet services. This competition may materially adversely affect AT&T Comcast's business and operations in the future.

AT&T Comcast Will Have Substantial Capital Requirements Which May Require it to Obtain Additional Financing that May Be Difficult to Obtain. AT&T Comcast Expects that its Capital

Expenditures Will Exceed, Perhaps Significantly, its Net Cash Provided by Operations, Which May Require it to Obtain Additional Financing. Failure to Obtain Necessary Financing Could Have a Material Adverse Effect on AT&T Comcast. Comcast and AT&T anticipate that AT&T Comcast will upgrade a significant portion of its broadband systems over the coming years and make other capital investments, including with respect to its advanced services. In 2002, Comcast and AT&T anticipate that AT&T Broadband and Comcast's cable division will incur capital expenditures of approximately $4.3 billion and $1.3 billion, respectively. AT&T Comcast is expected to incur substantial capital expenditures in the years following completion of the AT&T Comcast transaction. However, the actual amount of the funds required for capital expenditures cannot be determined with precision at this time. Capital expenditures are expected to be used to acquire equipment, such as set-top boxes, cable modems and telephone equipment, and to pay for installation costs for additional video and advanced services customers. In addition, capital is expected to be used to upgrade and rebuild network systems to expand bandwidth capacity and add two-way capability so that it may offer advanced services. There can be no assurance that these amounts will be sufficient to accomplish the planned system upgrades, equipment acquisitions and expansion.

Comcast and AT&T Broadband Group also have commitments under certain of their franchise agreements with local franchising authorities to upgrade and rebuild certain network systems. These commitments may require capital expenditures in order to avoid default and/or penalties.

Historically, AT&T Broadband Group's capital expenditures have significantly exceeded its net cash provided by operations. For the year ended December 31, 2001, AT&T Broadband Group's capital expenditures exceeded its net cash provided by operations by $3.5 billion. In addition, for the year ended December 31, 2001, Comcast's capital expenditures exceeded its net cash provided by operating activities by $952 million.

After completion of the AT&T Comcast transaction, AT&T and Comcast expect that for some period of time AT&T Comcast's capital expenditures will exceed, perhaps significantly, its net cash provided by operating activities. This may require AT&T Comcast to obtain additional financing. AT&T Comcast may not be able to obtain or to obtain on favorable terms the capital necessary to fund the substantial capital expenditures described above that are required by its strategy and business plan. A failure to obtain necessary capital or to obtain necessary capital on favorable terms could have a material adverse effect on AT&T Comcast and result in the delay, change or abandonment of AT&T Comcast's development or expansion plans.

Entities that Will Be Included in AT&T Comcast Are Subject to Long-Term Exclusive Agreements that May Limit Their Future Operating Flexibility and Materially Adversely Affect AT&T Comcast's Financial Results. Entities currently attributed to AT&T Broadband Group, and which will be subsidiaries of AT&T Comcast, may be subject to long-term agreements relating to significant aspects of AT&T Broadband Group's operations, including long-term agreements for video programming, audio programming, electronic program guides, billing and other services. For example, AT&T Broadband Group's predecessor, TCI, and AT&T Broadband Group's subsidiary, Satellite Services, Inc., are parties to an affiliation term sheet with Starz Encore Group, an affiliate of Liberty Media, which extends to 2022 and provides for a fixed price payment, subject to adjustment for various factors including inflation, and may require AT&T Broadband to pay two-thirds of Starz Encore Group's programming costs above levels designated in the term sheet. Satellite Services, Inc. also entered into a ten-year agreement with TV Guide in January 1999 for interactive program guide services, which designates TV Guide Interactive as the interactive programming guide for AT&T Broadband systems. Furthermore, a subsidiary of AT&T Broadband is party to an agreement that does not expire until December 31, 2012 under which it purchases certain billing services from an unaffiliated third party. The price, terms and conditions of the Starz Encore term sheet, the TV Guide agreement and the billing agreement may not reflect the current market and if one or more of these arrangements continue to apply to AT&T Broadband after completion of the AT&T Comcast transaction, they may materially adversely impact the financial performance of AT&T Comcast.

By letter dated May 29, 2001, AT&T Broadband Group disputed the enforceability of the excess programming pass through provisions of the Starz Encore term sheet and questioned the validity of the term sheet as a whole. AT&T Broadband Group also has raised certain issues concerning the uncertainty of the provisions of the term sheet and the contractual interpretation and application of certain of its provisions to, among other things, the acquisition and disposition of cable systems. In July 2001, Starz Encore Group filed suit seeking payment of the 2001 excess programming costs and a declaration that the term sheet is a binding and enforceable contract. In October 2001, AT&T Broadband Group and Starz Encore Group agreed to stay the litigation until August 31, 2002 to allow the parties time to continue negotiations toward a potential business resolution of this dispute. The Court granted the stay on October 30, 2001. The terms of the stay order allow either party to petition the Court to lift the stay after April 30, 2002 and to proceed with the litigation.

On March 13, 2002, AT&T Broadband Group informed CSG Systems, Inc. that AT&T Broadband Group was considering the initiation of an arbitration against CSG relating to a Master Subscriber Management System Agreement that the two companies entered into in 1997. Pursuant to the Master Agreement, CSG provides billing support to AT&T Broadband Group. On May 10, 2002, AT&T Broadband Group filed a demand for arbitration against CSG before the American Arbitration Association. In the event that this process results in the termination of the Master Agreement, AT&T Broadband Group may incur significant costs in connection with its replacement of these billing services and may experience temporary disruptions to its operations.

AT&T Comcast Will Be Subject to Regulation by Federal, State and Local Governments Which May Impose Costs and Restrictions. The federal, state and local governments extensively regulate the cable communications industry. Comcast and AT&T expect that court actions and regulatory proceedings will refine the rights and obligations of various parties, including the government, under the Communications Act of 1934, as amended. The results of these judicial and administrative proceedings may materially affect AT&T Comcast's business operations. Local authorities grant Comcast and AT&T Broadband franchises that permit them to operate their cable systems. AT&T Comcast will have to renew or renegotiate these franchises from time to time. Local franchising authorities often demand concessions or other commitments as a condition to renewal or transfer, which concessions or other commitments could be costly to obtain.

AT&T Comcast Will Be Subject to Additional Regulatory Burdens in Connection With the Provision of Telecommunications Services, Which Could Cause It to Incur Additional Costs. AT&T Comcast will be subject to risks associated with the regulation of its telecommunications services by the FCC and state public utilities commissions, or PUCs. Telecommunications companies, including companies that have the ability to offer telephone services over the Internet, generally are subject to significant regulation. This regulation could materially adversely affect AT&T Comcast's business operations.

AT&T Comcast's Competition May Increase Because of Technological Advances and New Regulatory Requirements, Which Could Adversely Affect its Future Results of Operations. Numerous companies, including telephone companies, have introduced Digital Subscriber Line technology, known as DSL, which provides Internet access to subscribers at data transmission speeds equal to or greater than that of modems over conventional telephone lines. Comcast and AT&T expect other advances in communications technology, as well as changes in the marketplace, to occur in the future. Other new technologies and services may develop and may compete with services that cable communications systems offer. The success of these ongoing and future developments could have a negative impact on AT&T Comcast's business operations.

In addition, over the past several years, a number of companies, including telephone companies and Internet Service Providers, known as ISPs, have asked local, state, and federal governmental authorities to mandate that cable communications operators provide capacity on their broadband infrastructure so that these and others may deliver Internet and other interactive television services directly to customers over these cable facilities. Some cable operators have initiated litigation challenging municipal efforts to unilaterally impose so-called "open access" requirements. The few court decisions dealing with this issue

have been inconsistent. Moreover, in connection with their review of the AOL-Time Warner merger, the FCC and the Federal Trade Commission imposed "open access", technical performance and other requirements related to the merged company's Internet and Instant Messaging platforms. The FCC recently concluded in a regulatory proceeding initiated by it to consider "open access" and related regulatory issues that cable modem service, as it is currently offered, is properly classified as an interstate information service that is not subject to common carrier regulation but remains subject to the FCC's jurisdiction. The FCC is seeking public comment regarding the regulatory implications of this conclusion, including, among other things, whether it is appropriate to impose "open access" requirements on these services or whether consumers will be able to obtain a choice of ISPs without government intervention. A number of cable operators have reached agreements to provide unaffiliated ISPs access to their cable systems in the absence of regulatory requirements. Recently, Comcast reached an "access" agreement with United Online and AT&T Broadband reached an "access" agreement with each of EarthLink, Internet Central and Connected Data Systems. In addition, under the terms of the exchange agreement that Comcast and AT&T have executed with Microsoft, upon completion of the Microsoft transaction described in this document and the AT&T Comcast transaction, AT&T Comcast will be required, with respect to each such agreement with another ISP, to offer Microsoft an "access" agreement on terms no less favorable than those provided to the other ISP with respect to the specific cable systems covered under the agreement with the other ISP. Notwithstanding the foregoing, there can be no assurance that regulatory authorities will not impose "open access" or similar requirements on AT&T Comcast as part of the regulatory review of the AT&T Comcast transaction or as part of an industry-wide requirement. Such requirements could have a negative impact on AT&T Comcast's business operations.

AT&T Comcast, Through AT&T Broadband, Will Have Substantial Economic Interests in Joint Ventures in Which It Will Have Limited Management Rights. AT&T Broadband Group is a partner in several large joint ventures, such as Time Warner Entertainment, Texas Cable Partners and Kansas City Cable Partners, in which it has a substantial economic interest but does not have substantial control with regard to management policies or the selection of management. These joint ventures may be managed in a manner contrary to the best interests of AT&T Comcast, and the value of AT&T Comcast's investment, through AT&T Broadband, in these joint ventures may be affected by management policies that are determined without input from AT&T Comcast or over the objections of

AT&T Comcast. AT&T Broadband Group has cable partnerships with each of AOL Time Warner, Insight Communications, Adelphia Communications, Midcontinent and US Cable. Materially adverse financial or other developments with respect to a partner could adversely impact the applicable partnership.

AT&T Broadband Faces Risks Arising from its and AT&T's Relationship with At Home Corporation. Through a subsidiary, AT&T owns approximately 23% of the outstanding common stock and 74% of the voting power of the outstanding common stock of At Home Corporation, which filed for bankruptcy protection on September 28, 2001. Until October 1, 2001, AT&T appointed a majority of At Home's directors and it now appoints none.

Since September 28, 2001, some creditors of At Home have threatened to commence litigation against AT&T relating to the conduct of AT&T or its designees on the At Home Board in connection with At Home's declaration of bankruptcy and At Home's subsequent aborted efforts to dispose of some of its businesses or assets in a bankruptcy court-supervised auction, as well as in connection with other aspects of AT&T's relationship with At Home. The liability for any such lawsuits would be shared equally between AT&T and AT&T Broadband. No such lawsuits have been filed to date. However, on April 26, 2002, At Home and its creditor committees filed a motion seeking to appoint At Home's bondholders as representatives of At Home to pursue its claims against AT&T. On May 1, 2002, At Home filed a draft proposed plan of liquidation pursuant to Chapter 11 of the U.S. Bankruptcy Code, which, among other things, implements the creditor's settlement and provides that all claims and causes of action of the bankrupt estate of At Home against AT&T and other shareholders will be transferred to a liquidating trust owned ratably by the bondholders of At Home and funded with at least $12 million, and as much as $17 million, to finance the litigation of those claims. The creditor settlement calls for confirmation of the plan by July 31, 2002, and for the plan to be effective by August 30, 2002.

In addition, purported class action lawsuits have been filed in California state court on behalf of At Home shareholders against AT&T, At Home, Comcast and former directors of At Home. The lawsuits claim that the defendants breached fiduciary obligations of care, candor and loyalty in connection with a transaction announced in March 2000 in which, among other things, AT&T, Cox and Comcast agreed to extend existing distribution agreements, the At Home Board was reorganized, and AT&T agreed to give Cox and Comcast rights to sell their At Home shares to AT&T. These actions have been consolidated by the court and are subject to a stay, which the plaintiffs are seeking to have lifted. The liability for any such lawsuits would be shared equally between AT&T and AT&T Broadband.

In March 2002 a purported class action was filed in the United States District Court for the Southern District of New York against, among others, AT&T and certain of its senior officers alleging violations of the federal securities laws in connection with the disclosures made by At Home in the period from April 17, 2001 through August 28, 2001. Any liabilities resulting from this lawsuit would be shared equally between AT&T and AT&T Broadband.

RISK FACTORS RELATING TO AT&T'S CREDIT RATING

The AT&T Comcast transaction, if implemented as proposed, would result in a substantial reduction in AT&T's overall debt level. Nevertheless, the AT&T Comcast transaction may not be completed and, even if it is completed, AT&T will continue to have substantial indebtedness. As a result, AT&T shareholders should consider the following additional risk.

The Financial Condition and Prospects of AT&T and the AT&T Groups May be Materially Adversely Affected by Further Ratings Downgrades. In the fall of 2001, all of AT&T's long-term debt ratings were reduced and remain under review for further downgrade. AT&T's current long-term ratings are A3 by Moody's, BBB+ by Standard & Poor's, and A- by Fitch. In addition, all three of AT&T's short-term debt ratings were reduced in the fall of 2001, but are not under further review. These ratings are currently P-2 by Moody's, A-2 by Standard and Poor's, and F-2 by Fitch. Discussions with rating agencies are ongoing and further ratings actions could occur at any time. As a result, the cost of any new financings may be higher. Ratings downgrades by Moody's and Standard & Poor's on the $10 billion AT&T global notes issued November 2001 would also trigger an increase in the interest rate, by 25 basis points for each rating notch downgraded, on these notes. Furthermore, with additional ratings downgrades, AT&T may not have access to the commercial paper market sufficient to satisfy its short-term borrowing needs. If necessary, AT&T could access its short-term credit facilities which currently expire in December 2002 or increase its borrowings under its securitization program.

In addition, AT&T's $10 billion global offering includes provisions that would allow investors to require AT&T to repurchase the notes under certain conditions as determined at the time of notification to bondholders. These conditions include a maximum adjusted debt to EBITDA ratio (adjusted) for pro forma AT&T excluding AT&T Broadband Group of no more than 2.75 times at specified times and a minimum rating of these notes of no lower than Baa3 from Moody's and BBB- from Standard and Poor's. If the ratings are Baa3 or BBB-, the minimum rating requirement will be satisfied if the ratings are not under review for downgrade or on CreditWatch with negative implications, respectively. If AT&T is required to repurchase the notes, it may not be able to obtain sufficient financing in the timeframe required. In addition, such replacement financing may be more costly or have additional covenants than current debt.

To the extent that the combined outstanding short-term borrowings under the bank credit facilities and AT&T's commercial paper program were to exceed the market capacity for such borrowings at the expiration of the bank credit facilities, AT&T's continued liquidity would depend upon its ability to reduce such short-term debt through a combination of capital market borrowings, asset sales, operational cash generation, capital expenditure reduction and other means. AT&T's ability to achieve such objectives is subject to a risk of execution and such execution could materially impact AT&T's operational results. In addition, the cost of any capital market financing could be significantly in excess of AT&T's historical financing costs. Also, AT&T could suffer negative banking, investor, and public relations repercussions if

AT&T were to draw upon the bank facilities, which are intended to serve as a back-up source of liquidity only. Such impacts could cause further deterioration in AT&T's cost of and access to capital.

If AT&T's long term credit ratings were to be downgraded one notch by each of Moody's and Standard and Poor's, AT&T's interest expense would increase by $50 million annually on the $10 billion global offering. In addition, AT&T could incur increased costs versus those expected at current rating levels in the renewal of its credit facility and refinancings of approximately $5 billion of debt over the next year. Assuming current market conditions and assumptions regarding the type of financing available, the additional annualized cost increases could approximate $100 million. Therefore, in total, a one notch downgrade in AT&T's long term credit ratings could increase the annualized interest expense by approximately $150 million. In addition, interest expense could be higher in subsequent periods than it otherwise would have been as additional maturing debt is replaced by debt with higher interest rate spreads due to the lower credit ratings.

AT&T currently has an $8 billion 364-day term bank facility that expires December 2002. This facility provides that AT&T will not spin off AT&T Broadband unless after giving effect thereto AT&T's public debt rating for its long-term senior debt is at least BBB+ by Standard & Poor's and Baa1 by Moody's and certain other financial conditions are met. At this time, AT&T has not utilized this facility. If AT&T does not satisfy these tests at the time, AT&T would be required to replace or renegotiate the facility.

RISK FACTORS RELATING TO AT&T CONSUMER SERVICES GROUP TRACKING STOCK

Holders of shares of AT&T common stock should consider the following risk factors in deciding whether to vote for approval of the AT&T Consumer Services Group tracking stock proposal, which factors would arise if the AT&T Board elected to issue AT&T Consumer Services Group tracking stock.

The Market Price of AT&T Consumer Services Group Tracking Stock May Not Reflect the Financial Performance and Economic Value of AT&T Consumer Services Group as Intended and May Not Effectively Track the Separate Performance of AT&T Consumer Services Group. The market price of AT&T Consumer Services Group tracking stock may not in fact reflect the financial performance and economic value of AT&T Consumer Services Group as intended. Holders of AT&T Consumer Services Group tracking stock will continue to be common shareholders of AT&T, and, as such, will be subject to all risks associated with an investment in AT&T and all of its businesses, assets and liabilities. The performance of AT&T as a whole may affect the market price of AT&T Consumer Services Group tracking stock or the market price could more independently reflect the performance of the business of AT&T Consumer Services Group. Investors may discount the value of AT&T Consumer Services Group tracking stock because it is part of a common enterprise with the rest of the operations of AT&T rather than a stand-alone entity.

The Combined Market Prices of AT&T Common Stock and AT&T Consumer Services Group Tracking Stock May Not Equal or Exceed the Market Price of AT&T Common Stock Before the Distribution of AT&T Consumer Services Group Tracking Stock; No Market Currently Exists for AT&T Consumer Services Group Tracking Stock. Investors may not assign values to AT&T common stock or AT&T Consumer Services Group tracking stock based on the reported financial results and prospects of the AT&T groups or the dividend policies established by the AT&T Board with respect to that class of AT&T common stock.

Because there has been no prior market for AT&T Consumer Services Group tracking stock, there can be no assurances as to how AT&T Consumer Services Group tracking stock will trade or if an active market for AT&T Consumer Services Group tracking stock will be maintained. In addition, AT&T does not expect that shares of AT&T Consumer Services Group tracking stock will be included in the Standard & Poor's 500 Index. The failure to be included in that index could have an adverse effect on the market price of the shares. In addition, AT&T cannot predict the market impact of some of the terms of AT&T Consumer Services Group tracking stock, such as:

- the relative voting rights of AT&T common stock and AT&T Consumer Services Group tracking stock, and

- the discretion of the AT&T Board to make determinations affecting AT&T Consumer Services Group tracking stock.

The AT&T Board Has the Flexibility to Treat AT&T Consumer Services Group Tracking Stock a Number of Different Ways in the Event of a Future Merger or Other Transaction Involving ATT the AT&T Board is Under No Obligation to Select the Alternative that will Treat Holders Most Favorably.

The terms of AT&T Consumer Services Group tracking stock provide the AT&T Board considerable flexibility in the event of a future merger or other transaction involving AT&T. For example, depending on the circumstances, the AT&T Board could, without the approval of holders of AT&T Consumer Services Group tracking stock:

- exercise its right to redeem the shares of AT&T Consumer Services Group tracking stock for shares of AT&T common stock at a 10% premium;

- roll over the shares of AT&T Consumer Services Group tracking stock into a comparable tracking stock of a new entity;

- redeem the shares of AT&T Consumer Services Group tracking stock in connection with a tax-free spin-off of AT&T Consumer Services Group; or

- redeem all or a portion of the shares of AT&T Consumer Services Group tracking stock in exchange for the net after-tax proceeds of a disposition of AT&T Consumer Services Group.

Holders of the shares of AT&T Consumer Services Group tracking stock could receive consideration with very different values under each of the alternatives. It is also possible that a particular alternative may not be available in connection with a specific transaction. For example, AT&T may not be able to structure a spin-off of AT&T Consumer Services Group on a tax-free basis at a particular time.

In selecting an alternative, the AT&T Board will make its determination based on what is in the best interests of all shareholders of AT&T as a whole. The AT&T Board has no duty to select the alternative that will result in the best economic treatment for holders of the shares of AT&T Consumer Services Group tracking stock. For example, the selection of an alternative may depend on whether it is advisable for AT&T to dispose of AT&T Consumer Services Group in connection with a particular transaction. The terms of AT&T Consumer Services Group tracking stock provide that to the extent permitted by law neither holders of the shares of AT&T Consumer Services Group tracking stock nor holders of any other class of common stock of AT&T will have any claim based on which alternative the AT&T Board selects.

The Complex Nature of the Terms of AT&T Consumer Services Group Tracking Stock, or Confusion in the Marketplace About What a Tracking Stock is, Could Materially Adversely Affect the Market Prices of AT&T Consumer Services Group Tracking Stock. Tracking stocks, like AT&T Consumer Services Group tracking stock, are more complex than traditional common stock, and are not directly or entirely comparable to common stock of companies that have been spun off by their parent companies. The complex nature of the terms of AT&T Consumer Services Group tracking stock, and the potential difficulties investors may have in understanding these terms, may materially adversely affect the market price of AT&T Consumer Services Group tracking stock. Examples of these terms include:

- the discretion of the AT&T Board to make determinations affecting AT&T Consumer Services Group tracking stock,

- AT&T's rights in the event of a proposed spin-off or disposition of substantially all the assets of AT&T Consumer Services Group,

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- the ability of AT&T to roll AT&T Consumer Services Group tracking stock over into a tracking stock of a new entity in the event of a merger or other business combination, or

- the ability of AT&T to convert shares of AT&T Consumer Services Group tracking stock into shares of AT&T common stock.

Confusion in the marketplace about what a tracking stock is and what it is intended to represent, and/or investors' reluctance to invest in tracking stocks, also could materially adversely affect the market price of AT&T Consumer Services Group tracking stock.

Holders of AT&T Common Stock and AT&T Consumer Services Group Tracking Stock Will Be Shareholders of One Company and, Therefore, Financial Impacts on One AT&T Group Could Adversely Affect the Other AT&T Group. Holders of AT&T common stock and AT&T Consumer Services Group tracking stock all will be common shareholders of AT&T. As such, they will be subject to various risks associated with an investment in a single company and all of AT&T's businesses, assets and liabilities. Financial effects arising from one AT&T group that affect AT&T's consolidated results of operations or financial condition could, if significant, affect the combined results of operations or financial position of the other AT&T group or the market price of the class of common shares relating to the other AT&T group.

In addition, if AT&T or any of its subsidiaries were to incur significant indebtedness on behalf of an AT&T group, including indebtedness incurred or assumed in connection with an acquisition or investment, it could affect the credit rating of AT&T and its subsidiaries. This, in turn, could increase the borrowing costs of the other AT&T group and AT&T as a whole. Net losses of either AT&T group and dividends or distributions on shares of any class of common or preferred stock will reduce the funds of AT&T legally available for payment of future dividends on each of AT&T common stock and AT&T Consumer Services Group tracking stock. For these reasons, you should read AT&T's consolidated financial information together with the financial information of AT&T Consumer Services Group.

Holders of AT&T Consumer Services Group Tracking Stock will have Limited Shareholder Rights, and Will Have No Additional Rights Specific to AT&T Consumer Services Group, Including Direct Voting Rights. These Shareholders Will Have Very Limited, if Any, Control Rights. Holders of AT&T Consumer Services Group tracking stock will not have any direct voting rights in AT&T Consumer Services Group, except to the extent required under AT&T's charter or by New York law. AT&T will not hold separate meetings for holders of AT&T Consumer Services Group tracking stock. When a vote is taken on any matter as to which all of AT&T's common shares are voting together as one class, any class or series of AT&T's common shares that is entitled to more than the number of votes required to approve the matter being voted upon will be in a position to control the outcome of the vote on that matter.

Each share of AT&T common stock has one vote per share. Each share of AT&T Consumer Services Group tracking stock will initially have one vote per share.

If AT&T completes the AT&T Broadband spin-off or otherwise distributes one or more entities holding all or substantially all of the assets of its Broadband business to its securityholders, each share of AT&T Consumer Services Group tracking stock will initially have 2.5 votes per share. If the reverse stock split proposal is approved and implemented, the AT&T Consumer Services Group tracking stock would have .2 of a vote per share if the Broadband separation is not completed or .5 of a vote per share if the Broadband separation is completed.

Holders of AT&T Consumer Services Group Tracking Stock May Have Potentially Diverging Interests from Holders of Other Classes of AT&T Capital Stock, and AT&T Board Decisions Could Affect These Holders Disparately and Adversely. The existence of separate classes of AT&T common stock could give rise to occasions when the interests of holders of AT&T common stock and holders of AT&T Consumer Services Group tracking stock diverge, conflict or appear to diverge or conflict. Examples include determinations by the AT&T Board to:

- set priorities for use of capital and debt capacity, including by loaning the cash flow of AT&T Consumer Services Group to AT&T Business Services Group, making it currently unavailable to support the growth and operations of AT&T Consumer Services Group,

- pay or omit the payments of dividends on AT&T common stock or AT&T Consumer Services Group tracking stock,

- approve dispositions of assets attributed to either AT&T group,

- formulate public policy positions for AT&T,

- establish material commercial relationships between the AT&T groups,

- make operational, financial and purchasing decisions with respect to one AT&T group that could be considered to be detrimental to the other AT&T group, and

- take positions on public policy or regulatory matters that benefit one AT&T group more than the other AT&T group or that have disproportionate impacts on the individual groups.

In addition, a percentage of AT&T's contingent liabilities that do not primarily relate to the business, assets and liabilities of either AT&T Consumer Services Group or AT&T's other businesses will be allocated to AT&T Consumer Services Group. The AT&T Board will establish that percentage in its sole discretion prior to the initial issuance of any shares of AT&T Consumer Services Group tracking stock. This percentage may differ in the case of different categories of contingent liabilities.

A Decision by the AT&T Board to Dispose of Assets Attributed to AT&T Consumer Services Group Could have a Material Adverse Impact on the Trading Price of AT&T Consumer Services Group Tracking Stock. Assuming AT&T Consumer Services Group's assets at the applicable time continue to represent less than substantially all of the assets of AT&T as a whole, the AT&T Board could, in its sole discretion and without shareholder approval, approve sales and other dispositions of all or any portion of the assets of AT&T Consumer Services Group.

In the event of a disposition of all or substantially all of the properties and assets attributed to AT&T Consumer Services Group, generally defined as 80% or more of the fair value of AT&T Consumer Services Group, with several exceptions, AT&T will be required under AT&T's charter to:

- convert each outstanding share of the affected tracking stock into shares of AT&T common stock at a 10% premium, or

- distribute cash and/or securities, other than AT&T common stock, or other property equal to the fair value of the net after-tax proceeds from that disposition allocable to AT&T Consumer Services Group tracking stock, or

- take a combination of the actions described in the preceding bullet points.

If a disposition of this type occurs, since holders may only receive an amount determined by reference to net after-tax proceeds, the disposition could have a material adverse impact on AT&T Consumer Services Group tracking stock.

The AT&T Board is not required to select the option that would result in the distribution with the highest value to holders of AT&T Consumer Services Group tracking stock.

In addition, under New York law, the AT&T Board could decline to dispose of AT&T Consumer Services Group assets, even if a majority of holders of AT&T Consumer Services Group tracking stock request this disposition.

AT&T May Make Operational and Financial Decisions that Benefit One AT&T Group More than the Other AT&T Group. The AT&T Board could, in its sole discretion, from time to time, make operational and financial decisions or implement policies that affect disproportionately the businesses of either AT&T group. These decisions could include:

- allocation of financing opportunities in the public markets or the refinancing of existing indebtedness,

- allocation of business opportunities, resources and personnel,

- loans or other transfers of funds from one group to the other,

- transfers of services or assets between the AT&T groups and other inter-group transactions, and

- purchasing decisions

that, in each case, may be suitable for one or both of the AT&T groups. Any of these decisions may benefit one AT&T group more than the other AT&T group. For example, the decision to obtain funds for one AT&T group may materially adversely affect the ability of the other AT&T group to obtain funds sufficient to implement its growth strategies or may increase the cost of those funds.

In addition, AT&T Consumer Services Group is subject to AT&T's existing agreements or arrangements with third parties. These agreements or arrangements currently may benefit both AT&T groups, as in the case of purchasing arrangements, or may have the effect of limiting or impairing the AT&T groups' respective business opportunities.

All of these decisions will be made by the AT&T Board in its good faith business judgment, and in accordance with procedures and policies adopted by the AT&T Board from time to time, including the AT&T Groups policy statement described under "AT&T Consumer Services Group Tracking Stock -- Relationship between the AT&T Groups -- The AT&T Groups Policy Statement."

The AT&T Board Will Have the Ability to Control Loans and Asset Transfers between the AT&T Groups, and These Transactions May Have an Adverse Impact on the Holders of AT&T Consumer Services Group Tracking Stock. The AT&T Board may decide to transfer funds or other assets between AT&T groups. Transfers of assets among the AT&T groups that the AT&T Board designates as an equity contribution or repayment will result in a change in AT&T's retained portion of the value of AT&T Consumer Services Group. Any change in the retained portion of the value of AT&T Consumer Services Group would be determined by reference to the then-current market value of AT&T Consumer Services Group tracking stock as determined by the AT&T Board. This increase or decrease, however, could occur at a time when AT&T Consumer Services Group tracking stock is considered undervalued or overvalued.

Under the AT&T Groups policy statement, the AT&T groups may make loans to each other at interest rates and on terms and conditions substantially equivalent to the interest rates and terms and conditions that the AT&T groups would be able to obtain from third parties without the benefit of support or guarantee by AT&T. The actual rates of interest charged or paid by either of the AT&T groups in the future is uncertain and will depend on a variety of factors, including the credit profile of the AT&T group and market conditions. As a result, future interest rates charged or paid by either of the AT&T groups may materially exceed those reflected in the financial statements included elsewhere in this document.

The AT&T Board May Change the AT&T Groups Policy Statement or Bylaw Amendment Related to the AT&T Groups without Shareholder Approval. The AT&T Board intends to adopt the AT&T Groups policy statement described in this document to govern the relationship between AT&T groups and to amend AT&T's bylaws to create the AT&T Groups capital stock committee that will oversee the interaction between the AT&T groups. The AT&T Board may supplement, modify, suspend or rescind the policies set forth in the AT&T Groups policy statement or related bylaw amendment, or make additions or exceptions to them, in the sole discretion of the AT&T Board, without approval of AT&T shareholders, although there is no present intention to do so. The AT&T Board would make any of these determinations, including any decision that would have disparate impacts upon holders of AT&T common stock and AT&T Consumer Services Group tracking stock, in a manner consistent with its fiduciary duties to AT&T and all of its common shareholders as a whole. See "-- The fiduciary duties of the AT&T Board to more than one class of common stock are not clear under New York law" for more information regarding the AT&T Board's fiduciary duties to AT&T shareholders. See "AT&T Consumer Services Group Tracking Stock -- Relationship between the AT&T Groups" for a description of the AT&T Groups policy statement and bylaw amendment.

It Will Likely Not Be Possible for a Third Party to Acquire AT&T Consumer Services Group without AT&T's Consent Even if the Holders of the AT&T Consumer Services Group Tracking Stock Desired to

Sell. If AT&T Consumer Services Group were an independent entity, any person interested in acquiring that entity without negotiation with AT&T Consumer Services Group's management could seek control of the outstanding stock of that entity by means of a tender offer or proxy contest. Although the Consumer Services charter amendment will create a new class of AT&T common stock that is intended to reflect the separate financial performance and economic value of AT&T Consumer Services Group, a person interested in acquiring only AT&T

Consumer Services Group without negotiation with AT&T's management still would be required to seek control of the voting power represented by all of the outstanding capital stock of AT&T entitled to vote on that acquisition, including shares of AT&T common stock. As a result, this may discourage potential interested bidders from seeking to acquire AT&T Consumer Services Group. See "-- Holders of AT&T Consumer Services Group Tracking Stock Will Have Limited Shareholder Rights, and Will Have No Additional Rights Specific to AT&T Consumer Services Group, including Direct Voting Rights. These Shareholders Will Have Very Limited, if Any, Control Rights" for more information on the rights of holders of AT&T Consumer Services tracking stock. This inability of third parties directly to acquire control of AT&T Consumer Services Group may materially adversely affect the market price of AT&T Consumer Services Group tracking stock.

There Will Be No Board of Directors or Committee that Owes any Separate Fiduciary Duties to Holders of AT&T Consumer Services Group Tracking Stock, Apart from Those Owed to AT&T Shareholders Generally, and Actions of the AT&T Board May Be More Adverse to Holders of the AT&T Consumer Services Group Trading Stock than Would Be the Case if AT&T Consumer Services Group Were a Standalone Entity. Each of the AT&T Board and the AT&T Groups capital stock committee owes fiduciary duties to AT&T and AT&T shareholders as a whole. AT&T Consumer Services Group will not have a separate board of directors to represent solely the interests of holders of AT&T Consumer Services Group tracking stock. Consequently, there is no separate board of directors or committee that owes any separate duties to holders of AT&T Consumer Services Group tracking stock.

The Fiduciary Duties of the AT&T Board to More Than One Class of Common Stock Are Not Clear Under New York Law. Although AT&T is not aware of any legal precedent under New York law involving the fiduciary duties of directors of corporations having two or more classes of common stock, or separate classes or series of capital stock, principles of Delaware law established in cases involving differing treatment of two classes of capital stock or two groups of holders of the same class of capital stock provide that a board of directors owes its duty to all shareholders, regardless of class or series, and does not have separate or additional duties to either group of shareholders. Under these principles of Delaware law and the related principle known as the "business judgment rule," absent abuse of discretion, a good faith business decision made by a disinterested and adequately informed board of directors, or a committee of the board of directors, with respect to any matter having disparate impacts upon holders of AT&T common stock or AT&T Consumer Services Group tracking stock would be a defense to any challenge to a determination made by or on behalf of holders of any class of AT&T common shares. Nevertheless, a New York court hearing a case involving this type of a challenge may decide to apply principles of New York law different from the principles of Delaware law discussed above, or may develop new principles of law, in order to decide that case. Any future shareholder litigation over the meaning or application of the terms of AT&T Consumer Services Group tracking stock or the AT&T Board's policies may be costly and time consuming to AT&T and AT&T Consumer Services Group.

Changes in the Tax Law or in the Interpretation of Current Tax Law May Result in Redemption of AT&T Consumer Services Group Tracking Stock or May Prevent AT&T From Issuing Further Shares of AT&T Consumer Services Group Tracking Stock. From time to time, there have been legislative and administrative proposals that, if effective, would have resulted in the imposition of corporate level or shareholder level tax upon the issuance of tracking stock. As of the date of this document, no proposals of this type are outstanding.

If there are adverse tax consequences associated with the issuance of AT&T Consumer Services Group tracking stock, it is possible that AT&T would cease issuing additional shares of AT&T Consumer Services Group tracking stock. This could affect the value of shares of AT&T Consumer Services Group tracking stock then outstanding.

AT&T May Optionally Redeem AT&T Consumer Services Group Tracking Stock even if Holders Desire to Continue to Hold These Shares. The AT&T Board may, at any time, redeem all outstanding shares of AT&T Consumer Services Group tracking stock for shares of AT&T common stock at a 10% premium. AT&T could decide to redeem AT&T Consumer Services Group tracking stock at a time when any or all AT&T common stock and AT&T Consumer Services Group tracking stock may be considered to be overvalued or undervalued. In addition, a redemption at any premium would preclude holders of both AT&T common stock and the redeemed AT&T Consumer Services Group tracking stock from retaining their investment in a security intended to reflect separately the financial performance and economic value of the relevant AT&T group. It also would give holders of the redeemed AT&T Consumer Services Group tracking stock an amount of consideration that may differ from the amount of consideration a third-party buyer pays or would pay for all or substantially all of the assets of the respective AT&T group. For further details, see "AT&T Consumer Services Group Tracking Stock -- The Consumer Services Charter Amendment Proposal -- Consumer Services Group Tracking Stock Amendment."

AT&T Has the Right to Require the Exchange of AT&T Consumer Services Group Tracking Stock for Tracking Stock of Another Entity, which Could Materially Change the Nature of Their Investment. In the event of a disposition or other transfer by AT&T of all of the properties and assets of AT&T Consumer Services Group, whether or not involving a merger or other business combination involving AT&T as a whole, the Consumer Services charter amendment generally allows AT&T to redeem all outstanding shares of AT&T Consumer Services Group tracking stock, without paying a premium, in exchange for a new tracking stock of the entity that owns substantially all of the assets and liabilities of AT&T Consumer Services Group.

If the AT&T Board elected to roll the tracking stock over in connection with a merger or other business combination, holders of AT&T Consumer Services Group tracking stock would not share in any premium received by holders of AT&T common stock and holders of AT&T common stock would not share in any premium received by holders of AT&T Consumer Services Group tracking stock.

In the event of this redemption, the voting rights of the new tracking stock will be set based on the ratio, over a fixed measurement period, of the initial trading prices of the new tracking stock to the trading prices of the common stock of the entity of which the new tracking stock is a part.

This new entity may have different businesses and a different capital structure and be subject to different risks than AT&T generally. Holders of the new tracking stock will become equity holders of this new entity and become subject to risks affecting this new entity generally. Additionally, adverse fluctuations in market valuations at and after the time of issuance of the new tracking stock could materially adversely affect the relative voting power of the new tracking stock with respect to the voting power of this new entity as a whole.

The AT&T Board May Redeem AT&T Consumer Services Group Tracking Stock in Exchange for Stock of One or More Qualifying Subsidiaries of AT&T. AT&T's charter amendment proposal provides that AT&T may, at any time, redeem all outstanding shares of AT&T Consumer Services Group tracking stock in exchange for shares of common stock of a subsidiary of AT&T that holds all of the assets and liabilities of AT&T Consumer Services Group. This type of redemption must be tax free to holders of AT&T Consumer Services Group tracking stock, except with respect to any cash in lieu of fractional shares. This redemption feature differs from a traditional spin-off, in which a shareholder retains its interest in the parent corporation and receives shares of the spun-off subsidiary via a pro rata distribution of the subsidiary's shares to the parent shareholders. By comparison, if the AT&T Consumer Services Group tracking stock is redeemed in exchange for stock in a qualifying subsidiary, the holder of AT&T Consumer Services Group tracking stock will no longer have an interest in AT&T. For more information, see "AT&T Consumer Services Group Tracking Stock -- The Consumer Services Charter Amendment Proposal -- Terms of the Consumer Services Group Tracking Stock Amendment -- Redemption."

Future Sales of AT&T Consumer Services Group Tracking Stock and AT&T Common Stock Could Materially Adversely Affect Their Respective Market Prices and the Ability to Raise Capital in the Future. Sales of substantial amounts of AT&T Consumer Services Group tracking stock and AT&T common stock

in the public market could hurt the market price of each of those securities. These sales also could hurt AT&T's ability to raise capital in the future. Any shares of AT&T Consumer Services tracking stock that AT&T distributes to holders of AT&T common stock will be freely tradable without restriction under the Securities Act of 1933, as amended, by persons other than "affiliates" of AT&T, as defined under the Securities Act. Any sales of substantial amounts of AT&T Consumer Services Group tracking stock or AT&T common stock in the public market, or the perception that those sales might occur, could materially adversely affect the respective market prices of AT&T Consumer Services tracking stock or AT&T common stock, as applicable.

Shareholder approval will not be solicited by AT&T for the issuance of authorized but unissued shares of AT&T Consumer Services Group tracking stock or AT&T common stock, unless these approvals are deemed advisable by the AT&T Board or are required by applicable law, regulation or stock exchange listing requirements. The issuance of those shares could dilute the value of shares of AT&T Consumer Services Group tracking stock or AT&T common stock, as the case may be.

AT&T Expects to Split Its Current Dividend among AT&T Common Stock and AT&T Consumer Services Group Tracking Stock, although There Is No Assurance as to Future Dividend Levels. Following any issuance of AT&T Consumer Services Group tracking stock, AT&T currently expects that one-third of the current dividend payable on AT&T common stock will be allocated to AT&T common stock and that two-thirds will be allocated to AT&T Consumer Services Group tracking stock. The declaration of dividends by AT&T and the amount of those dividends will, however, be in the discretion of the AT&T Board, and will depend upon each of the AT&T group's financial performance, the dividend policies and capital structures of comparable companies, each of the AT&T group's ongoing capital needs, and AT&T's results of operations, financial condition, cash requirements and future prospects, and other factors deemed relevant by the AT&T Board. Payment of dividends also may be restricted by loan agreements, indentures and other transactions that AT&T enters into from time to time.

In addition, the dividend amount that AT&T Consumer Services Group tracking stock may pay to shareowners depends on, among other factors, the cash generation ability and earnings power of AT&T Consumer Services Group. Based on the risks of a decline in the long distance industry and successful entry into growth opportunities such as local services and high speed data, there is a possibility that AT&T Consumer Services Group would not generate sufficient cash flow or earnings in the future to pay the expected dividend. This could have an adverse affect on the AT&T Consumer Services Group tracking stock market price and debt levels.

If AT&T Is Liquidated, Amounts Distributed to Holders of Each Class of AT&T

Common Stock May Not Reflect the Value of the Assets Attributed to the AT&T Groups. Under AT&T's charter, AT&T would determine the liquidation rights of holders of the respective classes of AT&T common stock in accordance with each AT&T group's respective market capitalization at the time of liquidation. However, the relative market capitalization of each AT&T group may not correctly reflect the value of the net assets remaining and attributed to the AT&T groups after satisfaction of outstanding liabilities.

AT&T Consumer Services Group Tracking Stock May Not Be Issued as Planned or at All. The Consumer Services charter amendment proposal gives AT&T the authority to create AT&T Consumer Services Group tracking stock. The proposed Consumer Services Charter amendment, however, does not mandate the manner in which AT&T may issue AT&T Consumer Services Group tracking stock or require that AT&T issue any of these shares at all. Rather, AT&T Consumer Services Group tracking stock will be a new class of AT&T common stock that the AT&T Board may issue from time to time as it determines appropriate, up to the total number of authorized shares and subject to stock exchange rules with respect to shareholder approval of share issuances. AT&T does not plan to seek new shareholder approval for any change that the AT&T Board may approve in the timing or manner of issuing shares of AT&T Consumer Services Group tracking stock. If you do not want to give the AT&T Board this broad authority with respect to the Consumer Services charter amendment proposal, you should not vote for the Consumer Services charter amendment proposal.

If the Consumer Services charter amendment proposal is approved the AT&T Board may issue shares of AT&T Consumer Services Group tracking stock regardless of whether the AT&T Comcast transaction is approved or completed.

RISK FACTORS RELATING TO AT&T CONSUMER SERVICES GROUP AND AT&T BUSINESS SERVICES GROUP

AT&T Consumer Services Group and AT&T Business Services Group Expect There to Be a Continued Decline in the Long Distance Industry. Historically, prices for voice communications have fallen because of competition, the introduction of more efficient networks and advanced technology, product substitution, excess capacity and deregulation. AT&T Consumer Services Group and AT&T Business Services Group expect these trends to continue, and each of AT&T Consumer Services Group and AT&T Business Services Group may need to reduce its prices in the future to remain competitive. In addition, AT&T Consumer Services Group and AT&T Business Services Group do not expect that they will be able to achieve increased traffic volumes in the near future to sustain their current revenue levels. The extent to which each of AT&T Consumer Services Group's and AT&T Business Services Group's business, financial condition, results of operations and cash flow could be materially adversely affected will depend on the pace at which these industry-wide changes continue and its ability to create new and innovative services to differentiate its offerings, enhance customer retention, and retain or grow market share.

AT&T Consumer Services Group and AT&T Business Services Group Face Substantial Competition that May Materially Adversely Impact Both Market Share and Margins. Each of AT&T Consumer Services Group and AT&T Business Services Group currently faces significant competition, and AT&T expects the level of competition to continue to increase. Some of the potential materially adverse consequences of this competition include the following:

- market share loss and loss of key customers;

- possibility that customers shift to less profitable, lower margin services;

- need to initiate or respond to price cuts in order to retain market share;

- difficulties in AT&T Consumer Services Group's and AT&T Business Services Group's ability to grow new businesses, introduce new services successfully or execute on their business plan; and

- inability to purchase fairly priced access services or fairly priced elements of local carriers' networks.

As a result of competitive factors, AT&T Consumer Services Group and AT&T Business Services Group believe it is unlikely that they will sustain existing price or margin levels.

AT&T Consumer Services Group and AT&T Business Services Group Face Competition from a Variety of Sources.

- Competition from new entrants into long distance, including regional phone companies. AT&T Consumer Services Group and AT&T Business Services Group traditionally have competed with other long distance carriers. In recent years, AT&T Consumer Services Group and AT&T Business Services Group have begun to compete with incumbent local exchange carriers, which historically have dominated local telecommunications, and with other competitive local exchange carriers for the provision of long distance services. In addition, other long distance companies are beginning to offer local residential services bundled with long distance in portions of over 30 states.

  Some regional phone companies, such as Verizon Communications Inc. and SBC Communications Inc., already have been permitted to offer long distance services in some states within their regions. AT&T expects that the regional phone companies will seek to enter all states in their regions and eventually will be given permission to offer long distance services within their regions.

The incumbent local exchange carriers presently have numerous advantages as a result of their historic monopoly control over local exchanges.

- Competition from facilities-based companies, including regional phone companies. AT&T Consumer Services Group and AT&T Business Services Group also face the risk of increasing competition from entities that own their own access facilities, particularly the regional phone companies, which have access facilities across vast regions of the United States with the ability to control cost, cycle time and functionality for most end-to-end services in their regions. These entities can preserve large market share and high margins on access services as they enter new markets, including long distance and end-to-end services. This places them in superior position vis-a-vis AT&T Consumer Services Group and AT&T Business Services Group and other competitors that must purchase such high-margin access services.

- Competition from lower-cost or less-leveraged providers. The cost structure of AT&T Consumer Services Group and AT&T Business Services Group also affects their competitiveness. Each faces the risk that it will not be able to maintain a competitive cost structure if newer technologies favor newer competitors that do not have legacy infrastructure and as technology substitution continues. The ability of each of AT&T Consumer Services Group and AT&T Business Services Group to make critical investments to improve cost structure also may be impaired by its current debt obligations.

- Competition as a result of technological change. AT&T Consumer Services Group and AT&T Business Services Group also may be subject to additional competitive pressures from the development of new technologies and the increased availability of domestic and international transmission capacity. The telecommunications industry is in a period of rapid technological evolution, marked by the introduction of new product and service offerings and increasing satellite, wireless, fiber optic and coaxial cable transmission capacity for services similar to those provided by AT&T Consumer Services Group and AT&T Business Services Group. AT&T cannot predict which of many possible future product and service offerings will be important to maintain its competitive position, or what expenditures will be required to develop and provide these products and services. Many of these new products and services are substitutes for traditional telephone service. In particular, the rapid expansion of usage of wireless and email services has led and is expected to lead to an overall decline in telephone voice traffic volume on traditional wireline networks.

- Competition as a result of excess capacity. Each of AT&T Consumer Services Group and AT&T Business Services Group faces competition as a result of excess capacity resulting from substantial network build out by competitors that had access to inexpensive capital.

- Strength of competitors. Some of AT&T Consumer Services Group's and AT&T Business Services Group's existing and potential competitors have financial, personnel and other resources significantly greater than those of AT&T Consumer Services Group and AT&T Business Services Group.

The Prices Charged to AT&T Consumer Services Group for Network Utilization May Increase Over Time and May Be Adversely Impacted by the Volume of the Business of AT&T Business Services Group. During the next few years, AT&T's voice traffic volumes may decline at a rate faster than the rate at which AT&T is able to reduce the cost of operating its circuit switched network, resulting in higher unit costs for both AT&T Consumer Services Group and AT&T Business Services Group. As described under "AT&T Consumer Services Group Tracking Stock -- Relationship Between the AT&T Groups," under the terms of the proposed Master Carrier Agreement, AT&T Consumer Services Group will be required to procure all of its telecommunications needs from Network Services within the AT&T Business Group. The pricing of these services will be based on the costs to Network Services of providing those services, unless otherwise agreed. Also, the agreement will contain provisions intended to assure that the AT&T Consumer Services Group is treated no less favorably than the AT&T Business Services Group with respect to the allocation of costs between the units, including a fair allocation of any low cost capacity Network Services provides or obtains.

The overall level of network utilization by AT&T Consumer Services Group and AT&T Business Services Group together will impact the per minute cost of providing telecommunications services. There are substantial fixed costs associated with providing telecommunications services and it is possible that overall levels of usage (including usage by AT&T Business Services Group) may decrease faster than the related decrease in variable costs. As a result, although it will depend upon a variety of factors that are difficult to predict, it is possible that costs per minute may increase over time. Since the terms of this arrangement by which AT&T Consumer Services Group purchases telecommunications services are essentially cost based, any such cost increase would increase the charges to the AT&T Consumer Services Group and could materially adversely impact the results of operations and financial condition of the Group.

Since per minute costs are affected by both the level of usage of the AT&T Consumer Services Group and AT&T Business Services Group, adverse business conditions of either Group could increase per minute costs. As a result, the costs charged to AT&T Consumer Services Group may increase as a result of a decrease in the volume of usage by AT&T Business Services, and vice versa.

AT&T Consumer Services Group, however, may be more adversely affected by a downturn in telecommunications traffic than its competitors since it is required to obtain all of its telecommunications services from AT&T, even if more favorable pricing is available elsewhere.

AT&T Consumer Services Will Not Be Able to Utilize the AT&T Brand if the AT&T Consumer Services Group Tracking Stock Is No Longer Outstanding; AT&T Consumer Services Group Is Allowed to Use the AT&T Brand only for Specified Products and Services. As long as the AT&T Consumer Services Group tracking stock is outstanding, AT&T Consumer Services Group will be entitled to use the AT&T brand and related marks and logos on the terms described under "AT&T Consumer Services Group Tracking Stock -- Relationship Between the AT&T Groups." However, if AT&T Consumer Services Group tracking stock is no longer outstanding, whether as a result of the split-off of that Group, a disposition of that Group or otherwise, it will not be able to utilize the AT&T brand and related marks and logos unless the parties agree on a mutually acceptable arrangement at the time. The failure to be able to use this brand and related marks and logos could have a material adverse affect on AT&T Consumer Services Group.

In addition, under the terms of the brand license, AT&T Consumer Services Group is only permitted to use the AT&T brand and related marks in connection with the provision of specified products and services as set forth in this section described under "AT&T Consumer Services Group Tracking Stock -- Relationship Between the AT&T Groups." If AT&T Consumer Services Group desires to use the brand to provide additional products or services it must first obtain AT&T's approval, which approval will not unreasonably be withheld.

AT&T Faces Risks in Connection with AT&T Canada. AT&T has an approximately 31% equity ownership in AT&T Canada. In the event foreign ownership restrictions in Canada are lifted, in whole or in part, prior to June 30, 2003, AT&T is required to purchase the outstanding shares, to the extent permitted by any remaining foreign ownership restrictions, at the greater of the floor price (Cdn $47.45 as of December 31, 2001) and the fair market value (we refer to the greater price as the Back-end Price). The floor price accretes at 4% each quarter, commencing on June 30, 2000. AT&T has the right to trigger the purchase of the remaining equity of AT&T Canada for the Back-end Price at any time prior to the earlier of a change in foreign ownership rules in Canada or June 30, 2003. If foreign ownership restrictions in Canada are not lifted and AT&T does not exercise the call right by June 30, 2003, the shares may be put up for auction, and AT&T would have to make shareholders whole for the amount, if any, by which the Back-end Price exceeds the proceeds received in auction.

In 2001, AT&T recorded $1.8 billion of after tax charges ($3.0 billion of pretax charges) reflecting the estimated loss on AT&T's commitment to purchase the publicly owned shares of AT&T Canada. Included in these charges was approximately $0.6 billion related to the assumption of British Telecommunications plc's obligation to purchase the publicly owned shares of AT&T Canada. These charges reflect the difference between the underlying value of AT&T Canada shares and the price AT&T has committed to pay for them, and are included in "Net losses related to other equity investments" in the

Consolidated Statement of Income and "Other long-term liabilities and deferred credits" in the Consolidated Balance Sheet.

AT&T no longer records equity earnings or losses related to AT&T Canada since AT&T's investment balance was written down to zero, largely through losses generated by AT&T Canada. In the event AT&T acquires more than 50% of the voting equity of AT&T Canada, AT&T Canada's results will be consolidated into AT&T's results. At April 26, 2002, AT&T Canada had outstanding debt of approximately $2.9 billion.

On March 14, 2002, AT&T Canada announced that it has formed a board committee to help management address what AT&T Canada described as "complex issues" facing the company. It also said one of the committee's first steps had been to hire Greenhill & Co. LLC as its financial adviser to work with the committee and management to evaluate various scenarios regarding what it described as "the issues, opportunities and alternatives for the company."

On March 15, 2002, a group of more than 20 investors holding almost $1 billion of AT&T Canada public notes announced that they have organized as an ad hoc committee to express their concerns about the company's business operations and financial prospects. They stated that the group was formed in response to several recent "troubling financial releases" from AT&T Canada and the rating agency downgrades of AT&T Canada's public notes, including the notes issued by MetroNet Communications.

On April 18, 2002, the counsel to the ad hoc group of bondholders issued a press release stating that this group was concerned about AT&T's and AT&T Canada's failure to engage in a dialogue concerning the commitment to bondholders. The committee said it was troubled that AT&T would not commit to stand behind the AT&T Canada bonds, alleging that senior executives of AT&T participated in the road shows for placement of the AT&T Canada notes and made certain statements to rating agencies. Further, the release stated that, in the absence of AT&T committing to support AT&T Canada, the committee will have no choice but to explore any and all available remedies. As stated above, approximately Canadian $4.5 billion (approximately U.S. $2.9 billion) in aggregate amount of indebtedness of AT&T Canada was outstanding as of April 26, 2002. AT&T expressly disclaims any obligation with respect to the bonds.

On May 9, 2002, a group of institutional investors holding approximately $458 million of AT&T Canada's public notes announced that it had filed an oppression application with the Ontario Superior Court of Justice asserting that the conduct of AT&T Canada and its directors has been oppressive and unfairly prejudicial to, and has unfairly disregarded, the interests of AT&T Canada's noteholders. The investors also stated that the Application is supported by other AT&T Canada noteholders holding an additional $250 million of AT&T Canada's notes. Among other things, the Application seeks the following relief:

replacement of all current directors of AT&T Canada or orders regulating the conduct of current directors; an order restraining AT&T Canada from collapsing any "in the money" foreign currency swaps; and an order requiring AT&T Canada and its directors to preserve assets and liquidity pending a restructuring.

As of December 31, 2001, the aggregate amount that AT&T would need to pay to complete its obligation related to AT&T Canada was approximately $3.2 billion (accreting at 4% per quarter). AT&T has the right to fund this acquisition through cash or, subject to the limitations set forth in the merger agreement, through the issuance of shares of AT&T common stock, or any combination thereof. AT&T is currently exploring a variety of structures to satisfy its obligation related to AT&T Canada.

AT&T currently intends to raise cash to settle a substantial portion of the back end purchase requirement through the issuance of equity or equity-like securities. It is likely that AT&T will take steps to raise such funds through the issuance of these equity or equity-like securities and AT&T currently is evaluating commencing such issuance in the near future. Subject to the limitations on the number of shares that can be issued set forth in the merger agreement, AT&T could issue these securities at any time by use of a currently effective shelf registration statement. The issuance of equity or equity-like securities to settle the back end purchase requirement may have a material adverse impact on the market

price of AT&T common stock. AT&T's ability to settle its back end purchase requirement in this manner will depend on market conditions and other factors and there is no assurance that it will be able to do so.

If AT&T does not raise funds to complete this acquisition prior to the completion of the AT&T Comcast transaction, to the extent AT&T directly or indirectly uses equity to do so, the percentage of shares of AT&T that would be required to be issued would be substantially increased.

In addition, adverse business developments involving AT&T Canada could affect AT&T in a variety of ways. For example, in the event AT&T no longer obtains telecommunications services from AT&T Canada, there are a variety of other carriers that could provide AT&T with the telecommunications services necessary to service its customers. However, there may be some difficulty in obtaining services with comparable features and functions and prices from these carriers which could adversely impact AT&T's ability to provide products and services to its customers. In addition, AT&T may incur significant costs as a result.

The Regulatory and Legislative Environment Creates Challenges for AT&T Consumer Services Group and AT&T Business Services Group. Each of AT&T Consumer Services Group and AT&T Business Services Group faces risks relating to regulations and legislation. These risks include:

- difficulty of effective entry into local markets due to noncompetitive pricing and to regional phone company operational issues that do not permit rapid large-scale customer changes from regional phone companies to new service providers,

- new head-on competition as regional phone companies begin to enter the long distance business, and

- emergence of few facilities-based competitors to regional phone companies, and the absence of any significant alternate source of supply for most access and local services.

This dependency on supply materially adversely impacts each of AT&T Consumer Services Group's and AT&T Business Services Group's cost structure, and ability to create and market desirable and competitive end-to-end products for customers.

In addition, regional phone companies will be entering the long distance business while they still control substantially all the access facilities in their regions. This will likely result in an increased level of competition for long distance or end-to-end services as the services offered by regional phone companies expand.

Each of AT&T Consumer Services Group and AT&T Business Services Group May Substantially Increase its Debt Level in the Future, Which Could Subject it to Various Restrictions and Higher Interest Costs and Decrease its Cash Flow and Earnings. Each of AT&T Consumer Services Group and AT&T Business Services Group may substantially increase its debt level in the future, which could subject it to various restrictions and higher interest costs and decrease its cash flow and earnings. It also may be difficult for AT&T Consumer Services Group and AT&T Business Services Group to obtain all the financing they need to fund their businesses and growth strategies on desirable terms. The amount of debt required in the future will depend upon the performance revenue and margin of each of AT&T Consumer Services Group and AT&T Business Services Group, which, in turn, may be materially adversely affected by competitive and other pressures. Any agreements governing indebtedness obtained by AT&T Consumer Services Group or AT&T Business Services Group may contain financial and other covenants that could impair AT&T Consumer Services Group's or AT&T Business Services Group's flexibility and restrict its ability to pursue growth opportunities.

AT&T expects to explore and evaluate the relative advantages and disadvantages of various funding mechanisms for AT&T. These alternatives may include a bank credit line, commercial paper and other forms of public and private debt financing. The decision on debt composition is dependent on, among other things, the business and financial plans of AT&T and the market conditions at the time of financing.

The Actual Amount of Funds Necessary to Implement Each of AT&T Consumer Services Group's and AT&T Business Services Group's Strategy and Business Plan May Materially Exceed Current Estimates, which Could have a Material Adverse Effect on its Financial Condition and Results of Operations. The actual amount of funds necessary to implement each of AT&T Consumer Services Group's and AT&T Business Services Group's strategy and business plan may materially exceed AT&T Consumer Services Group's and AT&T Business Services Group's current estimates in the event of various factors, including:

- competitive downward pressures on revenues and margins,

- departures from AT&T Consumer Services Group's and AT&T Business Services

Group's respective current business plans,

- regulatory developments,
- unforeseen competitive developments,
- technological and other risks,
- unanticipated expenses,
- unforeseen delays and cost overruns, and
- engineering design changes.

If actual costs do materially exceed AT&T Consumer Services Group's and/or AT&T Business Services Group's current estimates for these or other reasons, this would have a material adverse effect on AT&T Consumer Services Group's and/or AT&T Business Services Group's financial condition and results of operations.

AT&T Consumer Services Group's Potential Growth in its AT&T DSL Service Combining Voice and Data Services Utilizing DSL Technology, Involves Technological, Marketing and Regulatory Hurdles and Requires Substantial Capital Expenditures. AT&T Consumer Services Group's business plan will require substantial capital expenditures in connection with its expansion into providing voice and data services through DSL technology. The development of voice and data services through DSL technology involves uncertainty relating to potential technological hurdles, marketing success, regulatory and legislative requirements and unforeseen costs. AT&T Consumer Services Group historically has not had to incur these capital expenditures, and it may not be able to obtain sufficient capital on favorable terms or at all. A failure to obtain capital could have a material adverse effect on AT&T Consumer Services Group, and result in the delay, change or abandonment of its development or expansion plans.

Substantially All of the Telephone Calls Made by Each of AT&T Consumer Services Group's and AT&T Business Services Group's Customers are Connected Using Other Companies' Networks, Including Those of Competitors, which Makes Competition More Difficult for AT&T. AT&T Consumer Services Group principally is a long distance voice telecommunications company. AT&T Consumer Services Group does not own or operate any primary transmission facilities. Accordingly, it must route domestic and international calls made by its customers over transmission facilities that it obtains from network services within AT&T Business Services Group under a Master Carrier Agreement described under "AT&T Consumer Services Group Tracking Stock -- Relationship Between the AT&T Groups." AT&T Business Services Group provides long distance and, to a limited extent, local telecommunications over its own transmission facilities. Because AT&T Business Services Group's network does not extend to homes, both AT&T Consumer Services Group and AT&T Business Services Group must route calls through a local telephone company to reach AT&T Business Services Group's transmission facilities and, ultimately, to reach their final destinations.

In the United States, the providers of local telephone service generally are the incumbent local exchange carriers, including the regional phone companies. The permitted pricing of local transmission facilities that AT&T Consumer Services Group and AT&T Business Services Group lease in the United States is subject to legal uncertainties. In view of the proceedings pending before the courts and regulatory authorities, there can be no assurance that the prices and other conditions established in each state will

provide for effective local service entry and competition or provide AT&T

Consumer Services Group with new market opportunities. The effect of the most recent court decisions is to increase the risks, costs, difficulties and uncertainty of entering local markets through using the incumbent local exchange carriers' facilities and services.

AT&T Consumer Services Group Must Rely on AT&T Business Services Group's Ability to Maintain, Upgrade and Reduce Costs Associated with the Core Network, Which May Lead to Additional Costs. AT&T Consumer Services Group currently is dependent upon AT&T Business Services Group for leased line capacity, data communications facilities, traffic termination services and physical space for offices and equipment. Although AT&T Consumer Services Group expects to enter into a service agreement with AT&T Business Services Group for it to provide these services, if AT&T Business Services Group becomes unable to provide its current level of services to AT&T Consumer Services Group during the term of the service agreement or thereafter, AT&T Consumer Services Group may not be able to find replacement service providers on a timely basis.

Failure to Develop Future Business Opportunities May have a Material Adverse Effect on AT&T Consumer Services Group's Growth Potential. AT&T Consumer Services Group intends to actively evaluate pursuing growth opportunities in providing services through DSL technology, which involve new services for which there are only limited proven markets. In addition, the ability to deploy and deliver these services relies, in many instances, on new and unproven technology. AT&T Consumer Services Group's DSL technology may not perform as expected and AT&T Consumer Services Group may not be able to successfully develop new enabling systems to effectively and economically deliver these services. In addition, these opportunities require substantial capital outlays to be incurred by AT&T Business Services and charged to AT&T Consumer Services Group as part of its network usage under the transport agreement. These outlays are currently estimated to be approximately $1 billion over a three-year planning period, to deploy on the planned scale, but are subject to adjustment for change in competitive conditions and market uncertainties. This capital may not be available to support these services. Furthermore, each of these opportunities entails additional operational risks. For example, the delivery of these services requires AT&T Consumer Services Group to provide installation and maintenance services, which services AT&T Consumer Services Group has never provided previously. This will require AT&T Consumer Services Group to hire, employ, train and equip technicians to provide installation and repair in each market served, or rely on subcontractors to perform these services. AT&T Consumer Services Group may not be able to hire and train sufficient numbers of qualified employees or subcontract these services, or do so on economically attractive terms. These services may not be successful when they are in place and customers may not purchase the services offered. AT&T Consumer Services Group's existing marketing channels may not be an effective way to market these services. If these services are not successful or costs associated with implementation and completion of the rollout of these services materially exceed those currently estimated by AT&T Consumer Services Group, AT&T Consumer Services Group's financial condition and prospects could be materially adversely affected.

CHAPTER TWO
THE AT&T COMCAST TRANSACTION

GENERAL

The Comcast Board is using this document to solicit proxies from holders of Comcast common stock for use at the Comcast special meeting. The AT&T Board is also using this document to solicit proxies from holders of AT&T common stock for use at the AT&T annual meeting.

COMCAST PROPOSALS

At the Comcast special meeting, holders of Comcast Class A common stock and Comcast Class B common stock will be asked to vote upon a proposal to approve and adopt the merger agreement and the transactions contemplated by the merger agreement. This proposal is referred to in this document as the "Comcast transaction proposal." In addition, holders of Comcast Class A common stock and Comcast Class B common stock will be asked to vote upon a separate proposal to approve the AT&T Comcast charter, including the corporate governance provisions of the AT&T Comcast charter described in this document. This proposal is referred to in this document as the "AT&T Comcast charter proposal."

At the Comcast special meeting, holders of Comcast Class A common stock, voting as a single class, and holders of Comcast Class A common stock and Comcast Class B common stock, voting together as a single class, will also be asked to vote upon a proposal to adopt an amendment to the Comcast charter that will allow implementation of the Preferred Structure. See "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Merger Consideration -- The Preferred Structure." This proposal is referred to in this document as the "preferred structure proposal."

APPROVAL OF THE AT&T COMCAST CHARTER PROPOSAL, INCLUDING THE CORPORATE GOVERNANCE PROVISIONS CONTAINED IN THE AT&T COMCAST CHARTER, IS A CONDITION TO COMPLETION OF THE AT&T COMCAST TRANSACTION. THEREFORE, IF COMCAST SHAREHOLDERS WISH TO APPROVE THE AT&T COMCAST TRANSACTION, THEY MUST ALSO APPROVE THE AT&T COMCAST CHARTER PROPOSAL. APPROVAL OF THE COMCAST TRANSACTION PROPOSAL AND THE AT&T COMCAST CHARTER PROPOSAL IS NOT CONDITIONED ON APPROVAL OF THE PREFERRED STRUCTURE PROPOSAL.

AT&T PROPOSALS

At the AT&T annual meeting, holders of AT&T common stock will be asked to vote upon a proposal to approve and adopt the merger agreement and the transactions contemplated by the merger agreement. This proposal is referred to in this document as the "AT&T transaction proposal." In addition, holders of AT&T common stock will be asked to vote upon a separate proposal to approve the AT&T Comcast charter, including the corporate governance provisions of the AT&T Comcast charter described in this document. This proposal is referred to in this document as the "AT&T Comcast charter proposal." References in this document to the AT&T Comcast charter proposal mean either the proposal to AT&T shareholders to approve the AT&T Comcast charter or the proposal to Comcast shareholders to approve the AT&T Comcast charter, or both of those proposals, as the context may require.

At the AT&T annual meeting, holders of AT&T common stock will also be asked to vote separately on a proposal to approve and adopt an amendment to the AT&T charter creating a tracking stock that is intended to reflect the financial performance and economic value of the AT&T Consumer Services business. See "AT&T Consumer Services Group Tracking Stock -- The Consumer Services Charter Amendment Proposal." This proposal is referred to in this document as the "Consumer Services charter amendment proposal." AT&T shareholders will also be asked to vote on benefit proposals related to the Consumer Services charter amendment proposal. These proposals are referred to in this document as the "incentive plan proposal" and the "employee stock purchase plan proposal." AT&T shareholders will also be asked to vote separately on a proposal to approve and adopt an amendment to the AT&T charter authorizing a reverse stock split. This proposal is referred to in this document as the "reverse stock split proposal." Finally, AT&T shareholders will be asked to vote upon the election of directors and other

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matters that properly come before the AT&T annual meeting. See "Information about the AT&T Annual Meeting and Voting."

APPROVAL OF THE AT&T COMCAST CHARTER PROPOSAL, INCLUDING THE CORPORATE GOVERNANCE PROVISIONS CONTAINED IN THE AT&T COMCAST CHARTER, IS A CONDITION TO COMPLETION OF THE AT&T COMCAST TRANSACTION. THEREFORE, IF AT&T SHAREHOLDERS WISH TO APPROVE THE AT&T COMCAST TRANSACTION, THEY MUST ALSO APPROVE THE AT&T COMCAST CHARTER PROPOSAL.

APPROVAL OF THE AT&T TRANSACTION PROPOSAL AND THE AT&T COMCAST CHARTER PROPOSAL IS NOT CONDITIONED ON APPROVAL OF ANY OF THE OTHER AT&T PROPOSALS. APPROVAL OF THE OTHER AT&T PROPOSALS IS NOT CONDITIONED ON APPROVAL OF THE AT&T TRANSACTION PROPOSAL OR THE AT&T COMCAST CHARTER PROPOSAL.

BACKGROUND OF THE AT&T COMCAST TRANSACTION

On October 25, 2000, AT&T announced, among other things, that it intended to create and issue a tracking stock intended to reflect the financial performance and economic value of AT&T Broadband and, thereafter, to separate AT&T Broadband from AT&T so that, ultimately, AT&T Broadband would be a standalone, publicly traded company. AT&T also announced that it intended to create and issue a tracking stock intended to reflect the financial performance and economic value of AT&T Consumer Services Group. In addition, AT&T announced that it intended to separate AT&T's wireless services business from AT&T.

In December 2000 and in early 2001, C. Michael Armstrong, Chairman and Chief Executive Officer of AT&T, and Charles H. Noski, Chief Financial Officer of AT&T, received telephone calls from Ralph J. Roberts, Chairman of the Board of Comcast, and from Brian L. Roberts, President of Comcast, in which the Roberts expressed interest in initiating discussions with respect to the possible combination of Comcast and AT&T Broadband. In January 2001, Messrs. Armstrong and Noski met with the Roberts at the Roberts' request. At this meeting, Mr. Armstrong told the Roberts that AT&T was concentrating on key restructuring and operating matters at that time and was not interested in engaging in discussions with respect to a combination.

On May 11, 2001, AT&T publicly filed preliminary proxy materials with respect to a proposed special shareholders meeting at which AT&T planned to ask shareholders to vote on (1) the creation of tracking stocks intended to reflect the financial performance and economic value of AT&T Broadband and AT&T Consumer Services Group, respectively, and (2) the separation of AT&T Broadband from the rest of AT&T. In late May 2001, Brian L. Roberts again made inquiries regarding AT&T's willingness to explore the possibility of a combination of Comcast and AT&T Broadband. At Mr. Roberts' request, on June 6, 2001, Mr. Noski had dinner with Mr. Roberts to discuss the potential for such a transaction. Mr. Roberts and Mr. Noski discussed, among other things, how such a combination might be structured, governed and valued. On June 17, 2001, Mr. Roberts and Mr. Noski had another dinner meeting at which they had further discussions regarding the possibility of a combination.

At a meeting on June 20, 2001, Mr. Noski reported to the AT&T Board on these discussions with Mr. Roberts. At that meeting, the AT&T Board decided that the discussions should not continue unless Comcast signed a confidentiality letter containing customary standstill provisions. The AT&T Board also believed that, if discussions were to continue, they should be with the understanding that voting power in the combined company should follow economic interest more closely than in the case of Comcast. Following the meeting, Charles Noski conveyed the AT&T Board's views to Brian L. Roberts in a telephone call.

At a special meeting of the Comcast Board held on June 25, 2001, Comcast management updated the directors on the status of the discussions with AT&T concerning a potential AT&T Broadband transaction. The Comcast Board and management discussed at length possible strategies to effect an AT&T Broadband transaction, including the possibility of making an unsolicited offer for AT&T Broadband. At the conclusion of this discussion, the Comcast Board determined that it was not prepared to proceed with discussions on the terms outlined by AT&T.

On July 3, 2001, AT&T filed revised preliminary proxy material indicating that it intended to hold its special meeting of shareholders in September 2001 to vote on the creation of the AT&T Broadband tracking stock and the subsequent separation of AT&T and AT&T Broadband.

On July 6, 2001, at a special meeting of the Comcast Board, Comcast management informed the Comcast directors of AT&T's timetable for the creation of the AT&T Broadband tracking stock and the separation of AT&T Broadband from AT&T. Comcast management noted that mailing of the proxy materials to AT&T shareholders for the September meeting could commence as early as late July. Comcast management also reviewed with the Comcast Board the terms of an offer it proposed to make to AT&T. After a lengthy discussion of the terms of the offer and related matters, including the timeframe in which an outcome would be determined and possible responses from AT&T, the Comcast Board unanimously authorized Comcast management to proceed with the offer.

On July 8, 2001, Ralph J. Roberts and Brian L. Roberts sent the following letter to Mr. Armstrong:

July 8, 2001

Mr. C. Michael Armstrong
Chairman and CEO
AT&T Corp.
32 Avenue of the Americas
New York, NY 10013

Dear Mike:

Over many months of discussions we have shared a vision that AT&T Broadband and Comcast should be combined to create the world's leader in broadband communications. We believed those discussions were progressing towards a tax-free transaction that would dramatically accelerate your own plan to separate the broadband company. It is unfortunate that we were not able to agree on a basis for continuing our dialogue. Accordingly, we submit this offer to you for consideration by your Board before a proxy statement relating to your broadband tracking stock proposal is sent to your shareholders later this month.

Under our proposal Comcast would issue 1.0525 billion shares with a value of $44.5 billion based on Friday's closing price and assume $13.5 billion in debt for your core broadband business, which is composed of your 13.5 million cable subscribers as well as your joint venture interests. In addition, we are prepared to acquire your interests in TWE, Cablevision and Rainbow by assuming more debt and issuing more equity to reflect their values. Under our proposal your shareholders would own a majority of the economic and voting interests of the combined company in a transaction that would be tax-free to AT&T and all shareholders.

Our proposal values your core broadband business at $58 billion, which represents 30x both 2000 EBITDA and annualized first quarter 2001 EBITDA. AT&T shareholders would receive Comcast shares valued at $12.60 per AT&T share based on Friday's closing price, while retaining complete ownership of AT&T's historical communications business that according to published reports has a value approaching $70 billion on a standalone basis. This combined value is dramatically higher than your current market value per share of $16.80 after giving effect to the spin-off of AT&T Wireless.

Your shareholders would receive significantly more value through a combination with Comcast than through your planned restructuring. Not only does our proposal avoid the market risks, costs and uncertainties inherent in the planned broadband IPO, it values your business at a significant premium to your potential public market valuation. At 30x AT&T Broadband's annualized first quarter 2001 EBITDA, our offer far exceeds the trading multiple of any publicly traded broadband company. Put another way, our proposal delivers a very substantial premium over published reports of the estimated value of your broadband business.

After combining our broadband businesses, your shareholders will retain a majority of the future appreciation resulting from substantial combination benefits. Upon full integration of our broadband businesses, we expect the combination benefits will amount to at least $1.25 billion annually. This benefit could eventually increase to between $2.6 and $2.8 billion annually as we work together to raise the level of your margins. None of these figures take account of any new content, internet or other value creating opportunities. As a result of these combination benefits, merging our broadband companies will clearly be value accretive to both groups of shareholders.

Given the strength of Comcast's balance sheet we are confident that the new company would have an investment grade debt rating, a view which is shared by our financial advisors, Morgan Stanley, JP Morgan and Merrill Lynch.

We understand that there were concerns within AT&T about Comcast's voting structure. As you know, multi-class structures are common in our industry and have not affected stock trading values. Our Class A Special shares have outperformed the cable composite index, the S&P 500 and The Nasdaq Stock Market in each of the last one, three, five, seven and ten year periods. We are confident that your shareholders would welcome our currency. In fact, 38 of your 50 largest institutional shareholders also have significant investments in Comcast.

Our proposal is subject to the negotiation of a definitive merger agreement. We are prepared to deliver a draft merger agreement as soon as you wish. We are confident that the combination does not present any significant regulatory issues.

In light of the significance of this proposal to both your shareholders and ours, we are publicly releasing the text of this letter.

We hope that you will work with us to make this vision a reality.

Respectfully submitted,

Ralph J. Roberts	Brian L. Roberts
Chairman of the Board	President

On July 10, 2001, the AT&T Board met by telephone and was briefed by AT&T's management and advisors with respect to the letter from Comcast and reviewed with AT&T's legal advisors the AT&T Board's legal duties. On July 18, 2001, the AT&T Board voted unanimously to reject Comcast's proposal to acquire AT&T Broadband. After careful review, and based in part on the advice of its financial advisors, Credit Suisse First Boston Corporation and Goldman, Sachs & Co., the AT&T Board determined that Comcast's proposal did not reflect the full value of AT&T Broadband. The AT&T Board also continued to be concerned by the corporate governance issues arising from Comcast's multi-tier voting structure. The AT&T Board directed AT&T management to explore financial and strategic alternatives relating to AT&T Broadband, including the previously announced restructuring plans, with the goal of providing the greatest long-term value to shareholders. In addition, the AT&T Board decided to delay finalizing and mailing to shareholders the proxy materials that AT&T had previously filed.

Thereafter, representatives of AT&T had preliminary discussions with representatives of a number of third parties who had expressed interest in a transaction with or an investment in AT&T or AT&T Broadband. AT&T informed each of the parties that it would not be willing to discuss valuation or commence due diligence activities until the other party entered into a customary confidentiality agreement. AT&T's proposed confidentiality agreement included provisions prohibiting interested parties from holding discussions with each other with respect to a combination with AT&T Broadband without AT&T's consent.

AT&T's discussions with third parties included discussions with representatives of Comcast. Because Comcast objected to signing AT&T's proposed confidentiality agreement, however, these discussions initially did not include any valuation discussions nor did the parties commence due diligence.

On September 17, 2001, Charles Noski and Brian L. Roberts and certain representatives of their respective financial and legal advisors met in Philadelphia. At this meeting, Mr. Roberts indicated that Comcast would be willing to negotiate certain aspects of its proposed governance structure for a combined Comcast-AT&T Broadband. He also indicated that Comcast would be willing to enter into a confidentiality agreement containing restrictions on Comcast's ability to talk to other parties regarding a potential combination with AT&T Broadband, so long as AT&T was willing to indicate that Comcast's governance position would not preclude a transaction with Comcast.

At meetings held on September 20 and 22, 2001, AT&T's management and financial and legal advisors reviewed with the AT&T Board the status of discussions with various parties and the strategic alternatives available to

AT&T with respect to AT&T Broadband. Following this review, the AT&T Board instructed AT&T's management and advisors to continue to explore and develop financial and strategic alternatives relating to AT&T Broadband. The AT&T Board authorized management to indicate to Comcast that governance would not preclude a transaction with Comcast if the terms of the transaction as a whole were sufficiently attractive. The AT&T Board also authorized AT&T's management and advisors to seek formal proposals from interested parties.

From August through October 2001, the Comcast Board met several times to receive reports from its management on the status of Comcast's proposal to acquire AT&T Broadband. After one of these briefings at a special meeting of the Comcast Board held on September 26, 2001, Comcast's legal advisors reviewed the terms of the confidentiality agreement that Comcast and AT&T had negotiated and explained the restrictions imposed by the agreement on Comcast's ability to talk to third parties. After a lengthy discussion of the terms of the confidentiality agreement and related matters, the Comcast Board unanimously authorized management to enter into the confidentiality agreement, to commence due diligence on AT&T Broadband and to continue negotiations with AT&T regarding an AT&T Broadband transaction.

On September 28, 2001, AT&T and Comcast entered into a confidentiality agreement with respect to a possible transaction involving AT&T Broadband. Thereafter, AT&T and Comcast commenced the exchange of confidential information and other due diligence activities. Representatives of AT&T also continued discussions and due diligence activities with other interested parties, including parties interested in making an investment in AT&T Broadband. In addition, AT&T's legal advisors sent first drafts of a proposed merger agreement and separation and distribution agreement to parties that had executed a confidentiality agreement.

On October 23 and 24, 2001, letters seeking formal proposals were sent on AT&T's behalf to three parties, one of which was Comcast, that had expressed interest in a possible combination with AT&T Broadband and had executed confidentiality agreements. Each letter stated that the party should submit its proposal to the attention of AT&T's legal advisor no later than November 30, 2001 and set forth procedures for submitting the proposal and for conducting due diligence. The letter also stated that the proposal should include a copy of the merger agreement marked to show any proposed changes and that the proposal should have full board approval. In addition, the letter encouraged parties to discuss any financial or legal issues with AT&T's financial and legal advisors prior to submitting a proposal. Also on October 23, 2001, AT&T appointed William T. Schleyer president and chief executive officer of AT&T Broadband and appointed two other new senior executives of AT&T Broadband. AT&T stated that the appointments were part of an effort to strengthen and enhance AT&T Broadband's senior management team as AT&T continued to evaluate strategic and financial alternatives for AT&T Broadband.

During the ensuing period, AT&T and its advisors conducted further discussions and due diligence activities with each of the parties. These included discussions relating to potential synergies and strategies, including telephony strategy, for a combined company, as well as discussions with respect to the draft merger agreement and other draft transaction documents, particularly the separation and distribution

agreement and the other intercompany agreements. AT&T and its advisors also discussed with each of the parties the governance structure proposed for the combined company. In addition, during this period, AT&T continued to have discussions with other parties interested in making only an investment in AT&T

Broadband.

Over the course of the discussions between Comcast and AT&T Broadband, Comcast agreed that the voting power of the Class B shares held by the Roberts family would be limited to one-third of the voting power of the combined company and that the initial board of the combined company would be comprised of five members of the current Comcast board, five members of the current AT&T Board to be mutually agreed, including Mr. Armstrong as Chairman, and two new independent directors to be selected mutually. The Roberts family agreed that, for five years, it would not sell its Class B shares except to certain permitted transferees or in a transaction that offered the same per share consideration to all shareholders and that was approved or accepted by holders of a majority of the shares held by shareholders other than the Roberts family.

From September through November 2001, Comcast held talks from time to time with Microsoft Corporation concerning an arrangement whereby Microsoft would exchange AT&T preferred securities held by it that are referred to in this document as "QUIPS" in an aggregate principal amount of $5 billion for equity in AT&T Comcast. The purpose of these discussions was to negotiate what is referred to in this document as the "Microsoft transaction," in order to reduce the amount of fixed obligations AT&T Comcast would have upon completion of an AT&T Broadband transaction. Also, during October and November 2001 Brian L. Roberts and C. Michael Armstrong had a series of meetings to discuss matters relating to the strategy and management of the combined company.

On November 26, 2001, at a special meeting of the Comcast Board, management updated the Board on the status of negotiations concerning an AT&T Broadband transaction and on the extensive due diligence that Comcast and its financial and legal advisors had conducted. At that meeting, management also described its efforts to prepare a revised offer for AT&T Broadband for submission to AT&T on November 30, 2001. The Comcast Board heard a presentation from Comcast's legal advisor concerning the auction process initiated by AT&T and the fiduciary duties of the Comcast directors and a presentation from Comcast's financial advisors concerning the terms of Comcast's revised proposal. Thereafter, the Comcast Board unanimously authorized management to continue negotiations with AT&T concerning an AT&T Broadband transaction.

On November 27, 2001, a letter was sent on AT&T's behalf to each of the three parties informing them that the deadline for submission of proposals had been extended to December 3, 2001.

On the morning of December 3, 2001, at a special meeting of the Comcast Board, management reviewed with the directors the terms of its revised offer to acquire AT&T Broadband, including the amount of equity to be issued to AT&T shareholders, the amount of debt to be assumed by AT&T Broadband and the governance arrangements to be implemented for the combined company upon completion of an AT&T Broadband transaction. Management also reviewed with the directors the final terms of the Microsoft transaction. After discussion, the Comcast Board unanimously authorized management to submit the revised offer on the terms and conditions described at that meeting and to enter into the exchange agreement with Microsoft relating to the Microsoft transaction. Shortly after that meeting, Comcast and Microsoft executed the exchange agreement.

Later on December 3, 2001, each of the three parties submitted a proposal, including proposed agreements, with respect to a combination with AT&T Broadband. Over the course of the next several days, AT&T's management and its financial and legal advisors reviewed the proposals and had discussions with representatives of each of the parties. At the AT&T Board's direction, AT&T's

management and its advisors sought to clarify aspects of the proposals, as well as to negotiate various provisions of the proposed agreements.

At meetings held on December 7 and 8, 2001, AT&T's management and financial and legal advisors reviewed and discussed with the AT&T Board each of the proposals, as well as other alternatives available

to AT&T. These alternatives included proceeding with the separation of AT&T Broadband without any combination with another party, or retaining AT&T Broadband as part of AT&T, possibly in connection with an investment by a third party. AT&T's legal advisors also reviewed again with the AT&T Board the legal standards applicable to their consideration of the proposals. The AT&T Board concluded that none of the proposals as presented was sufficiently attractive to accept, nor were the proposed agreements with any of the parties at a stage to be executed immediately. The AT&T Board also concluded, however, that each of the three proposals and sets of agreements might be capable of being improved sufficiently to be acceptable to the AT&T Board. In light of these conclusions, the AT&T Board directed AT&T's management and advisors to seek to improve the terms of the proposals, and reach agreements that were ready to be executed, in advance of the AT&T Board's regularly scheduled meeting to be held on December 19, 2001.

On December 8 and 9, 2001, representatives of AT&T informed each of the three parties of the AT&T Board's decisions. The AT&T representatives proposed meetings and discussions with representatives of each of the parties over the next week with the goal of reaching revised proposals and final agreements no later than December 16, 2001. In these meetings and discussions, in accordance with the AT&T Board's instructions, AT&T's representatives requested that each of the parties increase the amount of equity in the combined company that AT&T shareholders would receive and agree on an allocation of assets and liabilities between AT&T and AT&T Broadband consistent with the allocations proposed by AT&T.

On December 15, 2001, the Comcast Board met to consider a recommendation by management that Comcast increase its offer for AT&T Broadband. At that meeting, management updated the Comcast directors on the status of the negotiations with AT&T concerning the AT&T Broadband transaction. Comcast's legal advisor then reviewed with the Comcast Board in detail the terms of the merger agreement and the other transaction agreements that had been negotiated with AT&T as well as the fiduciary duties of the Comcast directors. Also at that meeting, Comcast's financial advisors made a presentation concerning certain financial aspects of Comcast's proposal for AT&T Broadband. Thereafter, the Comcast Board unanimously authorized management to increase Comcast's bid for AT&T Broadband.

On December 16, 2001, each of the three parties submitted revised proposals, in each case increasing the equity amount offered to AT&T shareholders and the amount of liabilities that the combined company would assume. Over the next three days, representatives of AT&T had further discussions with representatives of each of the three parties in an effort to finalize the proposed agreements and to encourage each of the parties to make sure that it had presented its best and final proposal. In the course of these discussions with representatives of AT&T, all three parties made final improvements to their proposals.

On the morning of December 19, 2001, the Comcast Board met to consider a recommendation by management that Comcast increase the equity component of its offer for AT&T Broadband. At that meeting, Comcast's legal advisor provided the Board with an update on the status of the negotiations with AT&T. Comcast's financial advisors indicated that they would be in a position to provide the Board with opinions to the effect that the price proposed to be paid in the AT&T Broadband transaction would be fair to Comcast's shareholders. After discussion, the Comcast Board unanimously authorized Comcast management to increase its bid for AT&T Broadband and to enter into an AT&T Broadband transaction on the terms previously described to the Comcast Board.

At the AT&T Board meeting on December 19, 2001, AT&T's management and financial and legal advisors reviewed and discussed with the AT&T Board the final proposals from each of the parties and again reviewed the other alternatives available to AT&T, and AT&T's legal advisors again reviewed the legal standards applicable to the AT&T Board's decisions. AT&T's management and advisors also reviewed with the AT&T Board the risks, including regulatory risks, execution risks and certainty of completion, of each of the proposals and alternatives.

Based on this review, the AT&T Board concluded that the Comcast proposal offered greater value and certainty than the other two proposals, as well as greater value and certainty than the other available

alternatives. With respect to the three combination proposals, the aggregate value of the equity and debt assumption offered by Comcast (in the case of the equity portion, based on then current public trading prices and pro forma trading prices based on comparable multiples) was greater than that offered by the other two proposals. The AT&T Board also believed, based on the presentations of its legal advisors, that the Comcast proposal presented the least regulatory risk of the three proposals. With respect to the alternative of not accepting any combination proposal, and either continuing with the separation of AT&T Broadband or retaining AT&T Broadband as part of AT&T, the AT&T Board believed that the value that could be derived from a combination of the operations of Comcast and AT&T Broadband was greater than the value that could be expected from the continued operation of AT&T Broadband on its own. In addition, the AT&T Board believed that the risks arising from AT&T's debt levels would be substantially reduced by the proposed assumption of debt by AT&T Comcast.

The AT&T Board noted favorably that the Roberts family had agreed to limit the voting power of the Class B shares to 33 1/3%. The AT&T Board recognized that this voting power would still give the Roberts family the ability to exercise significant influence over the combined company and that this level of voting power would be disproportionate to the Roberts family's economic interest of less than 1.5% of AT&T Comcast. However, in comparison to the Roberts family's approximately 86.7% voting interest in Comcast, or Comcast's original combination proposal that would have given the Roberts family a voting interest of approximately 43% in AT&T Comcast, the AT&T Board believed that the agreement by the Roberts family to limit its voting power to 33 1/3% would increase the influence of the public shareholders of AT&T Comcast and eliminate the majority control that the Roberts family now exercises over Comcast.

However, in reviewing the agreement of the Roberts family not to sell its Class B shares except to certain permitted transferees or in a transaction that offered the same per share consideration to all shareholders and that was approved or accepted by holders of a majority of the shares held by shareholders other than the Roberts family, the AT&T Board determined that this protection should be extended from five years to ten years. The AT&T Board directed management to request that the Roberts family agree to this extension. Messrs. Armstrong and Noski telephoned Brian L. Roberts to ask that the Roberts family agree to the extension. After considering the issue, Mr. Roberts called Mr. Armstrong back to inform him that the family would agree. The AT&T Board voted unanimously to approve the Comcast proposal and the agreements reflecting that proposal. Following the meeting, AT&T and Comcast executed the merger agreement, AT&T and AT&T Broadband executed the separation and distribution agreement, and AT&T, Comcast and Mr. Roberts executed the support agreement.

In April 2002, the merger agreement was amended to modify certain governance arrangements. On May 14, 2002, the merger agreement and the separation and distribution agreement were amended.

COMCAST'S REASONS FOR THE AT&T COMCAST TRANSACTION

The Comcast Board unanimously determined that the AT&T Comcast transaction, including the Comcast merger, is fair to and in the best interests of Comcast shareholders. The Comcast Board recommends that holders of Comcast common stock vote FOR approval and adoption of the merger agreement and the transactions contemplated by the merger agreement. In the course of determining that the AT&T Comcast transaction, including the Comcast merger, is fair to and in the best interests of Comcast shareholders, the Comcast Board consulted with management, as well as its legal and financial advisors, and considered the following primary factors:

- Creating an Unrivaled Broadband Network. Comcast believes that the combination of Comcast with AT&T Broadband will create a network of unrivaled scale and scope, uniquely situated to realize the vision of broadband. On a pro forma basis, the combined network will have approximately 22 million subscribers and will pass approximately 38 million homes. A network is considered to pass a home if the home can be connected to the network without a further extension of transmission lines. In comparison, Comcast's and AT&T Broadband's major cable competitors, AOL Time Warner Inc., Charter Communications and Cox Communications, have networks with approximately 11.2 million, 7.0 million and 6.2 million subscribers, respectively, that pass

approximately 18.3 million, 11.5 million and 10.0 million homes, respectively, and Comcast's and AT&T Broadband's satellite-based competitors, DirecTV and Echostar, have networks with approximately 10.7 million and 6.8 million subscribers, respectively. The combined company will have a physical plant that is 80% upgraded to 550 MHZ and 67% upgraded to 750 MHZ. Comcast expects these strengths will permit the combined company to lead the industry in the development of new broadband services, such as video-on-demand, interactive television and telephony.

- Synergies. Comcast estimates that the combined company could achieve synergies and efficiencies worth approximately $1.25 billion to $1.95 billion annually in increased earnings before interest, tax, depreciation and amortization, or EBITDA, and approximately $200 million to $300 million a year in capital expenditure savings. A combined AT&T Comcast believes it can achieve the EBITDA synergies and efficiencies in the following areas:

- ability to utilize AT&T Broadband's experience to introduce cable telephony in Comcast's service areas ($600 to $800 million annually);

- increased ability to develop new products and services ($100 to $200 million annually);

- programming cost savings ($250 to $400 million annually);

- increased operating efficiencies ($200 to $300 million annually); and

- ability to sell national advertising ($100 to $200 million annually).

Some of these synergies and efficiencies should be realized immediately or soon after completion of the AT&T Comcast transaction and more than half of them should be realized within 3 years after completion of the AT&T Comcast transaction. These estimates are forward-looking statements subject to the risks described under "Certain Legal Information -- Information Regarding Forward-Looking Statements."

- Potential for Earnings Growth. Comcast believes the combined company will offer an opportunity for earnings growth as the AT&T Broadband systems are brought up to industry-standard margins. Comcast has a track record of maintaining EBITDA margins even as lower margin systems are integrated. By combining the best management of Comcast and AT&T Broadband, Comcast expects to accelerate the growth in EBITDA margins that AT&T Broadband has begun.

- Fairness Opinions. Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, financial advisors to Comcast, each rendered an opinion dated December 19, 2001 to the effect that as of that date and based upon and subject to the assumptions, qualifications and limitations set forth therein, the conversion ratios in the Comcast merger applicable to holders of Comcast common stock, in the aggregate, were fair, from a financial point of view, to Comcast shareholders, taken together. Comcast did not ask for and accordingly did not receive from its financial advisors an opinion as to the fairness of the conversion ratio in the Comcast merger applicable to holders of any particular class of Comcast stock to holders of such class of Comcast stock. The fairness opinions of Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are included as Annexes G, H and I, respectively, to this document and should be read in their entireties. The Comcast Board believes that these opinions support the Comcast Board's conclusion that the AT&T Comcast transaction, including the Comcast merger, is fair to and in the best interests of Comcast shareholders.

- Tax-Free Transaction. Comcast expects that the Comcast merger will be tax-free for U.S. federal income tax purposes to Comcast shareholders.

- Terms of the AT&T Comcast Transaction Agreements. The Comcast Board considered the terms and conditions of the merger agreement, including the conditions to closing, the termination fees payable under certain circumstances and the restrictions imposed on the conduct of business of AT&T Broadband and Comcast in the period prior to closing. The Comcast Board took particular note of the provisions of the merger agreement which do not permit AT&T to terminate the merger agreement to accept a superior acquisition proposal or if the AT&T Board changes its recommendation of the AT&T transaction proposal or the AT&T Comcast charter proposal in a manner adverse to Comcast, and which, subject to applicable law, require AT&T to submit the AT&T transaction proposal and the AT&T Comcast charter proposal for a vote of the AT&T shareholders at the AT&T meeting. The Comcast Board also considered the terms and conditions of the other transaction agreements described or referred to in this document.

- Governance. The Comcast Board considered the fact that Brian L. Roberts will initially be the Chief Executive Officer and President of AT&T Comcast and will, along with C. Michael Armstrong, comprise the Office of the Chairman, AT&T Comcast's principal executive deliberative body. The Comcast Board also considered the fact that Brian L. Roberts will, in consultation with C. Michael Armstrong, select the initial executive officers of the combined company.

- Structure of the AT&T Comcast Transaction. The Comcast Board considered that the AT&T Comcast transaction is structured as a spin-off and merger of AT&T Broadband with a subsidiary of AT&T Comcast instead of a spin-off of AT&T's communications business and merger of AT&T (which would under such a structure consist primarily of AT&T's broadband business) with a subsidiary of AT&T Comcast. Comcast believes that the structure of the AT&T Comcast transaction reduces the potential exposure of the combined company to historic AT&T liabilities that are not attributable to AT&T's broadband business. In addition, Comcast believes that the structure of the AT&T Comcast transaction reduces the potential exposure of the combined company to contractual liabilities of AT&T's communications business.

The Comcast Board also considered potential adverse consequences and negative factors, primarily consisting of the following, but concluded that the positive factors outweighed these negative factors:

- Risk Factors. The Comcast Board considered the risks described under "Summary and Overview of the Transactions -- Risk Factors Relating to the AT&T Comcast Transaction" and "Summary and Overview of the Transactions -- Risk Factors Relating to the Business of AT&T Comcast."

- Increased Debt Level. AT&T has allocated a significant portion of AT&T's consolidated debt to AT&T Broadband. As a result of this allocation, AT&T Comcast will be more leveraged than Comcast has historically been. The Comcast Board believes that the financial strength of the combined company and the deleveraging opportunities that will be available following completion of the AT&T Comcast transaction will enable AT&T Comcast to support and reduce this debt level.

- AT&T Broadband Operating Losses. The AT&T Broadband financial statements for the year ended December 31, 2001 reflect significant operating losses. The Comcast Board believes that the magnitude of the operating losses reflected in the pro forma financial statements included in this document is largely the result of amortization and non-recurring charges and will not affect the ability of AT&T Comcast to generate cash in an amount sufficient to fund its operations.

- Potential Additional Payments. The Comcast Board considered provisions of the merger agreement that may require Comcast to increase the amount of AT&T Comcast common stock to be issued to AT&T Broadband shareholders in the AT&T Broadband merger. In particular, the Comcast Board noted that the aggregate number of shares of AT&T Comcast common stock to be issued to holders of AT&T Broadband common stock may be increased by up to 3% if the AT&T Comcast common stock issued to holders of AT&T Broadband common stock is not included in the Standard & Poor's 500 Index and there is a per share disparity between the average trading price of such class of stock and AT&T Comcast Class A Special common stock, in each case shortly after completion of the AT&T Comcast transaction.

In addition, the Comcast Board was aware of the interests of certain of its directors and officers described under "Employee Benefits Matters -- Interests of Directors and Officers in the AT&T Comcast Transaction."

Due to the variety of factors and the quality and amount of information considered, the Comcast Board did not find it practicable to and did not make specific assessments of, quantify or assign relative weights to the specific factors considered in reaching its determination to approve the merger agreement and the transactions contemplated by the merger agreement. Instead, the Comcast Board made its determination after consideration of all factors taken together. In addition, individual members of the Comcast Board may have given different weight to different factors.

COMCAST'S PREFERRED STRUCTURE PROPOSAL

Background. The Comcast charter provides that if in a transaction like the Comcast merger holders of the Comcast Class A common stock, the Comcast Class B common stock and the Comcast Class A Special common stock do not receive the same consideration for each of their shares of Comcast common stock (i.e., the same amount of cash or the same number of shares of each class of stock issued in the transaction in proportion to the number of shares of Comcast common stock held by them, respectively, without regard to class), holders of each class of Comcast common stock must receive "mirror" securities (i.e., shares of a class of stock having substantially equivalent rights as the applicable class of Comcast stock). It is unclear that the shares of AT&T Comcast Class A common stock to be issued to holders of the Comcast Class A common stock in the Comcast merger under the Preferred Structure qualify as "mirror" securities because the per share voting rights of the Class B common stock relative to the per share voting rights of the Class A common stock will increase from 15:1 to approximately 15:0.2094 (based on the number of shares of AT&T Comcast Class A common stock and AT&T Comcast Class B common stock anticipated to be outstanding upon completion of the AT&T Comcast transaction if the Preferred Structure is implemented and assuming that the Microsoft transaction is completed and that AT&T Comcast is not required to make any additional payments of AT&T Comcast common stock in connection with the AT&T Comcast transaction). Consequently, Comcast has decided to seek approval for the adoption of an amendment to the Comcast charter that expressly permits implementation of the Preferred Structure. If approved, the Comcast charter amendment would be effected immediately prior to the Comcast merger. A copy of the Comcast charter amendment that would be filed is attached as Annex E to this document. If the AT&T Comcast transaction does not occur, the Comcast charter amendment will not be effected, even if the preferred structure proposal is approved.

Recommendation. The Comcast Board has unanimously determined that the Preferred Structure is in the best interests of holders of the Comcast Class A common stock. The Comcast Board recommends that holders of Comcast common stock vote FOR the adoption of the Comcast charter amendment described above. If the preferred structure proposal is approved, the Preferred Structure will be implemented upon completion of the AT&T Comcast transaction. See "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Merger Consideration -- The Preferred Structure." If the preferred structure proposal is not approved, the Alternative Structure will be implemented upon completion of the AT&T Comcast transaction. See "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Merger Consideration -- The Alternative Structure."

Reason. In the course of determining that the Preferred Structure is in the best interests of holders of Comcast Class A common stock, the Comcast Board consulted with management, as well as its financial and legal advisors. After taking into account their advice, the Comcast Board decided to recommend approval of the preferred structure proposal based on its belief that holders of Comcast Class A common stock will benefit from owning shares in an extremely liquid class of stock. If the Preferred Structure is implemented, assuming the Microsoft transaction is completed and AT&T Comcast is not required to make any additional payments of AT&T Comcast common stock in connection with the AT&T Comcast transaction, upon completion of the AT&T Comcast transaction, there will be approximately 1.372 billion outstanding shares of AT&T Comcast Class A common stock. By contrast, if the Alternative Structure is implemented and regardless of whether or not the Microsoft transaction is completed or AT&T Comcast is required to make any additional payments of AT&T Comcast common stock in connection with the AT&T Comcast transaction, upon completion of the AT&T Comcast transaction, there will only be approximately 22 million outstanding shares of AT&T Comcast Class A

common stock. Although it is not possible to predict how the AT&T Comcast Class A common stock would trade relative to the AT&T Comcast Class C common stock under the Alternative Structure, the Comcast Board was aware that the Comcast Class A common stock (with approximately 22 million shares presently outstanding) has typically traded at prices below those of the much more liquid Comcast Class A Special common stock (with approximately 915 million shares presently outstanding) notwithstanding the voting rights of the Comcast Class A common stock and believed that the even greater difference in liquidity between the AT&T Comcast Class A common stock (with approximately 22 million shares outstanding) and the AT&T Comcast Class C common stock (with approximately 1.35 billion shares outstanding assuming that the Microsoft transaction is completed and that AT&T Comcast is not required to make any additional payments of AT&T Comcast common stock in connection with the AT&T Comcast transaction) under the Alternative Structure could lead to an even greater trading disparity. While holders of AT&T Comcast Class A common stock, together with holders of AT&T Comcast Class B common stock, will have specific approval rights over numerous corporate actions under the Alternative Structure that they will not have under the Preferred Structure, holders of AT&T Comcast Class B common stock will control these approval rights because holders of AT&T Comcast Class B common stock will hold approximately 86.7% of the votes entitled to be cast on such matters. In addition, Comcast does not believe that either the increased per share voting power of AT&T Comcast Class A common stock under the Alternative Structure relative to the per share voting power of the AT&T Comcast Class A common stock under the Preferred Structure or the greater aggregate voting power of the former holders of Comcast Class A common stock under the Alternative Structure (5.14% as compared to approximately 1.1% under the Preferred Structure assuming that the Microsoft transaction is completed and that AT&T Comcast is not required to make any additional payments of AT&T Comcast common stock in connection with the AT&T Comcast transaction) outweighs the advantage of the greater liquidity that the AT&T Comcast Class A common stock will have under the Preferred Structure relative to the Alternative Structure.

Holders of AT&T Comcast Class B common stock will have the same rights under the Preferred Structure and the Alternative Structure in all material respects. Accordingly, the Comcast Board did not separately consider the interests of holders of Comcast Class B common stock in its decision to recommend that holders of Comcast Class A common stock vote in favor of the preferred structure proposal.

AT&T'S REASONS FOR THE AT&T COMCAST TRANSACTION

At a meeting held on December 19, 2001, the AT&T Board unanimously determined that the AT&T Comcast transaction, including the separation, the AT&T Broadband spin-off and the AT&T Broadband merger, is fair to and in the best interests of AT&T shareholders. The AT&T Board recommends that holders of AT&T common stock vote FOR approval and adoption of the merger agreement and the transactions contemplated by the merger agreement. In the course of determining that the AT&T Comcast transaction, including the separation, the AT&T Broadband spin-off and the AT&T Broadband merger, is fair to and in the best interests of AT&T shareholders, the AT&T Board consulted with management, as well as its legal and financial advisors, and considered the following primary factors:

- Valuation. The AT&T Board believes that the AT&T Broadband exchange ratio provides AT&T shareholders with an attractive valuation for their interest in AT&T Broadband and offers superior and more certain value than the alternatives that were available to AT&T. These alternatives included other combination proposals with respect to AT&T Broadband, continuing with the separation of AT&T Broadband without any combination and retaining AT&T Broadband as part of AT&T.

- Strength of Combined Company. AT&T believes that the combination of AT&T Broadband with Comcast will create a leading entertainment, communications and information company, passing more than 38 million homes with more than 22 million subscribers. The combined company will have a presence in 41 states and will be the leader in eight of the ten largest U.S. cable marketing areas and a major presence in 17 of the 20 largest cable marketing areas. AT&T believes that the

combined company will be a leader in advanced services, well positioned for developing and bringing to market new and innovative products and services for consumers. The scale of the combined company is expected to accelerate broadband deployment in areas such as telephony, video on demand, home networking and interactive television. AT&T Comcast is also expected to be able to take advantage of significant cost savings through elimination of duplicative operations, reduced operating costs and adoption of best practices from both AT&T Broadband and Comcast, as well as the development of new revenue-producing products and services. By virtue of their large economic interest in AT&T Comcast, approximately

54.8% in the aggregate, AT&T shareholders will have a significant opportunity to participate in the future performance of the combined company.

- Telephony Strategy. AT&T Comcast is expected to be able to take advantage of AT&T Broadband's cable telephony expertise in order to develop telephony opportunities and increase revenues from telephony service offerings. The AT&T Board believes that the opportunity to utilize AT&T Comcast's extensive facilities should enhance the growth opportunities of the combined company.

- Benefits of Separating AT&T Broadband. The AT&T Board continues to believe that the separation of AT&T Broadband from the communications services businesses of AT&T provides benefits to both businesses. The separation is expected to give the broadband and communications services businesses greater financial and operating strength to help realize growth opportunities, reduce the complexity inherent in managing an integrated enterprise of broadband and communications businesses, allow the businesses to create more effective management incentive and retention programs and allow for more focused investment opportunities than those presented by a diversified AT&T. The AT&T Board believes that the AT&T Comcast transaction will only enhance these benefits by creating a better and stronger broadband business.

- Improvement of Financial Position of AT&T. AT&T has been pursuing a course of activities designed to reduce its debt levels. The AT&T Board believes that the allocation of a significant portion of AT&T's consolidated debt to AT&T Broadband, followed by the combination of AT&T Broadband with Comcast, will improve AT&T's financial position. AT&T believes that the combined AT&T Comcast, with $19.7 billion in combined pro forma revenue for the year ended December 31, 2001, will have greater financial strength and ability to support the debt allocated to AT&T Broadband and to engage in further debt reduction activities than an independent AT&T Broadband, with $10.1 billion in revenue for the year ended December 31, 2001, and that the communications services business will have a strong capital position following the separation of AT&T Broadband, putting it in a better position to take advantage of opportunities in the future.

- Opinions of Financial Advisors. Credit Suisse First Boston and Goldman Sachs, financial advisors to AT&T, rendered to the AT&T Board separate written opinions, each dated December 19, 2001, to the effect that, as of that date and based on and subject to the matters described in its opinion, the AT&T Broadband exchange ratio was fair, from a financial point of view, to holders of AT&T Broadband common stock immediately prior to the mergers, other than Comcast and its affiliates. The opinions of Credit Suisse First Boston and Goldman Sachs are attached as Annexes J and K, respectively, to this document and should be carefully read in their entireties.

- Tax-Free Transaction. AT&T expects the AT&T Comcast transaction, including the separation, the AT&T Broadband spin-off and the AT&T Broadband merger, to be tax-free for U.S. federal income tax purposes to AT&T's shareholders.

- Other Agreement Terms. The AT&T Board considered the other terms and conditions of the merger agreement, the separation and distribution agreement and the related agreements, which are summarized in this document. The AT&T Board took particular note of the provision that AT&T and Comcast will seek to have the class of AT&T Comcast common stock which the shareholders of AT&T will receive in the AT&T Broadband merger included in the Standard & Poor's 500 Index. If the class is not included, the shareholders of AT&T will receive in the AT&T Broadband

merger additional shares of the same class of AT&T Comcast common stock, up to an additional 3%, if the shares they receive in the AT&T Broadband merger trade below the AT&T Comcast Class A Special shares during 10 randomly selected trading days during a measurement period consisting of 20 consecutive trading days commencing no later than 45 days after the closing date of the AT&T Comcast transaction.

The AT&T Board also considered potential adverse consequences and negative factors, primarily consisting of the following, but concluded that the positive factors outweighed these negative factors:

- Risk Factors. The AT&T Board considered the risks described under "Summary and Overview of the Transactions -- Risk Factors."

- Governance of AT&T Comcast. The AT&T Board considered many elements of the proposed governance arrangements as negative factors in evaluating the proposed transaction, including those described below. See "Summary and Overview of the Transactions -- Risk Factors -- Risk Factors Relating to the AT&T Comcast Transaction -- Atypical Governance Arrangements May Make It More Difficult for Shareholders to Act" and "Description of Governance Arrangements Following the AT&T Comcast Transaction." In determining that the benefits of the AT&T Comcast transaction offset these negative factors, the AT&T Board considered the substantial and extensive record of negotiations with Comcast on these governance provisions, the fact that these negotiations had materially improved the rights of the public shareholders over the rights available in the transaction originally presented, the favorable economic terms of the proposed transaction, the likelihood of completion of the proposed transaction and the overall advantages of the transaction as compared with the other strategic alternatives available to AT&T after an extensive exploration process.

  - Roberts Family Voting Power. The AT&T Board considered that the Roberts family and its transferees will hold approximately 33.3% of the voting power of AT&T Comcast through their ownership of shares of AT&T Comcast Class B common stock representing approximately 1.0% of the economic interest in the combined company and that this voting interest will generally not be diluted by future issuances of shares of any other class of AT&T Comcast stock.

    However, the AT&T Board compared these elements of the governance structure to the existing governance structure of Comcast whereby the Roberts family has approximately 86.7% of the voting power and approximately 3% of the economic interest. The AT&T Board also considered as an offsetting factor that the charter of AT&T Comcast provided that a majority of the AT&T Comcast Board would consist of independent directors at all times. The AT&T Board considered as a further offsetting factor that the Roberts family agreed that for a period of 10 years after completion of the AT&T Comcast transaction they would not receive a premium for their high-vote stock without making the same premium available for the shares held by the public.

- Term of the AT&T Comcast Directors. As originally negotiated, the term of the AT&T Comcast Board upon completion of the AT&T Comcast transaction would not expire until the 2005 annual meeting of AT&T Comcast shareholders. AT&T and Comcast have now agreed that AT&T Comcast will hold an annual meeting at which directors will be elected in April 2004.

- Composition of Directors Nominating Committee. The AT&T Board considered the structure of the Directors Nominating Committee of the AT&T Comcast Board, including that Brian L. Roberts would be Chairman of the Directors Nominating Committee, would have a vote in the selection of additional members to the Directors Nominating Committee and would thereby have influence over the selection of nominees for election to the AT&T Comcast Board. The AT&T Board did not believe this factor materially increases Mr. Roberts' influence over that available by virtue of his voting power.

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- Supermajority Removal Provisions. The AT&T Board considered the 75% removal provisions that are applicable to Brian L. Roberts and C. Michael Armstrong, which make it unlikely that they will be removed from their management positions.

- Shareholder Rights Plan. The AT&T Board considered that AT&T Comcast would adopt a shareholder rights plan after completion of the AT&T Comcast transaction that will prevent any holder of AT&T Comcast stock, other than any holder of AT&T Comcast Class B common stock or any of such holder's affiliates, from acquiring AT&T Comcast stock representing more than 10% of AT&T Comcast's voting power without the approval of the AT&T Comcast Board. The AT&T Board considered that in making future decisions as to whether or not to redeem the shareholder rights plan the AT&T Comcast Board would be bound by its fiduciary duties to all shareholders.

- Difficulty in Execution. A significant degree of difficulty and management distraction is inherent in the process of separating AT&T Broadband from AT&T and integrating AT&T Broadband and Comcast. In addition, there is a risk that cost efficiencies and benefits sought in the AT&T Comcast transaction might not be fully achieved or that achieving these benefits may take longer than expected.

- Share Trading Prices. There is no assurance as to the trading prices of the shares of AT&T Comcast or AT&T following completion of the AT&T Comcast transaction. In addition, while AT&T and Comcast will seek to have the class of AT&T Comcast common stock which shareholders of AT&T will receive in the AT&T Broadband merger included in the Standard & Poor's 500 Index, there is no assurance that the companies will be successful in achieving this inclusion. If the class of AT&T Comcast common stock issuable in the AT&T Broadband merger is not included in the index, this may adversely affect its trading price. In this event, while AT&T shareholders will receive additional shares of the same class of AT&T Comcast common stock to the extent the shares they receive in the AT&T Broadband merger trade below the AT&T Comcast Class A Special shares during a specified measurement period following the completion of the

AT&T Comcast transaction, this protection is limited to 3%.

- Alternative Transactions Not Permitted. The provisions of the merger agreement do not permit AT&T to terminate the merger agreement for an alternative transaction involving AT&T Broadband, although AT&T is permitted to conduct negotiations with third parties under limited circumstances, and the merger agreement requires AT&T to pay a $1.5 billion fee to a wholly owned subsidiary of Comcast in the event the merger agreement is terminated under specified circumstances.

- AT&T's Lack of Diversification and Reduced Size. The lack of diversification and reduced size of AT&T following the separation of AT&T Broadband could affect its ability to achieve economies of scale, could create capital and size constraints that did not previously exist, could create increased costs due to decreasing purchasing power and could limit its ability to obtain financing.

- Potential Volatility of Earnings and Stock Prices. As more focused companies, the earnings of each of AT&T and AT&T Comcast will be more closely tied to its particular performance and as a result their securities could be subject to greater volatility.

In addition, the AT&T Board was aware of the interests of certain of its directors and officers described under "Employee Benefits Matters -- Interests of Directors and Officers in the AT&T Comcast Transaction."

Due to the variety of factors and the quality and amount of information considered, the AT&T Board did not find it practicable to and did not make specific assessments of, quantify or assign relative weights to the specific factors considered in reaching its determination to approve the merger agreement and the transactions contemplated by the merger agreement. Instead, the AT&T Board made its determination after consideration of all factors taken together. In addition, individual members of the AT&T Board may have given different weight to different factors.

AT&T COMCAST CHARTER PROPOSAL

AT&T and Comcast are asking their respective shareholders to approve separately the AT&T Comcast charter proposal, including the corporate governance arrangements contained in the AT&T Comcast charter. These corporate governance arrangements are described under "Description of Governance Arrangements Following the AT&T Comcast Transaction." Approval of the AT&T Comcast charter proposal is a condition to completion of the AT&T Comcast transaction. Therefore, if AT&T shareholders and Comcast shareholders wish to approve the AT&T Comcast transaction, they must also approve the AT&T Comcast charter proposal.

Recommendation of the AT&T Board. The AT&T Board recommends that AT&T shareholders vote FOR the AT&T Comcast charter proposal. AT&T negotiated vigorously to obtain corporate governance protections as part of the AT&T Comcast transaction, and the AT&T Board believes that the corporate governance provisions set forth in the AT&T Comcast charter are a significant improvement compared to Comcast's current governance provisions. For example, the final negotiated AT&T Comcast charter limits the voting power of the AT&T Comcast Class B common stock to 33 1/3%, as compared to the current 86.6% voting power of the Comcast Class B common stock in Comcast. The AT&T Comcast charter also requires that the AT&T Comcast Board have a majority of independent directors, which is not required by the Comcast charter. In addition, the holders of the AT&T Comcast Class B common stock have agreed that they will not sell their shares of AT&T Comcast Class B common stock at a premium for 10 years without offering the same premium to all shareholders in a transaction approved or accepted by a majority of the publicly held shares.

As set forth above under "AT&T's Reasons for the AT&T Comcast Transaction," despite these improvements and protections, the AT&T Board still viewed the AT&T Comcast corporate governance provisions as a "negative factor" in their consideration of the AT&T Comcast transaction. Nevertheless, the AT&T Board concluded that the positive factors with respect to the AT&T Comcast transaction outweighed the negative factors. Therefore, the AT&T Board approved and recommends the AT&T Comcast transaction, including the corporate governance arrangements that were vigorously negotiated as part of that transaction. As noted above, approval of the AT&T Comcast charter proposal, including the corporate governance provisions contained in the AT&T Comcast charter, is a condition to completion of the AT&T Comcast transaction. The AT&T Board believes that the AT&T Comcast transaction is in the best interests of AT&T shareholders and, therefore, urges AT&T shareholders to vote FOR the AT&T Comcast charter proposal.

Recommendation of the Comcast Board. The Comcast Board recommends that Comcast shareholders vote FOR the AT&T Comcast charter proposal. The Comcast Board believes that the corporate governance provisions set forth in the AT&T Comcast charter represent an integral element of the AT&T Comcast transaction, all the terms of which were agreed upon after lengthy negotiations between Comcast and AT&T. The Comcast Board approved and recommends the AT&T Comcast transaction. As noted above, approval of the AT&T Comcast charter proposal is a condition to completion of the AT&T Comcast transaction. The Comcast Board believes that the AT&T Comcast transaction is in the best interests of Comcast shareholders and, therefore, urges Comcast shareholders to vote FOR the AT&T Comcast charter proposal.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

Subject to the limitations and qualifications described herein, the following discussion constitutes the opinion of Wachtell, Lipton, Rosen & Katz, counsel to AT&T, as to the material U.S. federal income tax consequences of the AT&T Broadband spin-off and the mergers to United States Holders of AT&T common stock and AT&T Broadband common stock and the opinion of Davis Polk & Wardwell, counsel to Comcast, as to the material U.S. federal income tax consequences of the mergers to United States Holders of Comcast common stock. This discussion is based on the Code, the Treasury Regulations promulgated thereunder, judicial opinions, published positions of the Internal Revenue Service, and all

other applicable authorities as of the date of this document, all of which are subject to change (possibly with retroactive effect).

As used in this document, the term "United States Holder" means:

- a citizen or resident of the United States;

- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof; or

- an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

The term United States Holder also includes certain former citizens and residents of the United States.

This discussion does not describe all of the tax consequences that may be relevant to a holder in light of his particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;

- insurance companies;

- tax-exempt organizations;

- dealers in securities or foreign currencies;

- persons holding AT&T common stock, AT&T Broadband common stock or Comcast common stock as part of a hedge;

- United States Holders whose functional currency is not the U.S. dollar;

- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;

- persons subject to the alternative minimum tax;

- shareholders who acquired their AT&T common stock, AT&T Broadband common stock or Comcast common stock through the exercise of options or otherwise as compensation or through a tax-qualified retirement plan; or

- holders of options granted under any AT&T or Comcast benefit plan.

In addition, this summary is limited to shareholders that hold their AT&T common stock, AT&T Broadband common stock or Comcast common stock as capital assets. This discussion also does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction.

Accordingly, each AT&T, AT&T Broadband and Comcast shareholder is strongly urged to consult with a tax adviser to determine the particular federal, state, local or foreign income or other tax consequences to him of the AT&T Broadband spin-off and the mergers.

It is assumed for purposes of the following discussion that the private letter ruling (or an opinion of counsel) on the AT&T Broadband spin-off and the opinions of counsel on the mergers which are discussed below under "-- Conditions to Closing" have been received.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE SEPARATION AND THE AT&T BROADBAND SPIN-OFF

The tax consequences of the separation and the AT&T Broadband spin-off are as follows:

- no gain or loss will be recognized by, and no amount will be included in the income of, AT&T or AT&T Broadband upon the separation and the AT&T Broadband spin-off other than gains related to certain intercompany transactions that will be triggered by the AT&T Broadband spin-off;

- no gain or loss will be recognized by, and no amount will be included in the income of, United States Holders of AT&T common stock upon their receipt of shares of AT&T Broadband common stock in the AT&T Broadband spin-off;

- a United States Holder of AT&T common stock will apportion the tax basis of such holder's AT&T common stock on which AT&T Broadband common stock is distributed between AT&T common stock and the AT&T Broadband common stock received in the AT&T Broadband spin-off in proportion to the fair market values of such AT&T common stock and AT&T Broadband common stock on the date of the AT&T Broadband spin-off; and

- the holding period of the shares of AT&T Broadband common stock received by a United States Holder of AT&T common stock in the AT&T Broadband spin-off will include the period during which such holder held the AT&T common stock on which the AT&T Broadband common stock is distributed.

Current Treasury Regulations require each holder of AT&T common stock who receives AT&T Broadband common stock pursuant to the AT&T Broadband spin-off to attach to his or her federal income tax return for the year in which the AT&T Broadband spin-off occurs, a detailed statement setting forth such data as may be appropriate in order to show the applicability of Section 355 of the Code to the AT&T Broadband spin-off. AT&T will provide the appropriate information to each of its shareholders of record.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGERS

Subject to the discussion below relating to the receipt of cash instead of fractional shares, for U.S. federal income tax purposes, the tax consequences of the mergers will be as follows:

- the mergers will constitute an exchange to which Section 351 of the Code applies;

- no gain or loss will be recognized by Comcast, AT&T Broadband, the AT&T Broadband merger subsidiary, or the Comcast merger subsidiary as a result of the mergers;

- no gain or loss will be recognized by:

  - United States Holders of AT&T Broadband common stock on the exchange of their AT&T Broadband common stock for AT&T Comcast common stock; or

  - United States Holders of Comcast common stock on the exchange of their Comcast common stock for AT&T Comcast common stock;

- the aggregate adjusted basis of the AT&T Comcast common stock received in the mergers by:

  - a United States Holder of AT&T Broadband common stock will be equal to the aggregate adjusted basis of the United States Holder's AT&T Broadband common stock exchanged for that AT&T Comcast common stock, reduced by any tax basis allocable to the fractional share interests in AT&T Comcast common stock for which cash is received; and

-- a United States Holder of Comcast common stock will be equal to the aggregate adjusted basis of the United States Holder's Comcast common stock exchanged for that AT&T Comcast common stock; and

- the holding period of the AT&T Comcast common stock received in the mergers by:

-- a United States Holder of AT&T Broadband common stock will include the holding period of the United States Holder's AT&T Broadband common stock exchanged for that AT&T Comcast common stock; and

-- a United States Holder of Comcast common stock will include the holding period of the United States Holder's Comcast common stock exchanged for that AT&T Comcast common stock.

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Cash Instead of Fractional Shares. AT&T Comcast will not issue any fractional shares in the AT&T Broadband merger. Instead, any fractional interests AT&T Broadband shareholders otherwise would have been entitled to receive will be sold and the proceeds will be paid to those shareholders. The receipt of cash instead of a fractional share of AT&T Comcast common stock by a United States Holder of AT&T Broadband common stock will result in taxable gain or loss to such United States Holder for U.S. federal income tax purposes based upon the difference between the amount of cash received by such United States Holder and the United States Holder's adjusted tax basis in the fractional share as set forth above. The gain or loss will constitute capital gain or loss and will constitute long-term capital gain or loss if the United States Holder's holding period is greater than one year as of the date of the mergers. The deductibility of capital losses is subject to limitations.

Backup Withholding. Under the Code, if you are a non-corporate AT&T Broadband shareholder and you receive cash instead of fractional shares of AT&T Comcast common stock, you may be subject, under certain circumstances, to backup withholding at the rates provided for in the Code with respect to such cash unless you provide proof of an applicable exemption or a correct taxpayer identification number, and otherwise comply with applicable requirements of the backup withholding rules. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability; provided that you furnish the required information to the Internal Revenue Service.

Reporting Requirements. A United States Holder of Comcast common stock or AT&T Broadband common stock receiving AT&T Comcast common stock as a result of the mergers may be required to retain records related to such United States Holder's Comcast common stock or AT&T Broadband common stock, as the case may be, and file with its federal income tax return a statement setting forth facts relating to the mergers.

CONDITIONS TO CLOSING

It is a condition to both the AT&T Broadband spin-off and the mergers that AT&T has obtained one or more private letter rulings from the Internal Revenue Service, which will continue in effect at the time of the AT&T Broadband spin-off and mergers, to the effect that:

- the separation and the AT&T Broadband spin-off will be tax-free to AT&T and its shareholders under Sections 355 and 368(a) of the Code,

- the mergers will not cause the separation and the AT&T Broadband spin-off to fail to be qualified as a tax-free transaction pursuant to Section 355 of the Code, and

- the separation and the AT&T Broadband spin-off will not cause the distribution by AT&T of all of the common stock of AT&T Wireless or of Liberty Media to fail to qualify as tax-free transactions pursuant to Sections 355 and 368(a) of the Code.

AT&T has filed a private letter ruling request in respect of the matters described in the immediately preceding bullet points with the Internal Revenue Service. The private letter ruling condition may be waived if AT&T and Comcast mutually agree to obtain an opinion to the same effect from tax counsel of a nationally recognized reputation mutually acceptable to AT&T and Comcast. The receipt of such private letter ruling or opinion of counsel and its continuing validity are subject to factual representations and assumptions. Neither AT&T nor AT&T Broadband nor Comcast is aware of any facts or circumstances that would cause such representations and assumptions to be untrue. An opinion of counsel represents counsel's best legal judgment and is not binding on the Internal Revenue Service or any court.

It is a condition to the Comcast merger that Comcast receive an opinion from Davis Polk & Wardwell, dated the date of the mergers, and it is a condition to the AT&T Broadband merger that AT&T receive an opinion from Wachtell, Lipton, Rosen & Katz, dated the date of the mergers, each to the effect that, on the basis of the facts, representations and assumptions set forth in such opinion, the mergers will constitute an exchange to which Section 351 of the Code applies. Any change in currently applicable law, which may or may not be retroactive, or the failure of any factual representations or

assumptions to be true, correct and complete in all material respects, could affect the validity of the Davis Polk & Wardwell and Wachtell, Lipton, Rosen & Katz tax opinions.

An opinion of counsel represents counsel's best legal judgment and is not binding on the Internal Revenue Service or any court. No ruling has been or will be sought from the Internal Revenue Service as to the U.S. federal income tax consequences of the mergers and, as a result, there can be no assurance that the Internal Revenue Service will not disagree with, or challenge, any of the conclusions described below.

AT&T does not intend to waive the receipt of a private letter ruling (or an opinion of counsel) on the AT&T Broadband spin-off and its counsel's opinion on the mergers as a condition to its obligation to complete the AT&T Broadband spin-off and the AT&T Broadband merger, and will not waive the receipt of such ruling and opinion(s) as a condition to its obligation to complete the AT&T Broadband spin-off and AT&T Broadband merger without recirculating this document in order to resolicit shareholder approval. Comcast does not intend to waive the receipt of a private letter ruling (or an opinion of counsel) on the AT&T Broadband spin-off and its counsel's opinion on the mergers as a condition to its obligation to complete the Comcast merger, and will not waive the receipt of such ruling and opinion(s) as a condition to its obligation to complete the Comcast merger without recirculating this document in order to resolicit shareholder approval.

Both counsel intend to deliver, at the date of the mergers, an opinion on the mergers that satisfies the requirements described above.

REGULATORY MATTERS

It is a condition to Comcast's and AT&T's obligations to complete the AT&T Comcast transaction that all regulatory approvals required to complete the AT&T Comcast transaction be obtained, except where the failure to obtain any such approvals would not reasonably be expected to have a material adverse effect on Comcast, AT&T's broadband business or AT&T's communications business. See "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Conditions to the Completion of the Mergers" and "Description of the AT&T Comcast Transaction Agreements -- The Separation and Distribution Agreement -- Conditions to the Completion of the Separation and the AT&T Broadband Spin-off." Comcast and AT&T have agreed to use their best efforts to obtain all regulatory approvals that are necessary or advisable in connection with the AT&T Comcast transaction. In addition, Comcast and AT&T have also agreed to take all actions necessary to obtain termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 relating to the AT&T Comcast transaction and to obtain all consents of the FCC required to complete the AT&T Comcast transaction. See "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Covenants -- Covenant to Obtain Regulatory Approvals."

The material regulatory requirements affecting the AT&T Comcast transaction are summarized below. Although Comcast and AT&T have not yet received the regulatory approvals discussed below, Comcast and AT&T anticipate that they will obtain regulatory approvals sufficient to complete the AT&T Comcast transaction by the end of 2002.

Antitrust Considerations. The mergers are subject to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which prevents specified transactions from being completed until required information and materials are furnished to the U.S. Department of Justice, or DOJ, and the Federal Trade Commission, or FTC, and specified waiting periods are terminated or expire. On January 22, 2002, Comcast and AT&T filed the required information and materials to notify the DOJ and the FTC of the mergers. On February 21, 2002, Comcast and AT&T received a request from the DOJ, the reviewing agency, for additional information and documentary material regarding the mergers. Comcast and AT&T intend to cooperate with DOJ staff in producing the requested documents and other information. Unless extended by agreement of the parties, the Hart-Scott-Rodino Antitrust Improvements Act of 1976 waiting period will expire thirty calendar days after Comcast and AT&T certify to the DOJ that they have substantially complied with the DOJ's request for additional information.

The DOJ, the FTC and, under certain circumstances, states or private parties may challenge the mergers on antitrust grounds, either before or after expiration of the waiting period. Accordingly, at any time before or after the completion of the mergers, either the DOJ or the FTC could take action under the antitrust laws as it deems necessary or desirable in the public interest, or states or other persons could take action under the antitrust laws, including seeking to enjoin the mergers. There can be no assurance that a challenge to the mergers will not be made or that, if a challenge is made, that Comcast and AT&T will prevail.

Federal Communications Commission. Pursuant to the Communications Act of 1934, as amended, the transfer of control of licenses issued by the FCC typically requires prior FCC approval. Comcast and AT&T each directly or indirectly hold FCC licenses. On February 28, 2002, Comcast and AT&T filed applications with the FCC seeking approval for the transfer of control to AT&T Comcast of the applicable FCC licenses. The FCC is conducting a proceeding to review the information and materials filed by Comcast and AT&T in support of their applications. Interested members of the public are entitled to participate in this proceeding, and a number of parties that oppose the mergers have filed formal comments or petitions to deny. Comcast and AT&T will file with the FCC a response to these comments and petitions. There can be no assurance that Comcast and AT&T will prevail in the FCC's proceeding and receive the FCC's approval to the transfer of control of the applicable licenses.

State and Local Governmental Authorities. The mergers will also require Comcast and AT&T to obtain the approval of a number of state and local governmental authorities. Comcast and AT&T have filed the required applications with these state and local authorities. These filings seek the level of review and consent appropriate under the laws and regulations of each state and local franchising authority's franchise agreement. Where approval or consent is required for transfer of control of cable television franchises, the governing legal standard addresses the legal, technical and financial and, in Massachusetts, managerial qualifications of the company acquiring control. For transfers of control of regulated telephony service providers, the governing legal standard is typically whether the transaction is "in the public interest." Most of these state and local authorities have not completed their reviews of the mergers.

States and local franchising authorities may, in connection with the approval process, seek to impose conditions or limitations upon the companies. As a result, depending on the nature of any conditions imposed by state authorities or local franchise authorities, these conditions could jeopardize or delay completion of the mergers. Additionally, if Comcast and AT&T decide to complete the mergers notwithstanding any conditions imposed by state authorities or local franchise authorities, the expected benefits of the mergers may be reduced.

Other Regulatory Filings. Comcast and AT&T conduct operations in a number of jurisdictions where other regulatory filings or approvals may be required or advisable in connection with the completion of the AT&T Comcast transaction. Comcast and AT&T are currently in the process of reviewing whether other filings or approvals may be required or desirable in these other jurisdictions. If Comcast and AT&T conclude other filings or approvals are required or desirable, it is anticipated that such filings will be completed and such approvals will be sought. However, the failure to complete such filings or to obtain such approvals is not expected to have a material effect on the combined company.

There can be no assurances that Comcast and AT&T will obtain all of the regulatory approvals described above that are necessary to complete the AT&T Comcast transaction or that the granting of these approvals will not involve the imposition of conditions on the completion of the AT&T Comcast transaction or require changes to the terms of the AT&T Comcast transaction.

DESCRIPTION OF NEW CREDIT FACILITIES

On May 3, 2002, AT&T Broadband and AT&T Comcast, as co-borrowers, entered into definitive credit agreements with a syndicate of lenders led by JPMorgan Chase Bank, as administrative agent, for an aggregate of approximately $12.8

billion in order to obtain the financing necessary to complete the AT&T Comcast transaction. The following summary of the new credit facilities is qualified in its entirety

by reference to the complete texts of the new credit facilities, which are incorporated by reference and attached as exhibits to the registration statement in which this document is included.

The new credit facilities include (1) a term loan facility of approximately $3.18 billion, (2) a revolving loan facility of approximately $2.645 billion which provides for revolving credit loans and swing line loans and under which letters of credit may be issued and (3) a bridge loan facility of $7.0 billion. Availability of borrowings and letters of credit under the new credit facilities will be subject to satisfaction of conditions precedent on or before March 31, 2003, including, among other customary conditions, (1) the AT&T Comcast transaction shall occur substantially simultaneously and (2) AT&T Comcast shall have an investment-grade credit rating. The term loan will mature two years after the effective date of the new credit facilities, the revolving loan will mature five years after the effective date of the new credit facilities and the bridge loan will mature one year after the effective date of the new credit facilities.

Loans under the new credit facilities will bear interest per year, at the option of AT&T Comcast, at:

- the base rate plus a margin ranging from 0% to 0.875% based upon AT&T Comcast's credit rating or the alternate eurodollar rate plus a margin ranging from 0.475% to 1.875% based upon AT&T Comcast's credit rating, in either case for borrowings under the term loan;

- the base rate plus a margin ranging from 0% to 0.625% based upon AT&T Comcast's credit rating or the alternate eurodollar rate plus a margin ranging from 0.225% to 1.625% based upon AT&T Comcast's credit rating, in either case for borrowings under the revolving loan; and

- the base rate plus a margin ranging from 0% to 0.875% based upon AT&T Comcast's credit rating or the alternate eurodollar rate plus a margin ranging from 0.475% to 1.875% based upon AT&T Comcast's credit rating, in either case for borrowings under the bridge loan.

Prior to the effective date of the new credit facilities (or the date of termination of the commitments under the facilities, if earlier), AT&T Comcast will pay commitment fees at a rate equal to 0.125% per year on each lender's commitments under each facility. The fees will accrue from April 26, 2002 and will be payable on the effective date of the new credit facilities (or the date of termination of the commitments under the facilities, if earlier).

After the effective date of the new credit facilities, AT&T Comcast will pay commitment fees at a rate per year ranging from 0.085% to 0.25% based upon AT&T Comcast's credit rating on the daily average unused portion of the revolving credit facility. These fees are payable quarterly in arrears.

AT&T Comcast will pay utilization fees at a rate equal to (1) for each day that the outstanding revolving loans exceed 33% of the combined revolving commitments on such day, 0.125% or (2) for each day that the outstanding revolving loans exceed 66% of the combined revolving commitments on such day, 0.25%. These fees are payable quarterly in arrears.

The term loan is repayable during the second year after the effective date of the new credit facilities in four consecutive quarterly installments of $500 million, $750 million, $750 million and approximately $1.18 billion.

Each of Comcast Cable Communications, Inc., MediaOne Group, Inc., AT&T Broadband, LLC, AT&T Comcast, AT&T Broadband and each restricted subsidiary that becomes a party to the guarantee agreement will be a guarantor of the new credit facilities.

The new credit facilities contain customary covenants and restrictions on AT&T Comcast and its restricted subsidiaries' ability to engage in specified activities, including, but not limited to (1) limitations on subsidiary indebtedness, (2) limitations on liens, (3) limitations on fundamental changes, (4) limitations on upstreaming and (5) so long as the bridge facility remains in effect, limitations on prepayments of other material long-term indebtedness. After the effective date of the new credit facilities, availability of borrowings and letters of credit under the revolving loan facility will be subject to satisfaction of customary conditions.

The new credit facilities also contain financial covenants requiring AT&T Comcast to maintain (1) a minimum coverage of interest expense and (2) a maximum leverage ratio.

As noted above, under the terms of the new credit facilities, the obligations of the lenders to provide the financing upon completion of the AT&T Comcast transaction are subject to a number of conditions, including the condition that AT&T Comcast obtain an investment-grade credit rating. Accordingly, there can be no assurance that AT&T Broadband and AT&T Comcast will be able to obtain the financing necessary to complete the AT&T Comcast transaction. See "Summary and Overview of the Transactions -- Risk Factors -- Risk Factors Relating to the AT&T Comcast Transaction -- AT&T Comcast and its Subsidiaries May Not Be Able to Obtain the Necessary Financing At All or on Terms Acceptable to it."

APPRAISAL RIGHTS

Holders of Comcast Class A common stock, Comcast Class A Special common stock and AT&T common stock are not entitled to appraisal rights in connection with the AT&T Comcast transaction.

FEDERAL SECURITIES LAWS CONSEQUENCES; STOCK TRANSFER RESTRICTION AGREEMENTS

The shares of AT&T Comcast common stock to be issued in connection with the mergers will be registered under the Securities Act and will be freely transferable under the Securities Act, except for shares of AT&T Comcast common stock issued to any person who is deemed to be an "affiliate" of Comcast at the time of the Comcast special meeting or AT&T Broadband at the time of the AT&T annual meeting. Persons who may be deemed to be affiliates of Comcast or AT&T Broadband include individuals or entities that control, are controlled by or are under the common control of Comcast or AT&T Broadband, as applicable, and may include executive officers and directors of Comcast or AT&T Broadband, as applicable, as well as significant shareholders of Comcast or AT&T Broadband, as applicable. Affiliates may not sell their shares of AT&T Comcast common stock acquired in connection with the mergers except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares;

- an exemption under paragraph(d) of Rule 145 under the Securities Act; or

- any other applicable exemption under the Securities Act.

AT&T Comcast's registration statement on Form S-4, of which this document forms a part, does not cover the resale of shares of AT&T Comcast common stock to be received by affiliates of Comcast or AT&T Broadband in the mergers.

ACCOUNTING TREATMENT

The mergers will be accounted for as an acquisition by Comcast under the purchase method of accounting. Under this method of accounting, the assets and liabilities of AT&T Broadband not previously owned by Comcast or its affiliates will be recorded at their fair value, and any excess of Comcast's purchase price over the fair value of AT&T Broadband's tangible net assets not previously owned by Comcast or its affiliates will be recorded as intangible assets, including goodwill.

The identification of Comcast as the acquiring entity was made after careful consideration of all facts and circumstances, including the following:

Voting Rights in the New Combined Company. Sural LLC, which is controlled by Brian L. Roberts, President of Comcast, will own approximately 33.34% of AT&T Comcast's voting power (including a 33 1/3% non-dilutable interest in AT&T Comcast Class B common stock) and approximately 0.8% of AT&T Comcast's economic interest. In addition, as the holder of the AT&T Comcast Class B common stock, Sural will have an approval right over (1) any merger of AT&T Comcast with another company or any other transaction, in each case that requires AT&T Comcast shareholder approval under applicable law, or any other transaction that would result in any person or group owning shares representing in excess of 10%

of the combined voting power of the resulting or surviving corporation, or any issuance of securities (other than pursuant to director or officer stock option or purchase plans) requiring AT&T Comcast shareholder approval under the rules and regulations of any stock exchange or quotation system; (2) any issuance of AT&T Comcast Class B common stock or any securities exercisable or exchangeable for or convertible into AT&T Comcast Class B common stock; and (3) charter amendments (such as a charter amendment to opt in to any of the Pennsylvania antitakeover statutes) and other actions (such as the adoption, amendment or redemption of a shareholder rights plan) that limit the rights of holders of AT&T Comcast Class B common stock or any subsequent transferee of AT&T Comcast Class B common stock to transfer, vote or otherwise exercise rights with respect to AT&T Comcast capital stock. After Sural's voting interest, the next largest voting interest held by a single shareholder will be 4.95% held by Microsoft. No single former AT&T shareholder will have any significant ownership or voting interest following the completion of the AT&T Comcast transaction. AT&T shareholders will own approximately 54.8% of AT&T Comcast's economic interest upon completion of the AT&T Comcast transaction. If the Preferred Structure is implemented, AT&T shareholders will own approximately 60.6% of AT&T Comcast's voting power upon completion of the AT&T Comcast transaction. If the Alternative Structure is implemented, AT&T shareholders will own approximately 56.6% of AT&T Comcast's voting power upon completion of the AT&T Comcast transaction. The percentages included in this paragraph assume that the Microsoft transaction described in this document is completed and that AT&T Comcast is not required to make any of the potential additional payments of AT&T Comcast stock described in this document.

Governance Arrangement Relating to the Board of Directors. Upon completion of the AT&T Comcast transaction, the initial AT&T Comcast Board will have twelve members, five of whom will be designated by Comcast from the existing Comcast Board, five of whom will be designated by AT&T from the existing AT&T Board and two of whom will be jointly designated by Comcast and AT&T and will be independent persons. Except for pre-approved designees, the individuals designated by each of Comcast and AT&T will be mutually agreed upon by Comcast and AT&T. Ralph J. Roberts, Brian L. Roberts, Sheldon M. Bonovitz, Julian A. Brodsky and Decker Anstrom are pre-approved Comcast director designees and C. Michael Armstrong is the sole pre-approved AT&T director designee. All of the initial director designees will hold office until the 2004 annual meeting of AT&T Comcast shareholders, or the "Initial Term," which will be held in April 2004. After the Initial Term, the entire AT&T Comcast Board will be elected annually. See "Description of Governance Arrangements Following the AT&T Comcast Transaction -- AT&T Comcast Board of Directors."

Upon completion of the AT&T Comcast transaction, AT&T Comcast will have a Directors Nominating Committee that will have the power to nominate individuals for election as AT&T Comcast directors at the 2004 annual meeting of shareholders and thereafter. The composition of the Directors Nominating Committee will depend on whether Brian L. Roberts is the Chairman of the Board or CEO of AT&T Comcast. At any time that Brian L. Roberts is a member of the Directors Nominating Committee, he will be Chairman of that committee. Nominations of the Directors Nominating Committee will be submitted directly to the AT&T Comcast shareholders without any requirement of AT&T Comcast Board approval or ratification.

During the Initial Term, if Brian L. Roberts is the Chairman of the Board or the CEO, the Directors Nominating Committee will consist of Brian L. Roberts, one Comcast director designee who is an independent person selected by the Comcast director designees and two independent persons who are selected from the AT&T director designees by the AT&T director designees who are independent persons and the Comcast/AT&T joint director designees after consultation with Brian L. Roberts. During the Initial Term, if Brian L. Roberts is not the

Chairman of the Board or the CEO, the Directors Nominating Committee will consist of two Comcast director designees, one of whom shall be an independent person, who are selected by the Comcast director designees and two independent persons who are selected from the AT&T director designees by the AT&T director designees who are independent persons and the Comcast/AT&T joint director designees after consultation with a Comcast director designee selected by the two Comcast director designees selected to serve on the Directors Nominating Committee. If the Directors Nominating Committee is able to reach agreement on a full slate of nominations for the 2004

annual meeting of AT&T Comcast shareholders, each of the individuals selected as a nominee who is an AT&T Comcast director then in office will maintain the status of a "Comcast director designee," "AT&T director designee" or "Comcast/AT&T joint director designee," as the case may be, and each of the other individuals, if any, selected as a nominee will have the status determined by the Directors Nominating Committee; provided that five (5) of the nominees have the status of a "Comcast director designee," five (5) of the nominees have the status of a "AT&T director designee" and two (2) of the nominees have the status of a "Comcast/AT&T joint director designee." If the Directors Nominating Committee is unable to reach agreement on a full slate of nominations for the 2004 annual meeting of AT&T Comcast shareholders, each of the AT&T Comcast directors then in office will be nominated for election as a director at the 2004 annual meeting of AT&T Comcast shareholders and will maintain the status of a "Comcast director designee," "AT&T director designee" or "Comcast/AT&T joint director designee," as the case may be. In the event that any of such directors declines to stand for election as a director at the 2004 annual meeting of AT&T Comcast shareholders, a replacement nominee will be selected by (i) if the director declining to stand for election is a Comcast director designee, a majority of the Comcast director designees then in office (other than the Comcast director designee declining to stand for election), (ii) if the director declining to stand for election is an AT&T director designee, a majority of the AT&T director designees then in office (other than the AT&T director designee declining to stand for election) and (iii) if the director declining to stand for election is a Comcast/AT&T joint director designee, the other Comcast/AT&T joint director designee then in office, subject to the prior approval of the AT&T Comcast Board (other than the Comcast/AT&T joint director designee declining to stand for election); provided that if each of the Comcast/AT&T joint director designees declines to stand for election as a director at the 2004 annual meeting of AT&T Comcast shareholders, replacement nominees will be selected by the AT&T Comcast Board (other than the Comcast/AT&T joint director designees). If a replacement nominee is selected to replace a declining director pursuant to the preceding sentence, such replacement nominee shall be deemed to have the status of the declining director as a "Comcast director designee," "AT&T director designee" or "Comcast/AT&T joint director designee," as the case may be. If a person is elected as a director at the 2004 annual meeting of AT&T Comcast shareholders who was not nominated pursuant to the above provisions, such person will be deemed to have the status of the former director he or she was elected in lieu of. If multiple persons are elected as directors at the 2004 annual meeting of AT&T Comcast shareholders who were not nominated pursuant to the above provisions and it is not possible to determine whom they were elected in lieu of, their status as "Comcast director designees," "AT&T director designees," or "Comcast/AT&T joint director designees" will be determined by the entire AT&T Comcast Board; provided that there will be five (5) Comcast director designees, five (5) AT&T director designees and two (2) Comcast/AT&T joint director designees and the status of the other directors will not be affected as a result of such determination.

During the period beginning at the 2004 annual meeting of AT&T Comcast shareholders and ending at the 2005 annual meeting of AT&T Comcast shareholders, or the "2004 Term," which will be held in April 2005, if Brian L. Roberts is the Chairman of the Board or the CEO, the Directors Nominating Committee will consist of Brian L. Roberts, one Comcast director designee who is an independent person selected by the Comcast director designees and three independent persons who are selected by the Comcast director designees from the AT&T director designees and the Comcast/AT&T joint director designees. During the 2004 Term, if Brian L. Roberts is not the Chairman of the Board or the CEO, the Directors Nominating Committee will consist of two Comcast director designees, one of whom shall be an independent person, who are selected by the Comcast director designees and three independent persons who are selected by the Comcast director designees from the AT&T director designees and the Comcast/AT&T joint director designees.

After the 2004 Term, if Brian L. Roberts is the Chairman of the Board or the CEO, the Directors Nominating Committee will consist of Brian L. Roberts and four other directors who are independent persons selected by Brian L. Roberts; provided that no more than one Comcast director designee may be selected by Brian L. Roberts as a member of the Directors Nominating Committee prior to the seventh anniversary of the date that such director was initially elected to the AT&T Comcast Board. After the 2004 Term, if Brian L. Roberts is not the Chairman of the Board or the CEO, the AT&T Comcast Board

will determine the composition of the Directors Nominating Committee. See "Description of Governance Arrangements Following the AT&T Comcast Transaction -- Directors Nominating Committee."

Governance Arrangements Relating to Management. Upon completion of the AT&T Comcast transaction, AT&T Comcast will have an Office of the Chairman comprised of the Chairman of the Board and the CEO from the completion of the AT&T Comcast transaction until the earlier to occur of (1) the 2005 annual meeting of AT&T Comcast shareholders and (2) the date on which C. Michael Armstrong ceases to be the Chairman of the Board. The Office of the Chairman will be AT&T Comcast's principal executive deliberative body with responsibility for corporate strategy, policy and direction, governmental affairs and other significant matters. While the Office of the Chairman is in effect, the Chairman of the Board and the CEO will advise and consult with each other with respect to those matters. See "Description of Governance Arrangements Following the AT&T Comcast Transaction -- Office of the Chairman."

Upon the completion of the AT&T Comcast transaction, C. Michael Armstrong, AT&T's Chairman of the Board, will be Chairman of the Board of AT&T Comcast. C. Michael Armstrong will serve as Chairman of the Board until the 2005 annual meeting of AT&T Comcast shareholders, but he will serve as non-executive Chairman of the Board after April 1, 2004 and until the 2005 annual meeting of AT&T Comcast shareholders. After the 2005 annual meeting of AT&T Comcast shareholders, or if C. Michael Armstrong ceases to serve as Chairman of the Board prior to that date, Brian L. Roberts will be Chairman of the Board. Removal of the Chairman of the Board will require the vote of at least 75% of the entire AT&T Comcast Board until the earlier to occur of (1) the date on which neither C. Michael Armstrong nor Brian L. Roberts is Chairman of the Board and (2) the sixth anniversary of the 2004 annual meeting of AT&T Comcast shareholders.

Upon completion of the AT&T Comcast transaction, Brian L. Roberts will be the CEO of AT&T Comcast. Brian L. Roberts will also be President for as long as he is the CEO. The powers and responsibilities of the CEO and President will include:

- the supervision and management of AT&T Comcast's business and operations,
- all matters related to officers and employees, including hiring and termination,
- all rights and powers typically exercised by a corporation's chief executive officer and president, and
- the authority to call special meetings of the AT&T Comcast Board.

The powers and responsibilities of the CEO will also include the right to select the initial senior management of AT&T Comcast in consultation with the Chairman of the Board. Removal of the CEO will require the vote of at least 75% of the entire AT&T Comcast Board until the earlier to occur of (1) the date on which Brian L. Roberts ceases to be the CEO and (2) the sixth anniversary of the 2004 annual meeting of AT&T Comcast shareholders. See "Description of Governance Arrangements Following the AT&T Comcast Transaction -- Management."

Other Factors. Comcast made an unsolicited offer to purchase all of AT&T Broadband on July 8, 2001. Subsequent to Comcast's offer, AT&T solicited bids from other potential purchasers. See "The AT&T Comcast Transaction -- Background of the AT&T Comcast Transaction."

The headquarters of AT&T Comcast will be at Comcast's current headquarters in Philadelphia, Pennsylvania. An executive office will be maintained in the New York metropolitan area until at least April 2005.

Comcast's current investment in shares of AT&T common stock, to the extent still held by Comcast at the time of the record date for the AT&T Broadband spin-off, will be exchanged into a number of shares of AT&T common stock after completion of the AT&T Comcast transaction that will provide Comcast with an interest in the communications business of AT&T that, subject to the limitations described under "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Covenants -- Covenant Regarding Comcast's AT&T Stock," is equal in value to the interest

Comcast held in the combined communications and broadband business of AT&T prior to the AT&T Comcast transaction. Therefore, Comcast will continue to have an investment in the "selling company." Conversely, AT&T Broadband's current investment in Comcast will either be retired to treasury after the completion of the AT&T Comcast transaction or used to settle related debt.

Notwithstanding that the former AT&T Broadband shareholders will, in the aggregate, receive 60.6% of AT&T Comcast's voting power, AT&T Comcast believes that this fact is outweighed by the totality of the other facts and circumstances referred to above, with the most significance being given to the non-dilutable voting power of the AT&T Comcast Class B common stock, which will be owned by Sural LLC, which is controlled by Brian L. Roberts, Brian L. Roberts' role on the Directors Nominating Committee, Brian L. Roberts' position as President and CEO and Brian L. Roberts' ability to select senior management in consultation with the Chairman of the AT&T Comcast Board.

LITIGATION

In February 2002, certain shareholders of Comcast and AT&T initiated two purported class actions in the Supreme Court of the State of New York, County of New York, against Comcast, AT&T, and AT&T Comcast, alleging that the initial term of office of the directors of AT&T Comcast violates section 1724 of the Pennsylvania Business Corporation Law regarding the term of office of directors of non-classified boards. The plaintiffs seek, among other relief, compensatory damages, fees and expenses, and an order enjoining completion of the mergers. On February 28, 2002, the two actions were consolidated under the caption Norman Salsitz, Michael Grening, IRA, Samual Mayer and Sam Weitschner v. Comcast Corporation, AT&T Corp., and AT&T Comcast Corporation, Index No. 2002-600659, before Justice Helen E. Freedman. On March 14, 2002, the defendants moved to dismiss the consolidated action for failure to state a cause of action. On April 17, 2002, the court granted the defendants' motion to dismiss finding that AT&T Comcast's proposed governance plan did not violate Pennsylvania law. On April 22, 2002, the plaintiffs appealed the decision of the court. The companies intend to defend vigorously the lower court's decision.

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 December 31, 2001 and Unaudited Pro Forma Combined Condensed Statement of Operations of AT&T Comcast for the year ended December 31, 2001 give effect to the AT&T Comcast transaction. The pro forma financial statements reflect the fact that the AT&T Comcast transaction is accounted for under the purchase method of accounting.

The Unaudited Pro Forma Combined Condensed Balance Sheet assumes the AT&T Comcast transaction occurred on December 31, 2001. The Unaudited Pro Forma Combined Condensed Statement of Operations assumes the AT&T Comcast transaction occurred on January 1, 2001. The unaudited pro forma financial data is based on the historical consolidated financial statements of Comcast and the historical combined financial statements of AT&T Broadband 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. See "The AT&T Comcast Transaction -- Accounting Treatment." 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 December 31, 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 shareholders 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 $49,384.8 million. This includes the fair value of the issuance of approximately 1,231.0 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 in exchange for AT&T Broadband shares that Microsoft will

receive immediately prior to the completion of the AT&T Comcast transaction in 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 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 AT&T Comcast shares to be issued in the AT&T Broadband merger 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 the limited circumstances described under "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Merger Consideration -- Potential Additional Payments," the number of shares of AT&T Comcast common stock to be issued to certain AT&T securityholders in connection with the AT&T Comcast transaction 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, the consolidated debt of AT&T Comcast will include the debt of AT&T Broadband Group.

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 Statement of Operations excludes 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 Statement 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 $2,007.7 million for the year ended December 31, 2001. The historical consolidated financial statements of Comcast included in the Unaudited Pro Forma Combined Condensed Statement 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. Both companies have completed acquisitions and dispositions that 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 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 DECEMBER 31, 2001

(DOLLARS IN MILLIONS)

	HISTORICAL COMCAST(A)	HISTORICAL AT&T BROADBAND(A)	PRO FORMA ADJUSTMENTS	PR AT&
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents..................	$ 350.0	$	$	$
Investments................................	2,623.2	668.0		
Accounts receivable, net...................	967.4	584.0		
Inventories, net...........................	454.5			
Other current assets.......................	153.7	398.0	57.5 (b1)	
Total current assets.....................	4,548.8	1,650.0	57.5	
INVESTMENTS.................................	1,679.2	21,913.0	1,801.6 (b2) (1,701.0)(d)	
PROPERTY AND EQUIPMENT, net.................	7,011.1	14,519.0		
INTANGIBLE ASSETS				
Goodwill...................................	7,507.3	20,102.0	(1,500.5)(b3)	
Cable franchise operating rights...........	20,167.8	45,320.0	(2,501.0)(b4)	
Other intangible assets....................	2,833.4			
	30,508.5	65,422.0	(4,001.5)	
Accumulated amortization...................	(5,999.2)	(3,242.0)	3,242.0 (b5)	
	24,509.3	62,180.0	(759.5)	
OTHER NON-CURRENT ASSETS, net...............	383.4	2,925.0	57.5 (b6)	
	$38,131.8	$103,187.0	$ (543.9)	$1
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable...........................	$ 698.2	$ 678.0	$	$
Accrued expenses and other current liabilities.............................	1,695.5	2,169.0	1,024.6 (b7)	
Deferred income taxes......................	275.4			
Short-term debt............................		3,959.0	57.5 (b8) (924.8)(c)	
Current portion of long-term debt..........	460.2	2,824.0	(2,109.4)(c)	
Total current liabilities................	3,129.3	9,630.0	(1,952.1)	
LONG-TERM DEBT, less current portion.........	11,741.6	16,502.0	357.5 (b8) (106.7)(b9) 3,034.2 (c)	
DEFERRED INCOME TAXES.......................	6,375.7	25,810.0	291.5 (b10)	
OTHER NON-CURRENT LIABILITIES...............	1,532.0	1,059.0	(179.0)(b11) (274.1)(b12)	
MINORITY INTEREST...........................	880.2	3,302.0	(2,100.0)(b13)	
Company-Obligated Convertible Quarterly Income Preferred Securities of Subsidiary				

Trust Holding Solely Subordinated Debt Securities of AT&T........................		4,720.0	(4,720.0)(b14)	
STOCKHOLDERS' EQUITY				
Common stock...............................	945.1		1,346.0 (b15) (47.3)(d) (1,653.7)(d)	
Additional capital.........................	11,752.0		47,623.8 (b15)	
Retained earnings..........................	1,631.5			
Accumulated other comprehensive income.....	144.4			
Combined attributed net assets.............		42,164.0	(42,164.0)(b16)	
Total stockholders' equity..............	14,473.0	42,164.0	5,104.8	
	$38,131.8	$103,187.0	$ (543.9)	$1

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 DATA)

(a) These columns reflect the historical balance sheets of the respective companies. Certain reclassifications have been made 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.

	CALCULATION OF CONSIDERATION	COMMON STOCK	ADDITIONAL CAPITAL
	Issuance of common stock to AT&T shareholders (1,231.0 million shares* $35.97)................................	$1,231.0(i)	$43,048.1
	Issuance of common stock to Microsoft Corporation (115.0 million shares* $35.97)................................	115.0	4,021.6
	Fair value of AT&T Comcast stock options resulting from the conversion of AT&T Broadband stock options in the AT&T Broadband merger based on Black-Scholes option pricing model..		554.1
(b15)	Comcast common stock equity consideration.................	1,346.0	47,623.8
(b8)	Transaction costs (assumed to be funded -- $57.5 short-term debt and $357.5 long-term debt)..............		
	Total consideration....................................		
	Preliminary estimate of fair value of identifiable net assets acquired		
(b16)	Book value of AT&T Broadband Group........................		
	Elimination of gross AT&T Broadband Group goodwill........		
(b1)	Current portion of deferred financing fees................		
(b2)	Preliminary estimate of adjustment to fair value of investments..		

(b4)	Preliminary estimate of adjustment to fair value of cable franchise operating rights............................	
(b5)	Elimination of AT&T Broadband Group accumulated amortization...	
(b6)	Long-term portion of deferred financing fees.............	
(b7)	Preliminary estimate of current tax liability arising from the transaction......................................	
(b9)	Preliminary estimate of adjustment to fair value of AT&T Broadband Group assumed long-term debt.................	
(b10)	Preliminary estimate of adjustment to deferred tax liability on adjustments at combined federal and state statutory rate..	
(b11)	Certain liabilities retained by AT&T related to Excite@Home...	
(b12)	Preliminary estimate of adjustment to fair value of other non-current liabilities...............................	
(b13)	Liabilities retained by AT&T related to TCI Pacific Preferred shares......................................	
(b14)	Redemption of Microsoft Corporation QUIPS................	
	Preliminary estimate of fair value of identifiable net assets acquired.......................................	
	Acquisition goodwill....................................	
Calculation of goodwill acquisition adjustment		
	Acquisition goodwill....................................	
	Gross value of AT&T Broadband Group goodwill.............	
(b3)	Goodwill acquisition adjustment.........................	

(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 stock options and stock appreciation rights...........	(4.0)
Common stock to be issued to AT&T shareholders........	1,231.0

Certain programming and other contracts of AT&T Broadband Group 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 document. 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 (l) to the Unaudited Pro Forma Combined Condensed Statement of Operations for a sensitivity analysis of purchase price allocation.

(c) Represents the refinancing of existing short-term debt due to AT&T ($3,959.0) and certain components of the current portion of long-term debt ($2,109.4) 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
	$ --

AT&T COMCAST CORPORATION

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001

	HISTORICAL COMCAST(A)	HISTORICAL AT&T BROADBAND(A)	INTERCOMPANY ADJUSTMENTS	A
		(DOLLARS IN MILLIONS, EXCEPT PER		
REVENUES				
Service revenues(m)............................	$ 5,756.9	$10,132.0	$(108.9)(b)	
Net sales from electronic retailing.............	3,917.3			
	9,674.2	10,132.0	(108.9)	
COSTS AND EXPENSES				
Operating (excluding depreciation)..............	2,905.8	5,459.0	(62.8)(b)	
Cost of goods sold from electronic retailing (excluding depreciation)......................	2,514.0			
Selling, general and administrative(m)..........	1,552.6	2,582.0	(22.6)(b)	
Depreciation....................................	1,141.8	2,626.0		
Amortization....................................	2,306.2	2,154.0		
Asset impairment, restructuring and other charges...		1,494.0		
	10,420.4	14,315.0	(85.4)	
OPERATING LOSS..................................	(746.2)	(4,183.0)	(23.5)	
OTHER INCOME (EXPENSE)				
Interest expense................................	(731.8)	(1,735.0)		
Investment income (expense).....................	1,061.7	(1,947.0)	(18.7)(b)	
Equity in net income (losses) of affiliates......	(28.5)			
Other income (expense)..........................	1,301.0	(927.0)		
	1,602.4	(4,609.0)	(18.7)	

INCOME (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST, EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	856.2	(8,792.0)	(42.2)
INCOME TAX (EXPENSE) BENEFIT	(470.2)	3,857.0	(750.3)(c)
INCOME (LOSS) BEFORE MINORITY INTEREST, EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	386.0	(4,935.0)	(792.5)
Net loss from equity investments		(69.0)	
MINORITY INTEREST INCOME (EXPENSE)	(160.4)	833.0	(24.0)(b)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$ 225.6	$(4,171.0)	$(816.5)
Earnings (loss) per share from continuing operations -- basic	$ 0.24		
Earnings (loss) per share from continuing operations -- assuming dilution	$ 0.23		
Weighted average number of common shares outstanding -- basic	949.7		
Weighted average number of common shares outstanding -- assuming dilution	964.5		

See Notes to Unaudited Pro Forma Combined Condensed Statement of Operations

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AT&T COMCAST CORPORATION

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED
STATEMENT OF OPERATIONS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

(a) These columns reflect the historical statement of operations of the respective companies.

(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, and Excite@Home transactions.

(c) Represents the elimination of the aggregate historical federal and state income tax effects recorded by Comcast and AT&T Broadband Group on Note (b) adjustments above.

(d) 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.

(e) Represents the elimination of AT&T Broadband 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.

(f) 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 in the planned credit facilities. The pro forma financial information assumes the financings occurred on January 1, 2001. 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 $7.5 million for the year ended December 31, 2001.

(g) 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 (b9) 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 reduction to interest expense over the remaining term of the borrowing.

(h) Represents the reclassification of losses in equity investments to conform with the presentation currently used by Comcast.

(i) Represents the aggregate pro forma income tax effect of Notes (e) through (g) above at the combined federal and state statutory rate.

(j) Represents the elimination of the historical impact of the QUIPS exchanged for AT&T Broadband common stock.

(k) 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 stock options.

(l) 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 shares 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.

WEIGHTED AVERAGE LIFE	YEAR ENDED DECEMBER 31, 2001
Five years	
Net income	$61.5
Per share	$0.03
Ten years	
Net income	$30.8
Per share	$0.01
Twenty years	
Net income	$15.4
Per share	$0.01

(m) Comcast's historical consolidated statement of operations reflects franchise fees collected from cable subscribers as a reduction of the related franchise fee expense included within selling, general and administrative expenses. Upon the adoption of EITF 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred," on January 1, 2002, Comcast will reclassify such amounts to service revenues. The change in classification will have no impact on the unaudited pro forma operating loss. The effect of the reclassification on the Unaudited Pro Forma Combined Condensed Statement of Operations for the year ended December 31, 2001 would be to increase service revenues and selling, general and administrative expenses by $192.3 million. See Note 3 to Comcast's consolidated financial statements incorporated herein by reference.

CHAPTER FOUR
OPINIONS OF FINANCIAL ADVISORS

OPINIONS OF COMCAST'S FINANCIAL ADVISORS

At the meeting of the Comcast Board on December 19, 2001, each of Morgan Stanley, JPMorgan and Merrill Lynch rendered its opinion to the Comcast Board that, as of that date and based upon and subject to the assumptions, qualifications and limitations set forth therein, the conversion ratios in the Comcast merger applicable to holders of Comcast common stock, in the aggregate, were fair from a financial point of view to holders of Comcast common stock, taken together. Each of Morgan Stanley, JPMorgan and Merrill Lynch has consented to the inclusion of their respective opinions as Annexes G, H and I, respectively, to this document.

THE FULL TEXT OF THE OPINIONS OF MORGAN STANLEY, JPMORGAN AND MERRILL LYNCH, EACH DATED DECEMBER 19, 2001, WHICH SET FORTH, AMONG OTHER THINGS, THE ASSUMPTIONS MADE, THE PROCEDURES FOLLOWED, MATTERS CONSIDERED, AND QUALIFICATIONS AND LIMITATIONS OF THE REVIEWS UNDERTAKEN BY EACH OF MORGAN STANLEY, JPMORGAN AND MERRILL LYNCH IN RENDERING THEIR RESPECTIVE OPINIONS ARE ATTACHED AS ANNEXES G, H AND I, RESPECTIVELY, TO THIS DOCUMENT AND ARE INCORPORATED INTO THIS DOCUMENT BY REFERENCE. THE SUMMARY OF THE MORGAN STANLEY, JPMORGAN AND MERRILL LYNCH FAIRNESS OPINIONS SET FORTH IN THIS DOCUMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF EACH OF THE OPINIONS. COMCAST SHAREHOLDERS SHOULD READ THESE OPINIONS CAREFULLY AND IN THEIR ENTIRETY.

EACH OF MORGAN STANLEY, JPMORGAN AND MERRILL LYNCH PROVIDED ITS OPINION FOR THE INFORMATION AND ASSISTANCE OF THE COMCAST BOARD IN CONNECTION WITH ITS CONSIDERATION OF THE PROPOSED AT&T COMCAST TRANSACTION. NONE OF THE MORGAN STANLEY, JPMORGAN OR MERRILL LYNCH OPINIONS IS A RECOMMENDATION TO ANY COMCAST SHAREHOLDER AS TO HOW ANY SHAREHOLDER SHOULD VOTE WITH RESPECT TO THE PROPOSED AT&T COMCAST TRANSACTION OR ANY OTHER MATTER AND SHOULD NOT BE RELIED UPON BY ANY COMCAST SHAREHOLDER AS SUCH.

OPINION OF MORGAN STANLEY

In connection with rendering its opinion, Morgan Stanley, among other things:

- reviewed certain publicly available financial statements and other business and financial information of or relating to Comcast, AT&T and AT&T Broadband;

- reviewed certain internal financial statements and other financial and operating data concerning Comcast prepared by the management of Comcast;

- reviewed certain financial forecasts, including information relating to certain strategic, financial and operational benefits anticipated from the proposed AT&T Comcast transaction, prepared by the management of Comcast;

- discussed the past and current operations and financial condition and the prospects of Comcast, including the strategic, financial and operational benefits anticipated from the proposed AT&T Comcast transaction, with the management of Comcast;

- reviewed certain internal financial statements and other financial operating data concerning AT&T and AT&T Broadband (including, without limitation, the structure, composition, operations, assets, liabilities and pro forma historical balance sheets and income statements of AT&T Broadband) prepared by the managements of AT&T and AT&T Broadband and Comcast;

- reviewed certain financial forecasts (including, without limitation, as to the pro forma forecasted balance sheets and income statements of AT&T Broadband), and including information relating to certain strategic, financial and operational benefits anticipated from the proposed AT&T Comcast transaction, prepared by the managements of AT&T and AT&T Broadband and of Comcast;

- discussed the past and current operations and financial condition and the prospects of AT&T Broadband, including the strategic, financial and operational benefits anticipated from the proposed AT&T Comcast transaction, with the managements of AT&T, AT&T Broadband and Comcast;

- reviewed the reported market prices and trading activity for Comcast common stock and AT&T common stock;

- compared the financial performance of Comcast and the prices and trading activity of Comcast common stock with that of certain other comparable publicly traded companies and their securities;

- compared the financial performance of AT&T Broadband and the prices and trading activity of the AT&T common stock with that of certain other comparable publicly traded companies and their equity securities;

- reviewed the financial terms, to the extent publicly available, of certain comparable transactions;

- participated in discussions and negotiations among representatives of Comcast, AT&T, AT&T Broadband and their financial and legal advisors;

- reviewed final drafts of each of the merger agreement and the separation and distribution agreement; and

- considered such other factors and performed such other analyses as it deemed appropriate.

In connection with its review, Morgan Stanley assumed and relied upon, without any responsibility for independent verification or liability therefor, the accuracy and completeness of all information that was publicly available or supplied or otherwise made available to it by Comcast, AT&T or AT&T Broadband or otherwise reviewed by or for it for the purposes of the Morgan Stanley opinion. With respect to the financial forecasts, including information relating to certain strategic, financial and operational benefits anticipated from the proposed AT&T Comcast transaction, prepared and furnished to or discussed with it by Comcast, AT&T or AT&T Broadband, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of Comcast's, AT&T's and AT&T Broadband's managements as to the expected future financial performance of Comcast, AT&T Broadband or AT&T Comcast, as the case may be, and the strategic, financial and operational benefits anticipated from the proposed AT&T Comcast transaction. Morgan Stanley expressed no view as to such financial forecast information, including the strategic, financial and operational benefits anticipated from the proposed AT&T Comcast transaction, or the assumptions on which they were based. In addition, Morgan Stanley assumed that the mergers are intended as tax-free exchanges under Section 351 of the Code and that the separation and the AT&T Broadband spin-off will qualify as tax-free transactions under Sections 355 and 368(a) of the Code, in each case for United States federal income tax purposes, and that the Section 355(e) top-up described under "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Merger Consideration -- Potential Additional Payments" will not occur. Furthermore, Morgan Stanley assumed no responsibility for conducting a physical inspection of the properties or facilities of Comcast, AT&T or AT&T Broadband or for making or obtaining any independent valuation or appraisal of the assets or liabilities of Comcast, AT&T or AT&T Broadband, nor was Morgan Stanley furnished with any such valuations or appraisals. The Morgan Stanley opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion. Subsequent developments may affect its opinion and Morgan Stanley does not have any obligation to update, revise, or reaffirm its opinion.

For purposes of rendering its opinion, Morgan Stanley assumed, in all respects material to its analysis, that the proposed AT&T Comcast transaction will be consummated as described in the merger agreement and the separation and distribution agreement, that all the representations and warranties of each party contained in the merger agreement and the separation and distribution agreement were true and correct, that each party to the merger agreement and the separation and distribution agreement will perform all of the covenants and agreements required to be performed by it thereunder without any consents or waivers of the other parties thereto, that all conditions to the consummation of the proposed AT&T Comcast transaction will be satisfied without waiver thereof, and that if the parties elect to consummate the proposed AT&T Comcast transaction by means of an alternative structure of the type described under "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Covenants -- Alternative Structure," such alternative structure will not differ from the structure reflected in the merger agreement and the separation and distribution agreement in any respect material to its analysis. Morgan Stanley noted that it is not a legal, tax or regulatory expert and relied upon, without assuming any responsibility for independent verification or liability therefor, the assessment of Comcast's legal, tax and regulatory advisors with respect to the legal, tax and regulatory matters related to the proposed transaction. Morgan Stanley also assumed that the definitive merger agreement and the definitive separation and distribution agreement will not differ in any material respects from the drafts thereof furnished to and reviewed by it. Morgan Stanley further assumed that all governmental, regulatory or other consents and approvals (contractual or otherwise) necessary for or in connection with the consummation of the proposed AT&T Comcast transaction will be obtained without any adverse effect on Comcast, AT&T Broadband or AT&T Comcast, or on the contemplated benefits of the proposed AT&T Comcast transaction, in any respect material to its analysis. In arriving at its opinion, Morgan Stanley was not authorized to solicit, and did not solicit, interest from any party with respect to a business combination or other extraordinary transaction involving Comcast.

The Morgan Stanley opinion does not address the underlying decision by Comcast to engage in the proposed AT&T Comcast transaction or the prices at which Comcast common stock or AT&T Comcast common stock will trade after the announcement or consummation of the proposed AT&T Comcast transaction, and Morgan Stanley does not express any opinion or recommendation as to how shareholders of Comcast should vote at shareholders' meetings held in connection with the proposed AT&T Comcast transaction or any other matter.

OPINION OF JPMORGAN

In connection with rendering its opinion, JPMorgan, among other things:

- reviewed the final drafts of each of the merger agreement and the separation and distribution agreement provided to it by Comcast;

- reviewed certain publicly available business and financial information concerning Comcast, AT&T and AT&T Broadband and the industries in which they operate;

- reviewed certain internal, non-public financial and operating data, analyses and forecasts prepared by the managements of Comcast, AT&T and AT&T Broadband relating to the businesses of Comcast, on the one hand, and AT&T Broadband, on the other (including, without limitation, the structure, composition, operations, assets, liabilities and pro forma historical and forecasted balance sheets and income statements of AT&T Broadband), as well as the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the proposed AT&T Comcast transaction furnished to it by Comcast, AT&T and AT&T Broadband;

- compared the proposed financial terms of the proposed AT&T Comcast transaction with the publicly available financial terms of certain transactions involving companies it deemed relevant;

- compared the financial and operating performance of Comcast and AT&T Broadband with publicly available information concerning certain other companies it deemed relevant and reviewed the current and historical market prices of Comcast common stock and AT&T common stock and certain publicly traded securities of such other companies;

- participated in certain discussions and negotiations among representatives of Comcast, AT&T and AT&T Broadband and their financial and legal advisors; and

- performed such other financial studies and analyses and considered such other information as it deemed appropriate for the purposes of this opinion.

In addition, JPMorgan held discussions with certain members of the management of Comcast, AT&T and AT&T Broadband with respect to certain aspects of the proposed AT&T Comcast transaction and the foregoing matters, including the past and current business operations of Comcast, AT&T and AT&T Broadband, the financial condition and future prospects and operations of Comcast and AT&T Broadband, the effects of the proposed AT&T Comcast transaction, including the estimated synergies, on the financial

condition and future prospects of Comcast, AT&T Broadband and AT&T Comcast, and certain other matters JPMorgan believed necessary or appropriate to its inquiry.

In giving its opinion, JPMorgan relied upon and assumed, without any responsibility for independent verification or liability therefor, the accuracy and completeness of all information that was publicly available or furnished to it by Comcast, AT&T or AT&T Broadband or otherwise reviewed by or for it. JPMorgan did not conduct any valuation or appraisal of any assets or liabilities of Comcast, AT&T or AT&T Broadband, nor were any such valuations or appraisals provided to it. In addition, JPMorgan did not assume any obligation to conduct any inspection of the properties or facilities of Comcast, AT&T or AT&T Broadband. In relying on financial analyses and forecasts provided to it, including the estimated synergies, JPMorgan assumed that they had been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by the managements of Comcast, AT&T and AT&T Broadband as to the expected future results of operations and financial condition of Comcast, AT&T Broadband and AT&T Comcast and as to such other matters, including the estimated synergies, to which such analyses or forecasts relate. JPMorgan expressed no view as to such analyses or forecasts, including the estimated synergies, or the assumptions on which they were based. JPMorgan also assumed that the mergers will qualify as tax-free exchanges under Section 351 of the Code and that the separation and the AT&T Broadband spin-off will qualify as tax-free transactions under Sections 355 and 368(a) of the Code, in each case for United States federal income tax purposes, and that the Section 355(e) top-up described under "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Merger Consideration -- Potential Additional Payments" will not occur.

For purposes of rendering its opinion, JPMorgan assumed, in all respects material to its analysis, that the proposed AT&T Comcast transaction will be consummated as described in the merger agreement and the separation and distribution agreement, that all the representations and warranties of each party contained in the merger agreement and the separation and distribution agreement were true and correct, that each party to the merger agreement and the separation and distribution agreement will perform all of the covenants and agreements required to be performed by it thereunder without any consents or waivers of the other parties thereto, that all conditions to the consummation of the proposed AT&T Comcast transaction will be satisfied without waiver thereof, and that if the parties elect to consummate the proposed AT&T Comcast transaction by means of an alternative structure of the type described under "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Covenants -- Alternative Structure," such alternative structure will not differ from the structure reflected in the merger agreement and the separation and distribution agreement in any respect material to its analysis. JPMorgan noted that it is not a legal, tax or regulatory expert and relied upon, without assuming any responsibility for independent verification or liability therefor, the assessment of Comcast's legal, tax and regulatory advisors with respect to the legal, tax and regulatory matters related to the proposed transaction. JPMorgan also assumed that the definitive merger agreement and the definitive separation and distribution agreement will not differ in any material respects from the drafts thereof furnished to and reviewed by it. JPMorgan further assumed that all governmental, regulatory or other consents and approvals (contractual or otherwise) necessary for or in connection with the consummation of the proposed AT&T Comcast transaction will be obtained without any adverse effect on Comcast, AT&T Broadband or AT&T Comcast, or on the contemplated benefits of the proposed transaction, in any respect material to its analysis.

The JPMorgan opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion. Subsequent developments may affect its opinion and JPMorgan does not have any obligation to update, revise, or reaffirm its opinion. The JPMorgan opinion is limited to the fairness, from a financial point of view, to holders of Comcast common stock, taken together, of the Comcast conversion ratios in the Comcast merger, in the aggregate, and JPMorgan does not express any opinion as to the underlying decision by Comcast to engage in the proposed AT&T Comcast transaction. JPMorgan does not express any opinion as to the price at which Comcast common stock or AT&T Comcast common stock will trade at any future time and JPMorgan is not expressing any opinion or recommendation as to how shareholders of Comcast should vote at shareholders' meetings held in connection with the proposed AT&T Comcast transaction or any other

matter. In arriving at its opinion, JPMorgan was not authorized to solicit, and did not solicit, interest from any party with respect to a business combination or other extraordinary transaction involving Comcast.

OPINION OF MERRILL LYNCH

In connection with rendering its opinion, Merrill Lynch, among other things:

- reviewed certain publicly available business and financial information relating to Comcast, AT&T and AT&T Broadband that it deemed to be relevant;

- reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Comcast, AT&T and AT&T Broadband (including, without limitation, the structure, composition, operations, assets, liabilities and pro forma historical and forecasted balance sheets and income statements of AT&T Broadband), as well as the amount and timing of the cost savings and related expenses and synergies expected to result from the proposed AT&T Comcast transaction furnished to it by Comcast, AT&T and AT&T Broadband;

- conducted discussions with members of management and representatives of Comcast, AT&T and AT&T Broadband concerning the matters described above, as well as their businesses and prospects before and after giving effect to the proposed AT&T Comcast transaction and the expected synergies;

- reviewed the market prices and valuation multiples for Comcast common stock and AT&T common stock and compared them with those of certain publicly traded companies that it deemed to be relevant;

- reviewed the results of operations of Comcast and AT&T Broadband and compared them with those of certain publicly traded companies that it deemed to be relevant;

- compared the proposed financial terms of the AT&T Comcast transaction with the financial terms of certain other transactions that it deemed to be relevant;

- participated in certain discussions and negotiations among representatives of Comcast, AT&T and AT&T Broadband and their financial and legal advisors;

- reviewed the potential pro forma impact of the proposed AT&T Comcast transaction;

- reviewed the final drafts of each of the merger agreement and the separation and distribution agreement, respectively; and

- reviewed such other financial studies and analyses and took into account such other matters as it deemed necessary, including Merrill Lynch's assessment of general economic, market and monetary conditions.

In preparing its opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or publicly available, and Merrill Lynch did not assume any responsibility for independently verifying such information or liability therefor, or undertake an independent evaluation or appraisal of any of the assets or liabilities of Comcast, AT&T or AT&T Broadband and was not furnished with any such evaluation or appraisal. In addition, Merrill Lynch did not assume any obligation to conduct any physical inspection of the properties or facilities of Comcast, AT&T or AT&T Broadband. With respect to the financial forecast information and the expected synergies furnished to or discussed with it by Comcast, AT&T or AT&T Broadband, Merrill Lynch assumed that they have been reasonably prepared and reflect the best currently available estimates and judgment of Comcast's, AT&T's or AT&T Broadband's managements as to the expected future financial performance of Comcast, AT&T Broadband or AT&T Comcast, as the case may be, and the expected synergies. Merrill Lynch expressed no view as to such financial forecast information, including the expected synergies, or the assumptions on which they were based. Merrill Lynch further assumed that the mergers will qualify as tax-free exchanges under Section 351 of the Code and that the separation and the AT&T Broadband spin-off will qualify as tax-free transactions under Sections 355 and

368(a) of the Code, in each case for United States federal income tax purposes, and that the Section 355(e) top-up described under "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Merger Consideration -- Potential Additional Payments" will not occur. Merrill Lynch also assumed that the final form of the merger agreement and the separation and distribution agreement will be substantially similar to the last draft reviewed by it.

The Merrill Lynch opinion is necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information made available to it as of, the date of its opinion. Subsequent developments may affect its opinion and Merrill Lynch does not have any obligation to update, revise, or reaffirm its opinion. Merrill Lynch assumed that all governmental, regulatory or other consents and approvals (contractual or otherwise) necessary for or in connection with the consummation of the proposed AT&T Comcast transaction will be obtained without any adverse effect on Comcast, AT&T Broadband or AT&T Comcast or on the contemplated benefits of the proposed AT&T Comcast transaction, in any respect material to its analysis. For purposes of rendering its opinion, Merrill Lynch assumed, in all respects material to its analysis, that the proposed AT&T Comcast transaction will be consummated as described in the merger agreement and the separation and distribution agreement, that all the representations and warranties of each party contained in the merger agreement and the separation and distribution agreement are true and correct, that each party to the merger agreement and the separation and distribution agreement will perform all of the covenants and agreements required to be performed by it thereunder without any consents or waivers of the other parties thereto, that all conditions to the consummation of the proposed AT&T Comcast transaction will be satisfied without waiver thereof, and that if the parties elect to consummate the proposed AT&T Comcast transaction by means of an alternative structure of the type described under "Description of the AT&T Comcast Transaction Agreements -- The Merger Agreement -- Covenants -- Alternative Structure," such alternative structure will not differ from the structure reflected in the merger agreement and the separation and distribution agreement in any respect material to its analysis. Merrill Lynch noted that they are not legal, tax or regulatory experts and relied upon, without assuming any responsibility for independent verification or liability therefor, the assessment of Comcast's legal, tax and regulatory advisors with respect to the legal, tax and regulatory matters related to the proposed AT&T Comcast transaction. In arriving at its opinion, Merrill Lynch was not authorized to solicit, and did not solicit, interest from any party with respect to a business combination or other extraordinary proposed transaction involving Comcast.

The Merrill Lynch opinion does not address the merits of the underlying decision by Comcast to engage in the proposed AT&T Comcast transaction and Merrill Lynch does not express any opinion as to the prices at which the shares of Comcast common stock or AT&T Comcast common stock will trade following the announcement or consummation of the proposed AT&T Comcast transaction, as the case may be. Furthermore, Merrill Lynch does not express any opinion or recommendation as to how shareholders of Comcast should vote at shareholders' meetings held in connection with the proposed AT&T Comcast transaction or any other matter.

JOINT FINANCIAL ANALYSES OF COMCAST'S FINANCIAL ADVISORS

At the December 19, 2001 meeting of the Comcast Board, Morgan Stanley, JPMorgan and Merrill Lynch reviewed with the members of the Comcast Board the updated financial terms of the proposed AT&T Comcast transaction and the application of those terms to the financial analyses prepared by Morgan Stanley, JPMorgan and Merrill Lynch previously presented to the Comcast Board. Such terms and analyses were summarized in a written presentation prepared for the meeting by Morgan Stanley, JPMorgan and Merrill Lynch and delivered along with their respective opinions to Comcast.

The following is a summary of the material analyses contained in the presentation that was delivered to Comcast. Some of the summaries of the financial analyses include information presented in tabular format. The tables are not intended to stand alone, and in order to more fully understand the financial analyses used by Morgan Stanley, JPMorgan and Merrill Lynch, the tables must be read together with the full text of each summary.

IV-6

PUBLIC MARKET BROADBAND VALUATION

Morgan Stanley, JPMorgan and Merrill Lynch reviewed and analyzed certain public market trading multiples for five publicly traded broadband companies (Comcast, Cox Communications, Inc., Charter Communications, Inc., Adelphia Communications Corporation and Cablevision Systems Corporation). The multiples analyzed were derived by dividing the adjusted aggregate market value of each of the companies (based on closing stock prices on December 18, 2001) by (i) estimated year-end 2001 number of subscribers, (ii) estimated 2002 cable revenues and (iii) estimated 2002 cable EBITDA. Morgan Stanley, JP Morgan and Merrill Lynch also calculated the estimated 2002 cable EBITDA multiple divided by estimated 2002-2005 cable EBITDA compound annual growth rates (hereinafter referred to as EBITDA Multiple to Growth Ratio). For purposes of calculating these multiples, Morgan Stanley, JPMorgan and Merrill Lynch adjusted the aggregate market value of each of the companies to exclude the value of certain of such company's non-cable or non-operating assets, based on Morgan Stanley equity research (except as set forth below). Morgan Stanley, JPMorgan and Merrill Lynch calculated the financial multiples and ratios based on publicly available financial data as of December 18, 2001, Morgan Stanley equity research estimates and, as to the value to be attributed to Comcast's non-cable assets, Comcast management estimates, which were consistent with Wall Street research estimates. Morgan Stanley, JPMorgan and Merrill Lynch then derived reference ranges of such multiples from this analysis. A summary of the principal public market trading multiples and the reference ranges of multiples that Morgan Stanley, JPMorgan and Merrill Lynch derived are set forth below:

MULTIPLE OF ADJUSTED MARKET VALUE TO

	COMCAST	COX	CHARTER	ADELPHIA	CABLEVISION	REFERENCE RANGE OF MULTIPLES
2001 Subscribers.......	$4,139	$3,977	$3,707	$3,673	$4,397	$3,500 - $4,400
2002E Cable Revenue....	5.9x	5.3x	5.5x	5.2x	5.2x	5x - 6x
2002E Cable EBITDA.....	14.0x	13.8x	12.0x	13.2x	14.1x	13x - 15x
EBITDA Multiple to Growth Ratio.........	0.91x	1.06x	0.80x	0.71x	0.82x	0.8x - 1.1x

Using these derived reference ranges of multiples, Morgan Stanley, JPMorgan and Merrill Lynch calculated implied valuation ranges for AT&T Broadband by applying the reference ranges of multiples to the (i) year-end expected 2001 number of subscribers for AT&T Broadband (based on information provided by AT&T and AT&T Broadband's management), (ii) estimated 2002 AT&T Broadband revenues (based on Comcast management's estimates), (iii) estimated 2002 AT&T Broadband EBITDA (based on Comcast management's estimates) and (iv) estimated 2002 AT&T Broadband EBITDA based on applying an EBITDA margin of 35% to Comcast management's estimate of 2002 AT&T Broadband revenues. Morgan Stanley, JPMorgan and Merrill Lynch also calculated the estimated AT&T Broadband EBITDA Multiple to Growth Ratio using Comcast management's estimate of AT&T Broadband's 2002 to 2005 EBITDA growth rate. Based on such analysis, Morgan Stanley, JPMorgan and Merrill Lynch derived ranges of implied value for AT&T Broadband of $58 billion to $70 billion on a 2001 subscriber multiples basis, $62 billion to $72 billion on a 2002 estimated cable revenue multiples basis, $46 billion to $52 billion on a 2002 estimated cable EBITDA multiples basis, $57 billion to $64 billion on a 2002 estimated cable EBITDA (adjusted for 35% margin) multiples basis, and $59 billion to $77 billion on an EBITDA Multiple to Growth Ratio basis, each as compared to the implied value for AT&T Broadband in the proposed AT&T Comcast transaction of approximately $73.2 billion (based on the closing price of Comcast Common Stock on December 18, 2001). Morgan Stanley, JPMorgan and Merrill Lynch noted that the derived ranges of implied public market values were strictly public market ranges and that no control premium had been attributed in this analysis.

The foregoing companies, in the judgment of each of Morgan Stanley, JPMorgan and Merrill Lynch and based in part on conversations with the managements of Comcast, AT&T and AT&T Broadband,

were comparable to AT&T Broadband for purposes of this analysis. Morgan Stanley, JPMorgan and Merrill Lynch noted that because of the differences between the business mix, operations and other characteristics of AT&T Broadband and the comparable companies, Morgan Stanley, JPMorgan and Merrill Lynch did not believe that a purely quantitative comparable company analysis would be particularly meaningful in this context. Rather, Morgan Stanley, JPMorgan and Merrill Lynch believed an appropriate use of the comparable company analysis would also involve qualitative judgments concerning differences between the financial and operating characteristics of AT&T Broadband and the comparable companies, which would affect the public trading values of the common stock of the comparable companies, which judgments were applied in rendering the respective opinions of Morgan Stanley, JPMorgan and Merrill Lynch.

PRIVATE MARKET VALUATION

Precedent Transactions. Morgan Stanley, JPMorgan and Merrill Lynch reviewed and analyzed selected precedent transactions involving other companies in the broadband industry that they deemed relevant and calculated the per subscriber multiples paid in the selected transactions based on the transaction values and the subscriber numbers from publicly available company press releases and reports and/or public analyst research. The following table sets forth the transactions that were reviewed in connection with this analysis:

SELECTED PRECEDENT TRANSACTIONS

TRANSACTION ANNOUNCEMENT DATE	ACQUIROR	TARGET
Apr-99	AT&T	MediaOne
May-99	Charter	Falcon
May-99	Cox	TCA
May-99	Charter	Fanch
May-99	Comcast	AT&T (select markets)
Jun-99	Charter	Bresnan
Jul-99	Cox	Gannett
Jul-99	Cox	AT&T (select markets)
Nov-99	Comcast	Lenfest
Dec-99	Adelphia	Cablevision (Ohio)
Apr-00	AT&T	Cablevision (Boston)
Jan-01	Comcast	AT&T (select markets)
Jan-01	Insight Midwest	AT&T/Insight

The high, mean, median and low per subscriber multiples calculated in these selected transactions were $5,378, $4,491, $4,500 and $3,500, respectively.

Morgan Stanley, JPMorgan and Merrill Lynch then derived from these selected transactions a reference range of per subscriber multiples of $4,200 to $5,000, and applying this range of multiples to the expected year-end 2001 number of subscribers for AT&T Broadband based on information provided by AT&T and AT&T Broadband's management, Morgan Stanley, JPMorgan and Merrill Lynch calculated an implied valuation range for AT&T Broadband of $67 billion to $78 billion, as compared to the implied value for AT&T Broadband in the proposed AT&T Comcast transaction of $73.2 billion (based on the closing price of Comcast common stock on December 18, 2001).

Among other factors, Morgan Stanley, JPMorgan and Merrill Lynch indicated that the merger and acquisition transaction environment varies over time because of macroeconomic factors such as interest rate and equity market fluctuations and microeconomic factors such as industry results and growth expectations. Morgan Stanley, JPMorgan and Merrill Lynch noted that no transaction reviewed was

identical to the proposed AT&T Comcast transaction and that, accordingly, these analyses involve complex considerations and judgments concerning differences in financial and operating characteristics of AT&T Broadband and other factors that would affect the acquisition values in the comparable transactions, including the size and demographic and economic characteristics of the markets of each company and the competitive environment in which it operates.

AT&T Broadband DCF Valuation. Morgan Stanley, JPMorgan and Merrill Lynch performed a five-year discounted cash flow analysis on AT&T Broadband as of December 31, 2001 based on financial forecasts and estimates provided by Comcast's management, excluding the effect of certain strategic, financial and operational benefits anticipated in the proposed transaction according to Comcast management. In conducting this discounted cash flow analysis, Morgan Stanley, JPMorgan and Merrill Lynch utilized discount rates of between 9% and 11%, and last twelve months ("LTM") terminal EBITDA multiples of between 15x and 17x. The discount rates utilized in this analysis were chosen based upon an analysis of the weighted average cost of capital of Comcast and other comparable companies as well as Wall Street equity research.

Morgan Stanley, JPMorgan and Merrill Lynch also performed a separate discounted cash flow analysis of the effect of certain strategic, financial and operational benefits anticipated in the proposed transaction (or synergies) based on information provided by the managements of Comcast, AT&T and AT&T Broadband. In conducting this second discounted cash flow analysis, Morgan Stanley, JPMorgan and Merrill Lynch utilized discount rates between 9% and 11% and perpetual growth rates of between 3% and 4%. The discount rates utilized in this analysis were chosen based upon an analysis of the weighted average cost of capital of Comcast and other comparable companies as well as Wall Street equity research.

Based on the aforementioned projections and assumptions, the discounted cash flow analysis of AT&T Broadband yielded a range of implied values for AT&T Broadband of $62 billion to $74 billion excluding synergies and $73 billion to $92 billion including synergies, as compared to the implied value for AT&T Broadband in the proposed AT&T Comcast transaction of $73.2 billion (based on the closing price of Comcast common stock on December 18, 2001).

CONTRIBUTION ANALYSIS

Morgan Stanley, JPMorgan and Merrill Lynch calculated the implied relative equity contributions of AT&T Broadband and Comcast to the combined company based on their respective contributions of estimated 2001 year-end subscribers, estimated 2002 to 2005 cable revenue and estimated 2002 to 2005 cable EBITDA, in each case adjusted for the relative contribution of AT&T Broadband and Comcast, respectively, to the leverage of the combined company. Such analysis was done both with and without taking into account the transaction synergies estimated by the managements of AT&T, AT&T Broadband and Comcast. Morgan Stanley, JPMorgan and Merrill Lynch then compared the results of this analysis to the pro forma equity ownership implied by the proposed AT&T Comcast transaction prior to the conversion of the QUIPS. Based on the foregoing analysis, AT&T Broadband's implied equity contribution ranged from 43.0% to 54.9% excluding synergies, and

50.7% to 61.0% including synergies, as compared to the pro forma AT&T Broadband shareholder ownership of 55.8% in the proposed transaction (or 56.6% assuming the issuance by AT&T Comcast of the maximum potential number of additional shares of AT&T Comcast stock to AT&T Broadband shareholders provided in the merger agreement under certain circumstances if the stock issued to AT&T Broadband shareholders in the proposed AT&T Comcast transaction is not included in the S&P 500 Index).

DCF CONTRIBUTION ANALYSIS

Morgan Stanley, JPMorgan and Merrill Lynch also derived an implied AT&T Broadband ownership in the combined entity based on an analysis of the respective discounted cash flow contributions of AT&T Broadband and Comcast to the combined company both with and without taking into account the synergies estimated by the managements of AT&T, AT&T Broadband and Comcast.

Morgan Stanley, JPMorgan and Merrill Lynch conducted a five-year discounted cash flow analysis of each of Comcast and AT&T Broadband as of December 31, 2001. For AT&T Broadband, the analysis was based on the same assumptions as in the AT&T Broadband DCF Valuation described above, including utilizing the same discount rates and LTM terminal EBITDA multiples as in that analysis. For Comcast, the analysis was based on financial information and projections from Morgan Stanley equity research dated November 1, 2001, and utilized discount rates of 9% to 11% and LTM terminal EBITDA multiples of 14x to 16x. The assumed discount rates were chosen based on an analysis of the weighted average cost of capital of Comcast and other comparable companies as well as Wall Street equity research.

Morgan Stanley, JPMorgan and Merrill Lynch then compared the low and high discounted cash flow values of each of AT&T Broadband and Comcast to derive a range of implied discounted cash flow equity contribution for AT&T Broadband. Based on the foregoing analysis, AT&T Broadband's implied discounted cash flow equity contribution ranged from 41% to 53% excluding synergies, and 47.5% to 60.5% including synergies.

GENERAL

In connection with the review of the proposed AT&T Comcast transaction by the Comcast Board, Morgan Stanley, JPMorgan and Merrill Lynch performed a variety of financial and comparable analyses for purposes of rendering their respective opinions. The preparation of a fairness opinion is a complex process and is not susceptible to partial analysis or summary description. In arriving at their respective opinions, Morgan Stanley, JPMorgan and Merrill Lynch considered the results of all of their analyses as a whole and did not attribute any particular weight to any analysis or factor considered by them. Furthermore, Morgan Stanley, JPMorgan and Merrill Lynch believe that the summary provided and the analyses described above must be considered as a whole and that selecting any portion of their analyses, without considering all of them, would create an incomplete view of the process underlying their analyses and opinions. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above were merely utilized to create points of reference for analytical purposes and should not be taken to be the view of Morgan Stanley, JPMorgan or Merrill Lynch with respect to the actual value of Comcast, AT&T Broadband or AT&T Comcast.

In performing their analyses, Morgan Stanley, JPMorgan and Merrill Lynch made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Morgan Stanley, JPMorgan, Merrill Lynch, Comcast, AT&T or AT&T Broadband. Any estimates contained in the analyses of Morgan Stanley, JPMorgan and Merrill Lynch are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. The analyses performed were prepared solely as part of the analyses of Morgan Stanley, JPMorgan and Merrill Lynch of the fairness of the Comcast conversion ratios in the Comcast merger, in the aggregate, from a financial point of view to the Comcast shareholders, taken together, and were prepared in connection with the delivery by Morgan Stanley, JPMorgan and Merrill Lynch of their respective opinions, each dated December 19, 2001, to the Comcast Board. The analyses do not purport to be appraisals or to reflect the prices at which Comcast common stock or AT&T Comcast common stock will trade following the announcement or consummation of the proposed transaction. The Comcast conversion ratios and other terms of the proposed AT&T Comcast transaction were determined through arms' length negotiations among Comcast, AT&T and AT&T Broadband and were approved by the Comcast Board. Morgan Stanley, JPMorgan and Merrill Lynch provided advice to Comcast during such negotiations. However, Morgan Stanley, JPMorgan and Merrill Lynch did not recommend any specific conversion ratios or other form of consideration to Comcast or that any specific conversion ratios or other form of consideration constituted the only appropriate consideration for the proposed AT&T Comcast transaction.

The opinions of Morgan Stanley, JPMorgan and Merrill Lynch were one of many factors taken into consideration by the Comcast Board in making its determination to approve the proposed AT&T Comcast transaction. The analyses of Morgan Stanley, JPMorgan and Merrill Lynch summarized above should not be viewed as determinative of the opinion of the Comcast Board with respect to the value of Comcast,

AT&T Broadband or AT&T Comcast or of whether the Comcast Board would have been willing to agree to different conversion ratios or other forms of consideration. The foregoing summary does not purport to be a complete description of the analyses performed by Morgan Stanley, JPMorgan and Merrill Lynch.

The Comcast Board selected Morgan Stanley, JPMorgan and Merrill Lynch as its financial advisors because of their reputations as internationally recognized investment banking and advisory firms with substantial experience in transactions similar to this proposed transaction and because Morgan Stanley, JPMorgan and Merrill Lynch are familiar with Comcast and its business. As part of its investment banking and financial advisory business, each of Morgan Stanley, JPMorgan and Merrill Lynch is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

Each of Morgan Stanley, JPMorgan and Merrill Lynch provides a full range of financial advisory and securities services and in the past, each of Morgan Stanley, JPMorgan and Merrill Lynch and their respective affiliates have provided financial advisory and financing services for Comcast and AT&T and their affiliates and have received fees for the rendering of such services and also may provide such services to Comcast, AT&T or AT&T Comcast and their affiliates in the future for which it would expect to receive fees. In addition, in the course of its business, each of Morgan Stanley, JPMorgan and Merrill Lynch may (or its affiliates may) actively trade the debt and equity securities of Comcast or AT&T or, after the proposed AT&T Comcast transaction, AT&T Comcast for its own accounts or for the accounts of its customers and, accordingly, may at any time hold long or short positions in such securities.

Under the terms of separate letter agreements, each dated July 8, 2001, Comcast engaged each of Morgan Stanley, JPMorgan and Merrill Lynch to act as its financial advisor in connection with the contemplated AT&T Comcast transaction. Pursuant to the terms of these letters, Comcast has agreed to pay Morgan Stanley a financial advisory fee of (a) $6 million upon the execution of its letter agreement and (b) $34 million upon completion of the AT&T Comcast transaction and to pay each of JPMorgan and Merrill Lynch a financial advisory fee of (a) $5.25 million upon the execution of its letter agreement and (b) $29.75 million upon completion of the AT&T Comcast transaction. Comcast has also agreed to reimburse each of Morgan Stanley, JPMorgan and Merrill Lynch for its reasonable out-of-pocket expenses incurred in connection with the engagement, including attorney's fees, and to indemnify each of Morgan Stanley, JPMorgan and Merrill Lynch and their related parties from and against certain liabilities, including liabilities under the federal securities laws.

OPINIONS OF AT&T'S FINANCIAL ADVISORS

CREDIT SUISSE FIRST BOSTON'S OPINION

Credit Suisse First Boston has acted as a financial advisor to AT&T in connection with the mergers. AT&T selected Credit Suisse First Boston based on Credit Suisse First Boston's experience, expertise and reputation. Credit Suisse First Boston is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

In connection with Credit Suisse First Boston's engagement, AT&T requested that Credit Suisse First Boston consider the fairness, from a financial point of view, of the AT&T Broadband exchange ratio provided for in the AT&T Broadband merger to holders of AT&T Broadband common stock immediately prior to the mergers, other than Comcast and its affiliates. On December 19, 2001, at a meeting of the AT&T Board held to consider the mergers, Credit Suisse First Boston rendered to the AT&T Board an oral opinion, which opinion was confirmed by delivery of a written opinion dated December 19, 2001, to the effect that, as of that date and based on and subject to the matters described in its opinion, the AT&T Broadband exchange ratio was fair, from a financial point of view, to holders of AT&T Broadband common stock immediately prior to the mergers, other than Comcast and its affiliates.

THE FULL TEXT OF CREDIT SUISSE FIRST BOSTON'S WRITTEN OPINION, DATED DECEMBER 19, 2001, TO THE AT&T BOARD, WHICH DESCRIBES THE PROCEDURES FOLLOWED, ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN, IS ATTACHED AS ANNEX J AND IS INCORPORATED INTO THIS DOCUMENT BY REFERENCE. HOLDERS OF AT&T COMMON STOCK ARE ENCOURAGED TO READ THIS OPINION CAREFULLY IN ITS ENTIRETY. CREDIT SUISSE FIRST BOSTON'S OPINION IS ADDRESSED TO THE AT&T BOARD AND RELATES ONLY TO THE FAIRNESS, FROM A FINANCIAL POINT OF VIEW, OF THE AT&T BROADBAND EXCHANGE RATIO, AND DOES NOT ADDRESS ANY OTHER ASPECT OF THE PROPOSED MERGERS OR ANY RELATED TRANSACTIONS, INCLUDING THE AT&T BROADBAND SPIN-OFF, AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY SHAREHOLDER AS TO ANY MATTER RELATING TO THE MERGERS OR ANY RELATED TRANSACTIONS. THE SUMMARY OF CREDIT SUISSE FIRST BOSTON'S OPINION IN THIS DOCUMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE OPINION.

In arriving at its opinion, Credit Suisse First Boston reviewed:

- the merger agreement;

- the separation and distribution agreement;

- other related documents;

- publicly available business and financial information relating to AT&T Broadband and Comcast; and

- other information relating to AT&T Broadband and Comcast, including financial forecasts, in the case of Comcast, as adjusted by the management of AT&T Broadband and reviewed by AT&T and, in the case of potential cost savings and synergies, as adjusted by the managements of AT&T and AT&T Broadband, provided to or discussed with Credit Suisse First Boston by AT&T, AT&T Broadband and Comcast.

Credit Suisse First Boston also met with the managements of AT&T, AT&T Broadband and Comcast to discuss the businesses and prospects of AT&T Broadband and Comcast. Credit Suisse First Boston also considered:

- financial data of AT&T Broadband and financial and stock market data of Comcast, and compared those data with similar data for other publicly held companies in businesses similar to AT&T Broadband and Comcast;

- to the extent publicly available, the financial terms of other business combinations and other transactions announced or effected; and

- other information, financial studies, analyses and investigations and financial, economic and market criteria that it deemed relevant.

In connection with its review, Credit Suisse First Boston did not assume any responsibility for independent verification of any of the information that it reviewed or considered and relied on that information being complete and accurate in all material respects. Credit Suisse First Boston was advised, and assumed:

- with respect to the financial forecasts, including adjustments to the forecasts, and other information and data, that the forecasts were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of AT&T, AT&T Broadband and Comcast as to the future financial performance of AT&T Broadband and Comcast, the potential cost savings and synergies, including the amount, timing and achievability of the cost savings and synergies, and strategic benefits anticipated by the managements of AT&T, AT&T Broadband and Comcast to result from the mergers and related transactions and the other matters covered by the forecasts.

Credit Suisse First Boston also assumed, with AT&T's consent, that:

- in the course of obtaining the necessary regulatory and third party approvals and consents for the proposed mergers and related transactions, no modification, delay, limitation, restriction or condition will be imposed that would have an adverse effect on AT&T, AT&T Broadband or Comcast or the contemplated benefits of the proposed mergers or related transactions in any respect meaningful to its analyses;

- the mergers and related transactions, including the AT&T Broadband spin-off, will be consummated in accordance with the terms of the merger agreement, the separation and distribution agreement and related documents, without waiver, modification or amendment of any material terms, conditions or agreements, and in compliance with all applicable laws, including, in the case of the AT&T Broadband spin-off, laws relating to insolvency and fraudulent conveyance and to the payments of dividends; and

- the mergers would be treated as a tax-free exchange, and that the AT&T Broadband spin-off would qualify as a tax-free distribution, for federal income tax purposes.

Credit Suisse First Boston was not requested to make, and did not make, an independent evaluation or appraisal of the assets or liabilities, contingent or otherwise, of AT&T, AT&T Broadband or Comcast, and Credit Suisse First Boston was not furnished with any evaluations or appraisals. Credit Suisse First Boston's opinion was necessarily based on information available to it, and financial, economic, market and other conditions as they existed and could be evaluated, on the date of Credit Suisse First Boston's opinion.

Credit Suisse First Boston did not express any opinion as to:

- what the value of the securities of AT&T Broadband or AT&T Comcast actually will be when issued; or

- the prices at which the securities of AT&T Broadband or AT&T Comcast would trade at any time.

Credit Suisse First Boston's opinion did not address:

- any aspect of the mergers other than the AT&T Broadband exchange ratio to the extent specified in its opinion;

- any related transactions, including the AT&T Broadband spin-off;

- the relative merits of the mergers or any related transactions as compared to other business strategies that might have been available to AT&T or AT&T Broadband; or

- the underlying business decision of AT&T to proceed with the mergers or any related transactions.

In connection with its engagement, Credit Suisse First Boston was requested to approach, and held preliminary discussions with, third parties to solicit indications of interest in the possible acquisition of all or a part of AT&T Broadband. Although Credit Suisse First Boston evaluated the AT&T Broadband exchange ratio from a financial point of view, Credit Suisse First Boston was not requested to, and did not, recommend the specific consideration payable in the AT&T Broadband merger, which consideration was determined between AT&T and Comcast. Except as described above, AT&T imposed no other limitations on Credit Suisse First Boston with respect to the investigations made or procedures followed in rendering its opinion.

GOLDMAN SACHS' OPINION

On December 19, 2001, Goldman Sachs delivered its oral opinion, which it subsequently confirmed in writing as of the same date, to the AT&T Board that, based upon and subject to the matters described in the Goldman Sachs opinion and based upon such other matters as Goldman Sachs considered relevant, as of that date and based on the market conditions of that date, the AT&T Broadband exchange ratio, as defined in the opinion, pursuant to the merger agreement was fair from a financial point of view to holders, other than Comcast and its affiliates, of AT&T Broadband common stock immediately prior to the mergers.

THE FULL TEXT OF GOLDMAN SACHS' WRITTEN OPINION, WHICH SETS FORTH THE

ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN IN CONNECTION WITH ITS OPINION, IS ATTACHED HERETO AS ANNEX K AND IS INCORPORATED HEREIN BY REFERENCE. GOLDMAN SACHS PROVIDED ITS OPINION AND ITS ADVISORY SERVICES FOR THE INFORMATION AND ASSISTANCE OF THE AT&T BOARD IN CONNECTION WITH ITS CONSIDERATION OF THE AT&T BROADBAND MERGER. GOLDMAN SACHS EXPRESSED NO OPINION AS TO, AMONG OTHER THINGS, ANY RELATED TRANSACTION, INCLUDING THE AT&T BROADBAND SPIN-OFF, AND ITS OPINION DOES NOT CONSTITUTE A RECOMMENDATION TO ANY SHAREHOLDER AS TO ANY MATTER RELATING TO THE MERGERS OR ANY RELATED TRANSACTIONS. THE GOLDMAN SACHS OPINION IS NECESSARILY BASED UPON INFORMATION AVAILABLE TO GOLDMAN SACHS AND FINANCIAL, ECONOMIC, MARKET AND OTHER CONDITIONS AS THEY EXIST AND CAN BE EVALUATED AS OF THE DATE OF ITS OPINION, AND GOLDMAN SACHS ASSUMES NO DUTY TO UPDATE OR REVISE ITS OPINION BASED ON CIRCUMSTANCES OR EVENTS AFTER THE DATE OF THE OPINION. WE URGE YOU TO READ THE GOLDMAN SACHS OPINION IN ITS ENTIRETY.

In connection with its opinion, Goldman Sachs reviewed, among other things:

- the merger agreement;

- the separation and distribution agreement;

- annual reports to shareholders and annual reports on Form 10-K of AT&T and Comcast for the five years ended December 31, 2000;

- the preliminary proxy statement of AT&T dated July 3, 2001;

- other communications from AT&T and Comcast to their respective shareholders;

- internal financial analyses and forecasts for Comcast prepared by its management, as adjusted by AT&T Broadband management and reviewed by AT&T management;

- internal financial analyses and forecasts for AT&T Broadband prepared by AT&T Broadband management and reviewed and/or adjusted by AT&T management; and

- cost savings and operating synergies projected to result from the transactions contemplated by the merger agreement as prepared by the managements of Comcast and AT&T Broadband and as further adjusted by the managements of AT&T Broadband and AT&T.

Goldman Sachs also held discussions with members of the senior management of AT&T, AT&T Broadband and Comcast regarding their assessment of the strategic rationale for, and the potential benefits

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of, the transaction contemplated by the merger agreement and the past and current business operations, financial condition and future prospects of their respective companies. In addition, Goldman Sachs:

- reviewed the reported price and trading activity for the shares of AT&T common stock, Comcast Class A common stock and Comcast Class A Special common stock;

- compared financial information for AT&T Broadband and financial and stock market information for Comcast with similar information for various other companies the securities of which are publicly traded; and

- reviewed the financial terms of various recent business combinations in the cable industry specifically and in other industries generally and performed other studies and analyses as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial, accounting and other information and data discussed with or reviewed by it and assumed the accuracy and completeness thereof for purposes of its opinion. In that regard, Goldman Sachs assumed, with the consent of the AT&T Board, that the forecasts and the synergies had been reasonably prepared on a basis reflecting the best currently available judgments and estimates of the managements of AT&T and AT&T Broadband. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities of AT&T, AT&T Broadband or Comcast or any of their subsidiaries and was not furnished with any evaluation or appraisal.

For purposes of its analyses, Goldman Sachs was advised and assumed, with the consent of the AT&T Board, that:

- all governmental, regulatory or other consents and approvals necessary for the consummation of the transactions contemplated by the merger agreement and the separation and distribution agreement will be obtained without any adverse effect on AT&T, AT&T Broadband and Comcast or AT&T Comcast following the mergers or the contemplated benefits of the transactions in any respect meaningful to its analyses;

- the mergers and the other transactions contemplated by the merger agreement and the separation and distribution agreement will be consummated in accordance with the terms of these agreements, and without waiver, modification or amendment of any material terms, conditions or agreements and in compliance with all applicable laws including, in the case of the AT&T Broadband spin-off, laws relating to insolvency and fraudulent conveyance and to the payment of dividends; and

- for federal income tax purposes, the AT&T Broadband spin-off will qualify as a tax-free distribution and the mergers will be treated as a tax-free reorganization.

Goldman Sachs expressed no opinion as to:

- any aspect of the mergers other than the AT&T Broadband exchange ratio to the extent specified in its opinion;

- any related transaction, including the AT&T Broadband spin-off;

- AT&T's underlying business decision to effect the mergers or any related transactions;

- the prices at which the shares of AT&T Broadband common stock or of AT&T Comcast Class A common stock, AT&T Comcast Class A Special common stock or AT&T Comcast Class C common stock may trade at any time if and when they are issued and trade publicly; or

- the relative merits of the transactions contemplated by the merger agreement and the separation and distribution agreement as compared to any alternative business transaction that might be available to AT&T or to AT&T Broadband.

Goldman Sachs, as part of its investment banking business, is continually engaged in performing financial analyses with respect to the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities and private placements as well as for estate, corporate and other purposes.

AT&T selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the mergers.

FINANCIAL ANALYSES

In preparing their respective opinions to the AT&T Board, Credit Suisse First Boston and Goldman Sachs performed a variety of financial and comparative analyses, including those described below. The summary of the analyses of Credit Suisse First Boston and Goldman Sachs described below is not a complete description of the analyses underlying their opinions. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at their respective opinions, Credit Suisse First Boston and Goldman Sachs made qualitative judgments as to the significance and relevance of each analysis and factor that it considered. Accordingly, Credit Suisse First Boston and Goldman Sachs believe that their analyses must be considered as a whole and that selecting portions of their analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying their analyses and opinions.

In their analyses, Credit Suisse First Boston and Goldman Sachs considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of AT&T, AT&T Broadband and Comcast. No company, transaction or business used in Credit Suisse First Boston's and Goldman Sachs' analyses as a comparison is identical to AT&T, AT&T Broadband, Comcast or the proposed mergers, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed. The estimates contained in the analyses of Credit Suisse First Boston and Goldman Sachs and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the analyses and estimates of Credit Suisse First Boston and Goldman Sachs are inherently subject to substantial uncertainty.

The opinions of Credit Suisse First Boston and Goldman Sachs were only one of many factors considered by the AT&T Board in its evaluation of the proposed mergers and should not be viewed as determinative of the views of the AT&T Board or management with respect to the mergers or the AT&T Broadband exchange ratio.

The following is a summary of the material financial analyses underlying the opinions of Credit Suisse First Boston and Goldman Sachs delivered to the AT&T Board. THE FINANCIAL ANALYSES SUMMARIZED BELOW INCLUDE INFORMATION PRESENTED IN TABULAR FORMAT. IN ORDER TO FULLY UNDERSTAND CREDIT SUISSE FIRST BOSTON'S AND GOLDMAN SACHS' FINANCIAL ANALYSES, THE TABLES MUST BE READ TOGETHER WITH THE TEXT OF EACH SUMMARY. THE TABLES ALONE DO NOT CONSTITUTE A COMPLETE DESCRIPTION OF THE FINANCIAL ANALYSES. CONSIDERING THE DATA IN THE TABLES BELOW WITHOUT CONSIDERING THE FULL NARRATIVE DESCRIPTION OF THE FINANCIAL ANALYSES,

INCLUDING THE METHODOLOGIES AND ASSUMPTIONS UNDERLYING THE ANALYSES, COULD CREATE A MISLEADING OR INCOMPLETE VIEW OF CREDIT SUISSE FIRST BOSTON'S AND GOLDMAN SACHS' FINANCIAL ANALYSES.

SELECTED COMPANIES ANALYSIS

Credit Suisse First Boston and Goldman Sachs compared financial and operating data of AT&T Broadband's core cable business, which excludes assets relating to Time Warner Entertainment and various

other cable joint ventures, referred to as AT&T Broadband Cable, to corresponding data for the following five publicly traded companies in the cable industry:

- Adelphia Communications Corporation

- Cablevision Systems Corporation

- Charter Communications, Inc.

- Comcast Corporation

- Cox Communications, Inc.

Credit Suisse First Boston and Goldman Sachs reviewed enterprise values, calculated as equity value plus net debt, as a multiple of calendar years 2002 and 2003 estimated earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA. All multiples were based on closing stock prices on December 18, 2001. Credit Suisse First Boston and Goldman Sachs then applied a range of selected multiples derived from the selected companies of calendar years 2002 and 2003 estimated EBITDA to corresponding financial data of AT&T Broadband Cable, both with and without giving effect to, in the case of calendar year 2003, a $7.5 billion potential initial public offering of 19.0% of AT&T Broadband occurring at year-end 2002, referred to as the IPO. Credit Suisse First Boston and Goldman Sachs also applied a range of selected multiples derived from the selected companies to AT&T Broadband Cable's calendar year 2004 estimated EBITDA, after giving effect to the IPO, the result of which was then discounted to 2001 year-end present value using a discount rate of 15%. Estimated financial data for AT&T Broadband Cable were based on internal estimates of AT&T Broadband's management and estimated financial data for the selected companies were based on publicly available research analysts' estimates. This analysis indicated an implied enterprise reference range for AT&T Broadband Cable of approximately $31.0 billion to $60.0 billion. Using this enterprise reference range, Credit Suisse First Boston and Goldman Sachs then derived an implied reference range per 2001 AT&T Broadband Cable subscriber. This analysis indicated the following implied reference range per 2001 AT&T Broadband Cable subscriber, as compared to the per 2001 AT&T Broadband Cable subscriber value implied by the AT&T Broadband merger consideration attributable to AT&T Broadband Cable.

	IMPLIED REFERENCE RANGE PER 2001 AT&T BROADBAND CABLE SUBSCRIBER	PER 2001 AT&T BROADBAND CABLE SUBSCRIBER VALUE IMPLIED BY THE AT&T BROADBAND MERGER CONSIDERATION ATTRIBUTABLE TO AT&T BROADBAND CABLE
AT&T Broadband Cable............	$2,301 - $4,380	$4,604

Credit Suisse First Boston and Goldman Sachs also reviewed the per subscriber values for the selected companies for the first three fiscal quarters of 2001 and estimated fiscal fourth quarter of 2001. Credit Suisse First Boston and Goldman Sachs then derived an implied reference range per 2001 subscriber for the selected companies. This analysis indicated the following implied reference range per 2001 subscriber for the selected companies, as compared to the per 2001 AT&T Broadband Cable subscriber value implied by the AT&T Broadband merger consideration attributable to AT&T Broadband Cable:

IMPLIED REFERENCE RANGE PER 2001 SUBSCRIBER FOR SELECTED COMPANIES	PER 2001 AT&T BROADBAND CABLE SUBSCRIBER VALUE IMPLIED BY THE AT&T BROADBAND MERGER CONSIDERATION ATTRIBUTABLE TO AT&T BROADBAND CABLE
$3,250 - $4,000	$4,604

DISCOUNTED CASH FLOW ANALYSIS

Credit Suisse First Boston and Goldman Sachs calculated the present value of the stand-alone, unlevered, after-tax free cash flows that AT&T Broadband Cable could generate for the fiscal years 2002 to 2005. Credit Suisse First Boston and Goldman Sachs performed this analysis based on four scenarios, AT&T Broadband management case I, AT&T Broadband management case II, AT&T Broadband alternate case I, and AT&T Broadband alternate case II. AT&T Broadband management case I was based

on internal estimates of AT&T Broadband's management. AT&T Broadband management case II included adjustments to AT&T Broadband management case I based on discussions with AT&T's management to reflect, among other things, the dilutive effect of various financing alternatives. AT&T Broadband alternate case I included adjustments to AT&T Broadband management case I based on discussions with AT&T's management to reflect, among other things, the potential for decreased revenue and profitability of AT&T Broadband Cable. AT&T Broadband alternate case II included adjustments to AT&T Broadband alternate case I based on discussions with AT&T's management to reflect, among other things, the dilutive effect of various financing alternatives.

Credit Suisse First Boston and Goldman Sachs calculated a range of estimated terminal values for AT&T Broadband Cable by applying selected EBITDA multiples ranging from 12.0x to 14.0x to AT&T Broadband Cable's calendar year 2005 estimated EBITDA. The estimated free cash flows and calculated terminal values were then discounted to present value using a discount rate of 11.0%.

This analysis indicated an implied enterprise reference range for AT&T Broadband Cable of approximately $49.0 billion to $68.0 billion, based on the four scenarios described above. Using this enterprise reference range, Credit Suisse First Boston and Goldman Sachs then derived an implied reference range per 2001 AT&T Broadband Cable subscriber. This analysis indicated the following implied reference range per 2001 AT&T Broadband Cable subscriber, as compared to the per 2001 AT&T Broadband Cable subscriber value implied by the AT&T Broadband merger consideration attributable to AT&T Broadband Cable:

	IMPLIED REFERENCE RANGE PER 2001 AT&T BROADBAND CABLE SUBSCRIBER	PER 2001 AT&T BROADBAND CABLE SUBSCRIBER VALUE IMPLIED BY THE AT&T BROADBAND MERGER CONSIDERATION ATTRIBUTABLE TO AT&T BROADBAND CABLE
AT&T Broadband Cable...........	$3,619 - $4,978	$4,604

Credit Suisse First Boston and Goldman Sachs also calculated the present value of the unlevered, after-tax free cash flows that AT&T Broadband could generate for fiscal years 2002 to 2005, on a stand-alone basis, based on AT&T Broadband management case I, and the present value of the unlevered, after-tax free cash flows that AT&T Comcast, pro forma for the mergers, could generate for fiscal years 2002 to 2005. Estimated financial data for AT&T Broadband were based on AT&T Broadband management case I. Estimated financial data for Comcast were based on internal estimates of Comcast's management, as adjusted by AT&T Broadband's management and reviewed by AT&T's management, to reflect, among other things, the potential for decreased revenue and profitability of Comcast, referred to as Comcast adjusted management case.

Credit Suisse First Boston and Goldman Sachs calculated a range of estimated terminal values for AT&T Broadband, on a stand-alone basis, and AT&T Comcast, after giving effect to the mergers, by applying an EBITDA multiple of 13.0x, the midpoint of the 12.0x to 14.0x range used in calculating the terminal values, to AT&T Broadband's and AT&T Comcast's calendar year 2005 estimated EBITDA. The estimated free cash flows and calculated terminal values were then discounted to present value using a discount rate of 11.0%.

This analysis indicated the following approximate implied per share equity values for AT&T Broadband common stock on a stand-alone basis, before and after giving effect to the dilutive effect of various financing alternatives which were based on discussions with AT&T's management, and the following implied per share equity value reference range for AT&T Comcast, before and after taking into account various levels of potential cost savings and other synergies anticipated by the managements of AT&T, AT&T Broadband and Comcast to result from the mergers:

	STAND-ALONE (WITHOUT FINANCING) IMPLIED PER SHARE EQUITY VALUE	STAND-ALONE (WITH FINANCING) IMPLIED PER SHARE EQUITY VALUE	AT&T COMCAST IMPLIED PER SHARE EQUITY VALUE REFERENCE RANGE
AT&T Broadband common stock........	$13.78	$12.09	$14.06 - $16.17

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CONTRIBUTION ANALYSIS

Credit Suisse First Boston and Goldman Sachs reviewed the relative contributions of AT&T Broadband and of Comcast to AT&T Comcast's unlevered, after-tax free cash flows for calendar years 2002 through 2005. Estimated financial data for AT&T Broadband were based on AT&T Broadband management case I, described above under the caption "Discounted Cash Flow Analysis." Estimated financial data for Comcast were based on the Comcast adjusted management case, described above under the caption "Discounted Cash Flow Analysis."

Credit Suisse First Boston and Goldman Sachs then computed the relative contribution of AT&T Broadband and of Comcast to the discounted cash flow equity reference range of AT&T Comcast. This analysis indicated the following range of contribution percentages by AT&T Broadband to AT&T Comcast's discounted cash flow equity reference range, as compared to the approximate fully diluted equity ownership percentage of AT&T Broadband's shareholders:

AT&T BROADBAND PERCENTAGE CONTRIBUTION TO DISCOUNTED CASH FLOW EQUITY REFERENCE RANGE	IMPLIED AT&T BROADBAND SHAREHOLDER OWNERSHIP PERCENTAGE FOLLOWING CONSUMMATION OF THE MERGERS
50.2%-58.1%	56.0%

If the Microsoft transaction described under "Description of the AT&T Comcast Transaction Agreements -- The Exchange Agreement and Instrument of Admission -- QUIPS Exchange" is completed, the ownership percentage of AT&T Comcast attributable to the AT&T Broadband shareholders immediately following the mergers would increase due to the number of AT&T Broadband shares issued to Microsoft as a result of the Microsoft transaction, and the ownership attributable to AT&T Broadband shareholders implied by the contribution analysis would increase accordingly.

Credit Suisse First Boston and Goldman Sachs also reviewed the relative contributions of AT&T Broadband Cable and of Comcast to AT&T Comcast's first three fiscal quarters of 2001 EBITDA and estimated fiscal fourth quarter of 2001 EBITDA and estimated calendar years 2002 through 2004 EBITDA and to AT&T Comcast's estimated calendar year 2001 cable subscribers and number of homes capable of cable subscription, based on AT&T Broadband management case I and Comcast adjusted management case, both described above under the caption "Discounted Cash Flow Analysis." Credit Suisse First Boston and Goldman Sachs noted that this analysis indicated a range of contribution percentages by AT&T Broadband to AT&T Comcast of 37.9% to 57.0%.

OTHER FACTORS

In the course of preparing its opinion, Credit Suisse First Boston and Goldman Sachs also reviewed and considered other information and data, including:

- the enterprise reference range and reference range per 2001 AT&T Broadband Cable subscriber of AT&T Comcast, after giving effect to the mergers, implied by a range of selected EBITDA multiples for calendar years 2003 and 2004, after taking into account potential synergies anticipated by the managements of AT&T, AT&T Broadband and Comcast to result from the mergers and discounting the 2004 calendar year results to 2001 year-end present values using a discount rate of 15%;

- the estimated percentage changes in the current per share price of Comcast common stock after giving effect to the mergers, assuming a range of selected EBITDA multiples for calendar year 2003, before and after taking into account potential synergies anticipated by the managements of AT&T, AT&T Broadband and Comcast to result from the mergers; and

- the possible credit rating of AT&T Comcast, taking into account, among other things, AT&T Comcast's estimated debt to EBITDA multiple for calendar years 2002, 2003 and 2004, after taking into account potential synergies anticipated by the managements of AT&T, AT&T Broadband and Comcast to result from the mergers.

MISCELLANEOUS

AT&T has agreed to pay each of Credit Suisse First Boston and Goldman Sachs customary fees for their financial advisory services in connection with the proposed mergers, which fees currently are estimated to be approximately $55.8 million in the aggregate for each of Credit Suisse First Boston and Goldman Sachs. AT&T also has agreed to reimburse Credit Suisse First Boston and Goldman Sachs for their reasonable out-of-pocket expenses, including fees and expenses of legal counsel, and to indemnify Credit Suisse First Boston and Goldman Sachs and related parties against liabilities, including liabilities under the federal securities laws, arising out of their respective engagements.

Credit Suisse First Boston and its affiliates in the past have provided, and currently are providing, financial and investment banking services to AT&T and some of its affiliates, and in the past have provided financial and investment banking services to Comcast and some of its affiliates unrelated to the proposed mergers, for which services Credit Suisse First Boston and its affiliates have received, and expect to receive, compensation.

Goldman Sachs is familiar with AT&T having provided investment banking services to AT&T from time to time, including:

- having acted as financial advisor to AT&T in connection with (i) its acquisition of Teleport Communications Group Inc. in July 1998, (ii) its acquisition of Tele-Communications Inc. in March 1999, (iii) its divestiture of a 50% interest in Lenfest Communications Inc. in January 2000, (iv) its divestiture of cable assets to Cox Communications, Inc. in March 2000, (v) its acquisition of MediaOne Group in June 2000, (vi) its acquisition of assets from Cablevision Systems Corporation in January 2001, (vii) its analysis, consideration and negotiation of revisions to AT&T's put arrangements with Cox Communications, Inc. and Comcast involving At Home Corporation in May 2001, (viii) its distribution of the outstanding shares of common stock of AT&T Wireless Inc. held by AT&T to holders of AT&T common stock in July 2001, (ix) its debt-for-equity exchange offer involving AT&T's remaining stake in AT&T Wireless in July 2001, and (x) its transaction with BT Group plc relating to the unwinding of the Concert joint venture announced in October 2001;

- having acted as joint lead arranger in connection with the loan syndication of AT&T's senior credit facility in April 1999, aggregate principal amount $30 billion, and joint lead arranger of its corporate revolving credit facility in December 2000, aggregate principal amount $25 billion, and in December 2001, aggregate principal amount $8 billion;

- having acted as joint bookrunner in connection with (i) the public offering of AT&T Wireless Group tracking stock of AT&T in April 2000, (ii) the public offering pursuant to Rule 144A of $1.65 billion aggregate principal amount of Notes of AT&T due August 2002 in August 2001, and (iii) the public offering pursuant to Rule 144A of $10.1 billion aggregate principal amount of Notes of AT&T in multiple tranches and currencies in November 2001;

- having acted as sole bookrunner in connection with the public offerings pursuant to Rule 144A of (i) $3.0 billion of aggregate principal amount of Notes of AT&T due July 2000 in July 1999 and (ii) $6.0 billion of aggregate principal amount of Notes of AT&T in multiple tranches due July 2001 in July 2000;

- having acted as dealer with respect to AT&T's commercial paper program;

- having acted as financial advisor to AT&T in connection with the restructuring announced by AT&T in 2000; and

- having acted as a financial advisor to AT&T in connection with, and having participated in some of the negotiations leading up to, the merger agreement, the separation and distribution agreement and the agreements referred to therein.

Goldman Sachs has also provided investment banking services to Comcast and its affiliates from time to time, including:

- having acted as co-manager with respect to the public offering of PHONES in March 1999, aggregate principal amount $870 million;

- having acted as joint lead agent on the $4.45 billion aggregate principal amount consent solicitation for various Comcast debt securities in July 2000; and

- having acted as co-manager with respect to the public offerings of (i) $0.5 billion aggregate principal amount of Comcast's 6.375% Senior Unsecured Notes due 2006 and $1.0 billion aggregate principal amount of Comcast's 3.75% Senior Notes due 2011 in January 2001, (ii) $0.75 billion aggregate principal amount of Comcast's 6.875% Senior Notes due 2009 in May 2001, and (iii) $0.75 billion aggregate principal amount of Comcast's 7.125% Senior Notes due 2013 in June 2001. Goldman Sachs may provide investment banking and advisory services to AT&T, Comcast and their respective affiliates in the future.

Pursuant to prepaid variable forward contracts between AT&T, a subsidiary of AT&T Broadband and affiliates of Credit Suisse First Boston, the subsidiary of AT&T Broadband is obligated to deliver to an affiliate of Credit Suisse First Boston either shares of Comcast Class A Special common stock or, following the mergers, AT&T Comcast Class A Special common stock or cash in an amount derived from the value of the shares that would otherwise be delivered. The prepaid variable forward contracts were entered into in the normal course of Credit Suisse First Boston's equity trading business which regularly provides hedging and monetization services to Credit Suisse First Boston's clients. In the ordinary course of business, each of Credit Suisse First Boston and Goldman Sachs and their affiliates may actively trade securities, including derivative securities, of AT&T and Comcast and their respective affiliates and in the future may actively trade securities, including derivative securities, of AT&T Comcast and its affiliates for their own accounts and for the accounts of customers and, accordingly, may at any time hold long or short positions in those securities.

CHAPTER FIVE
DESCRIPTION OF THE AT&T COMCAST TRANSACTION AGREEMENTS

Except for the employee benefits agreement, this chapter describes the material terms of each of the AT&T Comcast transaction agreements. For a description of the material terms of the employee benefits agreement, see

"Employee Benefits Matters -- Other Benefits Matters -- Employee Benefits Agreement."

THE MERGER AGREEMENT

The following summary of the merger agreement, as amended, is qualified in its entirety by reference to the complete text of the merger agreement, as amended, which is incorporated by reference and attached as Annex A to this document.

STRUCTURE OF THE MERGERS

AT&T Broadband Acquisition Corp., a wholly owned subsidiary of AT&T Comcast, will merge with and into AT&T Broadband, with AT&T Broadband continuing as the surviving corporation and a wholly owned subsidiary of AT&T Comcast. This merger is referred to in this document as the "AT&T Broadband merger." At approximately the same time, Comcast Acquisition Corp., a wholly owned subsidiary of AT&T Comcast, will merge with and into Comcast, with Comcast continuing as the surviving corporation and a wholly owned subsidiary of AT&T Comcast. This merger is referred to in this document as the "Comcast merger." After completion of the mergers, the shareholders of Comcast and AT&T Broadband will be shareholders of AT&T Comcast.

TIMING OF CLOSING

The closing date for the AT&T Comcast transaction will occur as soon as practicable, and, in any event, within five business days, after satisfaction or waiver of all conditions to the mergers set forth in the merger agreement. The mergers will become effective after the separation and the AT&T Broadband spin-off on the closing date for the transaction at a time that is mutually agreeable to Comcast and AT&T.

MERGER CONSIDERATION

The Preferred Structure. If holders of Comcast Class A common stock, voting as a single class, approve the preferred structure proposal:

- each share of AT&T Broadband common stock that is outstanding immediately prior to the completion of the mergers will be converted in the AT&T Broadband merger into the right to receive a number of shares of AT&T Comcast Class A common stock determined by a formula described under "-- Calculation of the AT&T Broadband Exchange Ratio" (if the AT&T Broadband exchange ratio were determined as of the date of this document, it would be approximately 0.35); and

- each share of Comcast Class A common stock, Comcast Class B common stock and Comcast Class A Special common stock that is outstanding immediately prior to the completion of the mergers will be converted in the Comcast merger into the right to receive one share of AT&T Comcast Class A common stock, AT&T Comcast Class B common stock and AT&T Comcast Class A Special common stock, respectively.

The AT&T Comcast capital structure described above is referred to in this document as the "Preferred Structure." The rights of the classes of AT&T Comcast common stock under the Preferred Structure are described under "Certain Legal Information -- Description of AT&T Comcast Capital Stock."

The Alternative Structure. If holders of Comcast Class A common stock, voting as a single class, do not approve the preferred structure proposal:

- each share of AT&T Broadband common stock that is outstanding immediately prior to the completion of the mergers will be converted in the AT&T Broadband merger into the right to receive a number of shares of AT&T Comcast Class C common stock determined by a formula described under "-- Calculation of the AT&T Broadband Exchange Ratio" (if the AT&T Broadband exchange ratio were determined as of the date of this document, it would be approximately 0.35); and

- each share of Comcast Class A common stock, Comcast Class B common stock and Comcast Class A Special common stock that is outstanding immediately prior to the completion of the mergers will be converted in the Comcast merger into the right to receive one share of AT&T Comcast Class A common stock, AT&T Comcast Class B common stock and AT&T Comcast Class A Special common stock, respectively.

The AT&T Comcast capital structure described above is referred to in this document as the "Alternative Structure." The rights of the classes of AT&T Comcast common stock under the Alternative Structure are described in "Certain Legal Information -- Description of AT&T Comcast Capital Stock."

The consideration each shareholder will receive under the Preferred Structure and the Alternative Structure is summarized in the following table:

SHARE HELD	PREFERRED STRUCTURE	ALTERNATIVE STRUCTURE
AT&T Broadband common stock	The AT&T Broadband exchange ratio of a share of AT&T Comcast Class A common stock	The AT&T Broadband exchange ratio of a share of AT&T Comcast Class C common stock
Comcast Class A common stock	1 share of AT&T Comcast Class A common stock	1 share of AT&T Comcast Class A common stock
Comcast Class A Special common stock	1 share of AT&T Comcast Class A Special common stock	1 share of AT&T Comcast Class A Special common stock
Comcast Class B common stock	1 share of AT&T Comcast Class B common stock	1 share of AT&T Comcast Class B common stock

Potential Additional Payments. If, prior to the completion of the mergers, Standard & Poor's has not committed that the class of AT&T Comcast common stock to be issued in the AT&T Broadband merger will be included in the Standard & Poor's 500 Index immediately after completion of the mergers and during 10 trading days randomly selected from a post-closing pricing period the average trading price for such class of AT&T Comcast common stock is less than that of the AT&T Comcast Class A Special common stock, AT&T Comcast will issue additional shares of such class of AT&T Comcast common stock to the same AT&T Broadband shareholders to offset such price differential; provided that (1) AT&T Comcast will not be obligated pursuant to this provision to compensate AT&T

Broadband shareholders to the extent the price differential exceeds 3% and (2) the number of shares of AT&T Comcast common stock that would otherwise be issued pursuant to this provision will be reduced by the number of shares (if any) issued by AT&T Comcast as described in the next paragraph. Notwithstanding the foregoing, if the class of AT&T Comcast common stock issued in the AT&T Broadband merger is included in the Standard & Poor's 500 Index prior to the close of the pricing period, AT&T Comcast will have no obligation to issue additional shares of AT&T Comcast common stock pursuant to this provision. The post-closing pricing period used to determine whether any additional payment will be made will be 10 trading days randomly selected by AT&T and Comcast from the 20 trading days commencing on the later of (i) the fifth trading day after the first date Standard & Poor's reweights the Standard & Poor's

500 Index after completion of the AT&T Comcast transaction and (ii) the 30th day after the completion of the AT&T Comcast transaction; provided that the pricing period will commence no later than the 45th calendar day after the completion of the AT&T Comcast transaction.

If there is a disparity in the per share value of the class of AT&T Comcast common stock issued in the AT&T Broadband merger and the AT&T Comcast Class A Special common stock such that the shares of AT&T Comcast common stock issued to the AT&T Broadband shareholders in the AT&T Broadband merger do not have a value in excess of 50% of the total value of the shares of AT&T Comcast stock issued in the mergers, AT&T Comcast will issue a number of additional shares of AT&T Comcast stock to the same AT&T Broadband shareholders sufficient to ensure that the AT&T Broadband shareholders will hold shares of AT&T Comcast stock representing more than 50% of the value of all shares of AT&T Comcast stock issued in the mergers. Unless AT&T receives a ruling from the Internal Revenue Service that permits AT&T and Comcast to use the valuation methodology described in the preceding paragraph, the value of the AT&T Comcast common stock will be determined as of the closing date of the AT&T Comcast transaction. It is not expected that any additional shares of AT&T Comcast common stock will be issued as a result of the requirement described in this paragraph.

CALCULATION OF THE AT&T BROADBAND EXCHANGE RATIO

In connection with the AT&T Comcast transaction, AT&T Comcast will issue up to 1.235 billion shares of AT&T Comcast common stock to the AT&T shareholders who receive shares of AT&T Broadband common stock in the AT&T Broadband spin-off. This number of shares does not include 115 million shares of AT&T Comcast common stock that will be issued to Microsoft if the Microsoft transaction occurs and assumes that AT&T Comcast is not required to make any additional payments of AT&T Comcast common stock in connection with the AT&T Comcast transaction. The portion of this number of shares of AT&T Comcast common stock that each holder of AT&T Broadband common stock will receive in the AT&T Broadband merger in exchange for each of such holder's shares of AT&T Broadband common stock will be determined by the following formula:

$$X = \frac{1{,}235{,}000{,}000 - (I+F)/C}{O}$$

The exchange ratio (identified as "X" above) is calculated by reference to the number of shares of AT&T Broadband common stock that is outstanding at the completion of the AT&T Comcast transaction (identified as "O" above). The merger agreement provides that this number "O" will include any outstanding restricted shares of AT&T Broadband common stock that are not forfeited upon completion of the AT&T Comcast transaction but will exclude any shares of AT&T Broadband common stock issued in the Microsoft transaction or held by a wholly owned subsidiary of AT&T Broadband and any shares of AT&T Broadband common stock that were not issued on account of the purported exercise by an AT&T shareholder of appraisal rights in connection with the AT&T Comcast transaction, unless such purported exercise has been withdrawn or such rights have been invalidated.

The exchange ratio is also calculated by reference to the cost to AT&T Comcast of assuming certain stock options and stock appreciation rights that are held by employees of AT&T Broadband and former employees of AT&T and AT&T Broadband. This latter cost is taken into account in the formula by subtracting the quantity (I+F)/C from 1.235 billion in the numerator where "I" is the value of stock options and stock appreciation rights outstanding on the day the merger agreement was signed and held by employees of AT&T Broadband immediately prior to the closing date, "F" is the value of stock options and stock appreciation rights held by former employees of AT&T and AT&T Broadband that are being assumed by AT&T Comcast and "C" is the market price of a share of Comcast Class A common stock immediately prior to completion of the AT&T Comcast transaction.

If the exchange ratio were determined as of the date of this document, it would be approximately 0.35.

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As described above, the exchange ratio is dependent on a number of factors that may change between the date of this document and the date of completion of the AT&T Comcast transaction, including the number of outstanding shares of AT&T common stock, the value of options and stock appreciation rights and the price of Comcast Class A common stock. The following is solely for purposes of illustrating the effects that certain actions taken in this interim period may have on the exchange ratio. Each paragraph of the following assumes that the only variable of the exchange ratio that changes is the one listed in that paragraph:

- If AT&T issues additional shares of AT&T common stock before the record date for the AT&T Broadband spin-off, the number of shares of AT&T Broadband common stock distributed in the AT&T Broadband spin-off will increase and the exchange ratio will therefore decrease. Holders of AT&T common stock should note that the merger agreement permits AT&T to issue up to 275 million shares of AT&T common stock in connection with the acquisition of shares of AT&T Canada and to satisfy obligations relating to deferred compensation plans. Further, the merger agreement contemplates that shares of AT&T common stock held by Comcast will not participate in the AT&T Broadband spin-off but will instead be effectively concentrated into shares of AT&T common stock after the AT&T Broadband spin-off. See "-- Covenants -- Covenant Regarding Comcast's AT&T Stock." To the extent Comcast disposes of its shares of AT&T common stock prior to the record date for the AT&T Broadband spin-off, these shares would participate in the AT&T Broadband spin-off and the exchange ratio would be reduced. Comcast is permitted under the merger agreement to sell its shares of AT&T common stock at any time and may do so prior to or after the shareholder meetings. If AT&T issues all 275 million shares of AT&T common stock discussed in this paragraph prior to completion of the AT&T Comcast transaction, Comcast disposes of all its shares of AT&T common stock prior to the record date for the AT&T Broadband spin-off and the exchange ratio were determined as of the date of this document adjusted for such issuances and dispositions, the exchange ratio would be approximately 0.32.

- If the stock price of AT&T immediately prior to the AT&T Broadband spin-off is less than the stock price of AT&T as of the date of this document, it will cost less for AT&T Comcast to assume certain stock options and stock appreciation rights and the exchange ratio will increase.

- If the stock price of Comcast Class A common stock prior to the AT&T Broadband spin-off is less than the stock price of Comcast Class A common stock as of the date of this document, the cost to AT&T Comcast of assuming certain stock options and stock appreciation rights, as expressed in terms of shares of Comcast Class A common stock, will increase and the exchange ratio will decrease.

EXCHANGE OF SHARES

AT&T and Comcast will jointly designate an exchange agent to coordinate (1) the exchange of Comcast common stock in the Comcast merger for AT&T Comcast common stock, (2) the distribution of AT&T Comcast common stock in respect of the AT&T Broadband common stock converted in the AT&T Broadband merger and (3) the payment of cash to the former holders of AT&T Broadband common stock instead of fractional shares of AT&T Comcast common stock.

As soon as reasonably practicable after completion of the mergers, the exchange agent will mail to each holder of record of a certificate that immediately prior to the completion of the mergers represented outstanding shares of Comcast common stock (1) a letter of transmittal and (2) instructions for effecting the surrender of the Comcast certificates in exchange for shares of AT&T Comcast common stock. Holders of certificates formerly representing shares of Comcast common stock that surrender their certificates for cancellation to the exchange agent, together with a properly completed letter of transmittal and such other documents as may reasonably be required by the exchange agent will receive the appropriate merger consideration. Holders of certificates formerly representing shares of Comcast common stock will not be entitled to receive any dividends or other distributions payable by AT&T Comcast after the completion of the mergers until their certificates are surrendered. Holders of Comcast common stock

that hold their shares in uncertificated form will have the appropriate merger consideration delivered to them without having to take any action.

AT&T will declare to holders of AT&T common stock, NYSE symbol "T," a dividend of one share of AT&T Broadband common stock for each such share of AT&T common stock immediately prior to the completion of the mergers. Certificates representing these shares of AT&T Broadband common stock will not be delivered. Instead, as soon as reasonably practicable after the completion of the mergers, the exchange agent will deliver to holders entitled to the dividend of AT&T Broadband common stock the appropriate merger consideration payable to those holders in respect of the AT&T Broadband common stock. Those holders will not be required to deliver to the exchange agent certificates representing shares of AT&T common stock or AT&T Broadband common stock prior to receipt of the shares of AT&T Comcast common stock into which their shares of AT&T Broadband common stock are converted in the AT&T Broadband merger. Holders of AT&T common stock, NYSE symbol "T," will continue to hold their certificates or uncertificated shares which, after completion of the AT&T Broadband spin-off, will represent an interest in AT&T's communications services business or, if AT&T Consumer Services Group tracking stock has been issued, AT&T Business Services Group and AT&T's retained portion of the value of AT&T Consumer Services Group, if any. No distribution of AT&T Broadband common stock will be made on shares of AT&T Consumer Services Group tracking stock.

AT&T Comcast will not issue any fractional shares in the AT&T Broadband merger. Instead, as promptly as practicable after the Fractional Shares Payment Date (as defined below), the exchange agent will sell the Excess Shares (as defined below) of AT&T Comcast common stock at then prevailing prices on The Nasdaq Stock Market. "Fractional Shares Payment Date" means the closing date of the AT&T Comcast transaction, if Standard & Poor's has then committed that the AT&T Comcast Class A common stock (if the preferred structure proposal has been approved) or the AT&T Comcast Class C common stock (if the preferred structure proposal has not been approved) will be included in the Standard & Poor's 500 Index immediately after the completion of the AT&T Comcast transaction; provided that if as of the completion of the AT&T Comcast transaction, Standard & Poor's has not then committed that the AT&T Comcast Class A common stock (if the preferred structure proposal has been approved) or the AT&T Comcast Class C common stock (if the preferred structure proposal has not been approved) will be included in the Standard & Poor's 500 Index immediately after the completion of the AT&T Comcast transaction, then the "Fractional Shares Payment Date" will be the earlier of (1) the date on which either the AT&T Comcast Class A common stock (if the preferred structure proposal has been approved) or the AT&T Comcast Class C common stock (if the preferred structure proposal has not been approved) is included in the Standard & Poor's 500 Index and (2) the end of the pricing period referred to in the first paragraph under "-- Merger Consideration -- Potential Additional Payments." "Excess Shares" means (1) the number of shares of AT&T Comcast common stock delivered to the exchange agent by AT&T Comcast in respect of the AT&T Broadband merger less (2) the aggregate number of whole shares of AT&T Comcast common stock to be distributed to holders of AT&T Broadband common stock in the AT&T Broadband merger. As soon as practicable after the determination of the amount of cash to be paid to holders of AT&T Broadband common stock in lieu of any fractional share interests, the exchange agent will deliver such amounts to the applicable holders of AT&T Broadband common stock.

No fractional shares will be issuable in the Comcast merger because the Comcast exchange ratio is 1:1.

In the event that any additional shares of AT&T Comcast common stock will be issued as described under "-- Merger Consideration -- Potential Additional Payments," AT&T Comcast will enter into appropriate arrangements with the exchange agent providing for the delivery of such additional shares.

TREATMENT OF STOCK OPTIONS AND EQUITY-BASED AWARDS

AT&T Stock Options. Immediately prior to the AT&T Comcast transaction, as a part of the AT&T Broadband spin-off, AT&T stock options will be converted as described below pursuant to the employee benefits agreement (see "Employee Benefits Matters -- Other Benefits Matters"). In connection with the

conversions, adjustments will be made to maintain the intrinsic value of the original AT&T options immediately before and after the AT&T Broadband spin-off.

- AT&T stock options held by current employees of AT&T Broadband and current employees of AT&T who become employees of AT&T Broadband in connection with the AT&T Broadband spin-off will be converted into AT&T Broadband stock options;

- AT&T stock options held by current employees of AT&T (other than current employees of AT&T Broadband and current employees of AT&T who become employees of AT&T Broadband in connection with the AT&T Broadband spin-off) will be converted into adjusted AT&T stock options; and

- AT&T stock options held by non-employee directors of AT&T and former employees of AT&T and AT&T Broadband will be converted into (1) adjusted AT&T stock options and (2) AT&T Broadband stock options (an employee's status as a current or former employee will be determined as of a specific time on the date of the AT&T Broadband spin-off).

AT&T Broadband Stock Options. As of completion of the AT&T Comcast transaction, each outstanding AT&T Broadband stock option will be converted, on the same terms and conditions, into an option to acquire that number of shares of AT&T Comcast Indexed Stock (as defined below) that has the same fair market value immediately after the completion of the AT&T Comcast transaction as the aggregate fair market value of shares of AT&T common stock subject to the original AT&T Broadband stock option immediately prior to the AT&T Broadband spin-off less, in the case of former employees of AT&T or AT&T Broadband, the aggregate fair market value of the AT&T common stock subject to the adjusted AT&T stock option granted pursuant to the employee benefits agreement. The per share exercise price for each newly converted option will be equal to the aggregate exercise price of the applicable AT&T Broadband stock option prior to the AT&T Broadband spin-off (less, in the case of a former employee of AT&T or AT&T Broadband, the aggregate exercise price of the adjusted AT&T stock option referred to above) divided by the number of shares of AT&T Comcast Indexed Stock underlying such option. As of completion of the AT&T Comcast transaction, each AT&T Broadband stock option held by a current AT&T Broadband employee or a current AT&T employee who becomes an AT&T Broadband employee in connection with the AT&T Broadband spin-off will have vested and will remain exercisable for the remainder of its original term (except for options granted after the date the merger agreement was signed). As used in this document, "AT&T Comcast Indexed Stock" means the class of AT&T Comcast common stock that is included in the Standard & Poors' 500 Index on the first trading day after the completion of the AT&T Comcast transaction; provided that (A) if the preferred structure proposal has been approved and the AT&T Comcast Class A common stock and the AT&T Comcast Class A Special common stock are both included in the Standard & Poors' 500 Index on the first trading day after the completion of the AT&T Comcast transaction, "AT&T Comcast Indexed Stock" will mean the AT&T Comcast Class A common stock or (B) if the preferred structure proposal has not been approved and the AT&T Comcast Class C common stock and the AT&T Comcast Class A Special common stock are both included in the Standard & Poors' 500 Index on the first trading day after the completion of the AT&T Comcast transaction, "AT&T Comcast Indexed Stock" will mean the AT&T Comcast Class C common stock.

EXAMPLE: Assumptions: (i) the current or former employee holds an option to purchase 100 shares of AT&T common stock at an exercise price of $13 per share; (ii) the closing price for a share of AT&T common stock on the date of the AT&T Broadband spin-off is $15; (iii) immediately prior to the AT&T Broadband spin-off, AT&T common stock trades "ex-distribution" at $5 per share; (iv) AT&T common stock trades at $5 per share on the day following the AT&T Broadband spin-off; and (v) as of completion of the AT&T Comcast transaction, AT&T Comcast Indexed Stock trades at $30 per share.

If the AT&T stock option in question is held by a current AT&T Broadband employee, as a result of the AT&T Comcast transaction, the AT&T stock option will be converted into an option to purchase 50 shares of AT&T Comcast Indexed Stock with an exercise price per share of $26.

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If the AT&T stock option in question is held by a former employee of AT&T or AT&T Broadband, as a result of the AT&T Comcast transaction, the AT&T stock option will be converted into an option to purchase 33 shares of AT&T Comcast Indexed Stock with an exercise price per share of $26 and an adjusted option to purchase 100 shares of AT&T common stock with an exercise price of $4.33 per share.

The hypothetical prices of AT&T common stock and AT&T Comcast Indexed Stock used above have been assumed for purposes of this example only. Actual results will vary depending on the price of AT&T common stock as of and immediately after the AT&T Broadband spin-off and the price of AT&T Comcast Indexed Stock after the AT&T Comcast transaction. In addition, results for individual optionholders will vary depending on the number of shares underlying options held by such individuals and the exercise price per share of these stock options. Customary rounding adjustments were used in generating the numbers for this example. For additional information on the method of conversion of AT&T stock options pursuant to the AT&T Comcast transaction, see "-- AT&T Broadband Stock Options" above and "Employee Benefits Matters -- Other Benefits Matters -- Employee Benefits Agreement."

AT&T Restricted Stock and other AT&T Equity-Based Awards. Immediately prior to the AT&T Comcast transaction, as a part of the AT&T Broadband spin-off, AT&T restricted stock and other equity-based awards will be converted pursuant to the employee benefits agreement as described below (see "Employee Benefits

Matters -- Other Benefits Matters"). In connection with the conversions, adjustments will be made to maintain the fair market value of the original AT&T restricted stock or other equity-based award immediately before and after the AT&T Broadband spin-off.

- AT&T restricted shares held by current employees of AT&T (other than current employees of AT&T Broadband and current employees of AT&T who become employees of AT&T Broadband in connection with the AT&T Broadband spin-off) will be converted into (1) adjusted AT&T restricted shares and (2) equity-based awards based on AT&T Broadband common stock;

- AT&T restricted shares held by current employees of AT&T Broadband and current employees of AT&T who become employees of AT&T Broadband in connection with the AT&T Broadband spin-off will be converted into (1) adjusted AT&T restricted shares and (2) AT&T Broadband restricted shares; and

- Other equity-based awards based on AT&T common stock, regardless of by whom held, will be converted into (1) adjusted equity-based awards based on AT&T common stock and (2) equity-based awards based on AT&T Broadband common stock.

AT&T Broadband Restricted Stock and other AT&T Broadband Equity-Based Awards. As of the completion of the AT&T Comcast transaction, shares of AT&T Broadband restricted stock will be converted into the right to receive AT&T Comcast common stock on the terms and conditions applicable to AT&T Broadband shareholders described above under "-- Merger Consideration." As of the completion of the AT&T Comcast transaction, all other awards based on shares of AT&T Broadband common stock will be converted, on the same terms and conditions, into equivalent awards based on that number of shares of AT&T Comcast Indexed Stock having the same fair market value immediately after the completion of the AT&T Comcast transaction as the aggregate fair market value of shares of AT&T common stock subject to the original AT&T equity awards immediately prior to the completion of the AT&T Broadband spin-off. As of completion of the AT&T Comcast transaction, all restricted shares and other equity-based awards based on either AT&T or AT&T Broadband common stock held by current and former AT&T Broadband employees and current AT&T employees who become AT&T Broadband employees in connection with the AT&T Broadband spin-off will have vested (except for awards granted after the date the merger agreement was signed).

Comcast Stock Options. As of the completion of the AT&T Comcast transaction, each outstanding Comcast stock option will be converted into an option to acquire, on the same terms and conditions, that number of shares of AT&T Comcast Indexed Stock that has the same fair market value immediately after the completion of the AT&T Comcast transaction as the aggregate fair market value of shares of Comcast

Class A Special common stock subject to the original Comcast stock option immediately prior to the completion of the AT&T Comcast transaction. The per share exercise price for each newly converted option will be equal to the aggregate exercise price of the applicable Comcast stock option divided by the number of shares of AT&T Comcast Indexed Stock underlying such option.

Comcast Restricted Stock and the Comcast Equity-Based Awards. As of the completion of the AT&T Comcast transaction, Comcast restricted stock awards will be converted, on the same terms and conditions, into, if the preferred structure proposal has been approved, equivalent awards based upon shares of AT&T Comcast Class A common stock or, if the preferred structure proposal has not been approved, equivalent awards based upon shares of AT&T Comcast Class C common stock. The number of shares of AT&T Comcast Class A common stock or AT&T Comcast Class C common stock will be that number of shares of AT&T Comcast Class A common stock or AT&T Comcast Class C common stock having the same fair market value immediately after the completion of the AT&T Comcast transaction as the aggregate fair market value of the shares of Comcast Class A Special common stock subject to the original Comcast restricted stock awards immediately prior to the completion of the AT&T Comcast transaction. As of the completion of the AT&T Comcast transaction, other awards based on shares of Comcast Class A Special common stock will be converted, on the same terms and conditions, into equivalent awards based on that number of shares of AT&T Comcast Indexed Stock having the same fair market value immediately after the completion of the transaction as the aggregate fair market value of shares of Comcast Class A Special common stock subject to the original Comcast equity awards immediately prior to the completion of the AT&T Comcast transaction.

COVENANTS

Each of Comcast and AT&T has undertaken certain covenants in the merger agreement. The following summarizes the more significant of these covenants.

Interim Operations. Comcast and AT&T (with respect to its broadband business) have agreed to conduct their business in the ordinary course consistent with past practice and to not engage in specified material transactions, in each case prior to the completion of the AT&T Comcast transaction, without the prior written consent of the other party (which consent will not be unreasonably withheld). AT&T has also agreed not to enter into any material agreement or arrangement relating to its interest in or amend or modify in any material respect any of its existing material contracts relating to Time Warner Entertainment, acquire, other than pursuant to a cashless exercise of an option currently held by AT&T, additional interests in Time Warner Entertainment or sell any part of its interest in Time Warner Entertainment, except solely for cash or pursuant to the registration provisions of the Time Warner Entertainment partnership agreement, in each case prior to the completion of the AT&T Comcast transaction, without the prior written consent of Comcast, which consent will not be unreasonably withheld. AT&T has further agreed to run its broadband business for the benefit of the broadband business prior to the completion of the AT&T Comcast transaction. Each party has also agreed to restrictions on its ability to issue equity securities with some exceptions, including in the case of AT&T the issuance of up to 275 million shares of AT&T common stock in connection with the acquisition of shares of AT&T Canada and to satisfy obligations relating to deferred compensation plans and in the case of Comcast the issuance of shares of Comcast common stock having a value of up to $3 billion.

Covenant to Obtain Regulatory Approvals. AT&T and Comcast have agreed to use their best efforts to promptly take all actions and to do all things necessary, proper or advisable under applicable laws and regulations to complete the AT&T Comcast transaction as soon as practicable. In addition, AT&T and Comcast have agreed to take all actions necessary to obtain all required FCC approvals and the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

AT&T Board's Covenant to Recommend and Hold Meeting. The AT&T Board has agreed to recommend approval of the AT&T transaction proposal and the AT&T Comcast charter proposal.

However, the AT&T Board is permitted to withdraw or modify, in a manner adverse to Comcast, either of these recommendations if:

- AT&T is in compliance with its obligations to notify Comcast promptly after its receipt of an Acquisition Proposal, as described below, and to keep Comcast fully informed of the status and details of any such Acquisition Proposal;

- the AT&T Board determines, after consulting with AT&T's outside legal counsel, that it must take such action to comply with its fiduciary duties under applicable law; and

- AT&T has delivered to Comcast a prior written notice advising Comcast that it intends to take such action and describing its reasons for taking such action, with the notice to be delivered not less than two business days prior to the time such action is taken.

An "Acquisition Proposal" is defined in the merger agreement generally as any offer or proposal by any third party for, or any indication of interest in, certain transactions, including any transaction (1) the entering into or consummation of which would reasonably be expected to be inconsistent in any material respect with the AT&T Comcast transaction or (2) that would reasonably be expected to prevent or materially delay, impede or adversely affect the AT&T Comcast transaction; provided that certain transactions involving AT&T's communications business that might delay completion of the AT&T Comcast transaction will not be considered "Acquisition Proposals".

Subject to applicable law, AT&T is required to submit the merger agreement to AT&T shareholders at the AT&T meeting even if the AT&T Board determines at any time after the date of this document and prior to the AT&T meeting that the AT&T transaction proposal or the AT&T Comcast charter proposal is no longer advisable or recommends that AT&T shareholders reject the AT&T transaction proposal or the AT&T Comcast charter proposal.

No Solicitation. AT&T is prohibited from soliciting or encouraging Acquisition Proposals from third parties or from providing nonpublic information to or engaging in negotiations with any third party that has made or is known by AT&T to be considering making an Acquisition Proposal. However, AT&T may furnish nonpublic information and engage in negotiations with a third party that has made an unsolicited Acquisition Proposal if the AT&T Board determines, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal would reasonably be expected to lead to a proposal that would be more favorable to the AT&T shareholders than the AT&T Comcast transaction; provided that prior to taking any of such actions:

- AT&T is in compliance with its obligations to notify Comcast promptly after its receipt of an Acquisition Proposal and to keep Comcast fully informed of the status and details of any such Acquisition Proposal;

- the AT&T Board determines, after consulting with AT&T's outside legal counsel, that it must take such action to comply with its fiduciary duties under applicable law; and

- such third party executes a confidentiality agreement with terms no less favorable in the aggregate to AT&T than those contained in the confidentiality agreement between AT&T and Comcast.

Comcast Board's Covenant to Recommend. The Comcast Board has agreed to recommend approval and adoption of the merger agreement and the transactions contemplated by the merger agreement to Comcast shareholders.

Interim Finance Committee. Comcast and AT&T have agreed to establish an Interim Finance Committee composed of Lawrence S. Smith, Executive Vice President of Comcast, and Charles H. Noski, Senior Executive Vice President and Chief Financial Officer of AT&T, for the purpose of engaging in financial planning for AT&T Broadband. The Interim Finance Committee will seek to arrange financing in an amount sufficient to:

- pay to AT&T at the closing of the AT&T Comcast transaction all debt owed to it by AT&T Broadband;

- refinance certain AT&T Broadband debt that will be called for redemption on the closing date for the AT&T Comcast transaction or shortly thereafter (see "-- TOPrS Covenant"); and

- provide appropriate cash reserves to fund the operations of AT&T Broadband after the completion of the AT&T Comcast transaction.

If Comcast is unable to obtain the financing described above on the terms agreed upon by the Interim Finance Committee or the Interim Finance Committee is unable to agree on the terms of such financing, Comcast will arrange for a senior credit facility with a term not exceeding five years to provide such financing.

On May 3, 2002, with the approval of the Interim Finance Committee, AT&T Broadband and AT&T Comcast entered into definitive credit agreements with a syndicate of lenders providing for an aggregate of approximately $12.8 billion in financing. For a description of these credit facilities, see "The AT&T Comcast Transaction -- Description of New Credit Facilities."

TOPrS Covenant. AT&T Comcast has agreed that on the closing date for the AT&T Comcast transaction, it will either call for redemption the AT&T Broadband debt known by the acronym TOPrS that is then redeemable, and which has not been redeemed prior to that date, and as to which AT&T has guaranteed certain obligations, cause AT&T to be released from any such guarantee or post a letter of credit in respect of such debt. With respect to any series of TOPrS that is not redeemable on the closing date for the AT&T Comcast transaction and as to which AT&T has guaranteed certain obligations, AT&T Comcast has agreed on the earliest date on which such series of TOPrS may be redeemed to either redeem such series of TOPrS, cause AT&T to be released from any such guarantee or post a letter of credit in respect of such debt. As of the date of this filing, AT&T has redeemed approximately $1.5 billion of the outstanding TOPrS and approximately $500 million of the outstanding TOPrS remains subject to this obligation.

QUIPS Failure. Comcast and AT&T have agreed that if on the date that would otherwise be the closing date for the AT&T Comcast transaction the Microsoft transaction does not occur (the "QUIPS Failure Date"), the closing date for the AT&T Comcast transaction may be delayed for up to 180 days after the QUIPS Failure Date. During this period, AT&T and Comcast will use commercially reasonable efforts to complete the Microsoft transaction or, if it appears reasonably likely that the Microsoft transaction will not occur, the transfer of the obligations under the QUIPS (the "QUIPS Transfer") from AT&T to AT&T Broadband, in either case on the closing date for the AT&T Comcast transaction. If neither the Microsoft transaction nor the QUIPS Transfer occurs on the closing date for the AT&T Comcast transaction during such period, AT&T Broadband will pay AT&T an additional amount at closing equal to the fair market value of the QUIPS, as determined pursuant to an appraisal process specified in the merger agreement, and will indemnify AT&T for certain possible related liabilities. In such event, Comcast will be permitted to sell assets and take any other actions that are necessary or reasonably designed to enable it to provide AT&T Broadband with sufficient funds to pay AT&T the QUIPS fair market value.

Covenant Regarding Standard & Poor's 500 Index. AT&T Comcast, Comcast and AT&T have each agreed to use their reasonable best efforts to cause the AT&T Comcast common stock to be issued in the AT&T Broadband merger (i.e., AT&T Comcast Class A common stock under the Preferred Structure and AT&T Comcast Class C common stock under the Alternative Structure) to be included in the Standard & Poor's 500 Index upon completion of the AT&T Comcast transaction or as promptly thereafter as possible.

Covenant Permitting Certain AT&T Transactions. Comcast and AT&T have agreed that AT&T may enter into an agreement relating to a transaction providing for the sale or disposition of more than 50% of AT&T's communications businesses that would delay completion of the mergers (a "Significant Excepted Transaction") if such Significant Excepted Transaction would not reasonably be expected to result in a delay in the completion of the mergers past March 1, 2003, the date on or after which Comcast or AT&T may elect to terminate the merger agreement if the mergers have not closed (the "End Date"); provided

that, in such event, at the request of Comcast, the End Date will be extended by the reasonably expected period of delay in the completion of the mergers caused by such Significant Excepted Transaction up to sixty days.

Comcast and AT&T have also agreed that AT&T may enter into an agreement relating to a Significant Excepted Transaction that would reasonably be expected to result in a delay in the completion of the mergers past the End Date but which would not reasonably be expected to result in a delay in the completion of the mergers to a date that is more than sixty days after the End Date; provided that (1) Microsoft consents to extend the "end" date for the Microsoft transaction to the date after the End Date (which date will be no later than sixty days after the End Date) on which it is reasonably anticipated that the mergers would be completed if the Significant Excepted Transaction were to occur, (2) the End Date is extended to the new "end" date for the Microsoft transaction and (3) AT&T, and not AT&T Broadband, agrees to pay any costs, expenses or fees payable in connection with obtaining Microsoft's consent to the extension of the "end" date for the Microsoft transaction.

AT&T has agreed that it will not enter into any agreement relating to a Significant Excepted Transaction that would reasonably be expected to result in a delay in the completion of the mergers to a date that is more than sixty days after the End Date.

Headquarters. Upon completion of the transaction, Comcast and AT&T have agreed that AT&T Comcast's headquarters will be in Philadelphia, Pennsylvania. Until the 2005 annual meeting of AT&T Comcast shareholders, AT&T Comcast will maintain an executive office in the New York City metropolitan area.

Alternative Structure. Comcast and AT&T have agreed that, at the request of the other party, it will consider amending the terms of the merger agreement to the extent necessary to provide for a structure or a sequencing of the mergers that is more tax efficient or otherwise more advantageous than the structure and sequencing of the mergers described in this document and is not adverse to the other party.

Shareholder Rights Plan. Comcast and AT&T have agreed to cause AT&T Comcast to adopt a shareholder rights plan upon completion of the AT&T Comcast transaction. For a description of the terms of the shareholder rights plan that AT&T Comcast will adopt, see "Certain Legal Information -- Description of AT&T Comcast Shareholder Rights Plan."

Post-Transaction Governance Arrangements. Comcast and AT&T have agreed to various governance arrangements for AT&T Comcast after the completion of the AT&T Comcast transaction. For a description of these arrangements, see "Description of Governance Arrangements Following the AT&T Comcast Transaction."

Indemnification and Insurance. Comcast and AT&T have agreed to various indemnification and insurance arrangements for officers and directors of AT&T, Comcast and their respective subsidiaries after the completion of the AT&T Comcast transaction. For a description of these arrangements, see "Employee Benefits Matters -- Interests of Directors and Officers in the AT&T Comcast Transaction -- Indemnification and Insurance."

Employee Benefits Matters. Comcast and AT&T have agreed to various employee benefits matters. For a description of these matters, see "Employee Benefits Matters."

Agreement to Vote. Comcast has agreed to vote its shares of AT&T common stock in favor of the AT&T Comcast transaction.

Covenant Regarding Comcast's AT&T Stock. Comcast and AT&T have agreed that, prior to the AT&T Broadband spin-off, Comcast will exchange all of its shares of AT&T common stock for shares of a newly created series of AT&T exchangeable preferred stock. The AT&T exchangeable preferred stock will be mandatorily exchangeable after the completion of the AT&T Comcast transaction into shares of AT&T common stock. The exchange formula included in the merger agreement will provide Comcast with an interest in the communications business of AT&T that, subject to the cap described below, is equal in value to the interest Comcast held in the combined communications and broadband business of AT&T

prior to the AT&T Comcast transaction. Based on the closing price of AT&T common stock of $13.70 per share on May 13, 2002, the most recent practicable date prior to the printing and mailing of this document, Comcast's AT&T interest had a value of approximately $1.144 billion. Comcast has agreed to cap the shares of AT&T common stock, or shares of any class of AT&T stock issued as a dividend on shares of AT&T common stock, it is eligible to receive pursuant to the exchange formula included in the merger agreement at 10% of the outstanding shares of AT&T common stock, or any class of stock issued as a dividend on AT&T common stock. Comcast has also agreed that if as a result of the mandatory exchange it holds in excess of 5% of the outstanding shares of AT&T common stock, or any class of stock issued as a dividend on AT&T common stock, then (1) it will sell the excess shares within a year of the exchange and (2) prior to the sale of the excess shares it will vote them on any matter submitted to shareholders in the same proportion as all other shareholders.

Redemption of TCI Pacific Preferred Stock. In accordance with the merger agreement, on March 18, 2002, TCI Pacific called for redemption all outstanding shares of TCI Pacific preferred stock and on April 26, 2002, TCI Pacific redeemed all outstanding shares of TCI Pacific preferred stock not previously exchanged for shares of AT&T common stock.

Sural. Comcast and AT&T have agreed that Sural LLC, which is controlled by Brian L. Roberts, President of Comcast, may elect to merge with AT&T Comcast or one of its subsidiaries immediately prior to the mergers. If such election is made, the members of Sural LLC, in exchange for their outstanding interests in Sural LLC, would receive in the aggregate the same number of shares of each class of AT&T Comcast common stock that Sural LLC would have received in the Comcast merger had it not made such election.

REPRESENTATIONS AND WARRANTIES

The merger agreement includes substantially reciprocal representations and warranties made by Comcast and AT&T customary for a transaction similar to the AT&T Comcast transaction. The representations and warranties contained in the merger agreement will not survive the completion of the AT&T Comcast transaction or a termination of the merger agreement.

CONDITIONS TO THE COMPLETION OF THE MERGERS

Conditions to the Obligations of Comcast and AT&T. The obligations of each party to the merger agreement to complete the mergers are subject to the satisfaction or waiver, to the extent permissible, of the following conditions:

- approval of the AT&T transaction proposal and the AT&T Comcast charter proposal by AT&T shareholders and the Comcast transaction proposal and the AT&T Comcast charter proposal by Comcast shareholders;

- expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;

- absence of a material legal prohibition on the AT&T Comcast transaction;

- approval for the listing on The Nasdaq Stock Market of the shares of AT&T Comcast common stock to be issued in the mergers, other than the shares of AT&T Comcast Class B common stock, or to be reserved for issuance in connection with the mergers;

- receipt of all required regulatory approvals other than those the failure of which to be obtained would not reasonably be expected to have a Material Adverse Effect, as described below, on Comcast or AT&T's broadband business;

- absence of any order or statute, rule or regulation restraining or prohibiting the effective operation of the business of AT&T Comcast, AT&T Broadband or Comcast after the completion of the mergers that would reasonably be expected to have a Material Adverse Effect on Comcast or AT&T's broadband business;

- completion of the separation and the AT&T Broadband spin-off;

- execution of all of the transaction agreements described or referred to in this document;

- receipt and continuing effectiveness of an Internal Revenue Service ruling or rulings (or, if Comcast and AT&T mutually agree, an opinion from tax counsel acceptable to AT&T and Comcast) to the effect that, for U.S. federal income tax purposes, the separation and the AT&T Broadband spin-off will be tax-free, the mergers will not cause the separation and the AT&T Broadband spin-off to fail to qualify as tax-free, and the separation and the AT&T Broadband spin-off will not cause the distribution by AT&T of all of the common stock of AT&T Wireless or of Liberty Media to fail to qualify as tax-free transactions; and

- AT&T shall have obtained Note Consents, or defeased, purchased or acquired debt, in respect of series representing at least 90% in aggregate principal amount of the securities issued under the AT&T indenture, dated September 7, 1990, and outstanding as of December 19, 2001. At December 19, 2001, there was approximately $12.7 billion in aggregate principal amount outstanding under the AT&T indenture.

Additional Conditions to the Obligations of AT&T. The obligations of AT&T to consummate the AT&T Broadband merger are also subject to the satisfaction or waiver, to the extent permissible, of the following conditions:

- material accuracy of the representations and warranties of Comcast, including with respect to the absence of a Material Adverse Effect on Comcast;

- performance by Comcast in all material respects of its obligations under the merger agreement;

- receipt by AT&T of an opinion of Wachtell, Lipton, Rosen & Katz to the effect that the combination of AT&T Broadband and Comcast will qualify as a tax-free transaction; and

- performance by Sural in all material respects of its obligations under the support agreement.

Additional Conditions to the Obligations of Comcast. The obligations of

Comcast to consummate the Comcast merger are also subject to the satisfaction or waiver, to the extent permissible, of the following conditions:

- material accuracy of the representations and warranties of AT&T, including with respect to the absence of a Material Adverse Effect on AT&T Broadband;

- performance by AT&T in all material respects of its obligations under the merger agreement; and

- receipt by Comcast of an opinion of Davis Polk & Wardwell to the effect that the combination of AT&T Broadband and Comcast will qualify as a tax-free transaction.

"Material Adverse Effect" with respect to Comcast or AT&T's broadband business means a material adverse effect on the financial condition, assets or results of operations of Comcast or AT&T's broadband business, as applicable, taken as a whole, excluding any effect resulting from or arising in connection with (1) changes or conditions generally affecting the industries in which Comcast or AT&T's broadband business, as applicable, operate, (2) changes in general economic, regulatory or political conditions or (3) the announcement of the merger agreement or of the transactions contemplated by the merger agreement.

TERMINATION OF THE MERGER AGREEMENT

The merger agreement may be terminated in any of the following circumstances:

- The merger agreement may be terminated by mutual written agreement of Comcast and AT&T.

- The merger agreement may be terminated by either Comcast or AT&T if:

  -- either the Comcast transaction proposal or the AT&T Comcast charter proposal is not approved by Comcast shareholders or either the AT&T transaction proposal or the AT&T Comcast charter proposal is not approved by AT&T shareholders;

  -- the mergers have not been completed by March 1, 2003; provided that the party seeking to terminate the merger agreement pursuant to this provision has not breached any provision of the merger agreement resulting in the failure of the mergers to be completed by such date;

  -- the other party breaches the merger agreement such that the related closing conditions cannot be satisfied by March 1, 2003; or

  -- any material law or regulation makes completion of the AT&T Comcast transaction illegal or a permanent injunction prohibiting completion of the AT&T Comcast transaction is entered.

- AT&T may terminate the merger agreement if the closing date for the AT&T Comcast transaction has not occurred within 30 days of the QUIPS Failure Date; provided that AT&T may terminate the merger agreement pursuant to this provision only (1) on two business days' notice delivered to Comcast prior to the 45th day after the QUIPS Failure Date and (2) if prior to the effectiveness of the termination Comcast does not agree to close the AT&T Comcast transaction by the 60th day after the QUIPS Failure Date.

- Comcast may terminate the merger agreement if:

  -- the AT&T Board withdraws or modifies, in a manner adverse to Comcast, its recommendation of either the AT&T transaction proposal or the AT&T Comcast charter proposal; or

  -- AT&T willfully and materially breaches its obligations set forth under "-- Covenants -- AT&T Board's Covenant to Recommend and Hold Meeting" or "-- Covenants -- No Solicitation."

If the merger agreement is terminated as provided above, the merger agreement will become void without liability on the part of any party unless such party has intentionally breached a covenant or other agreement included in the merger agreement or knowingly breached a representation or warranty included in the merger agreement. However, the provisions of the merger agreement described below relating to termination fees and expenses will continue in effect after any termination of the merger agreement.

TERMINATION FEES

AT&T will pay a wholly owned subsidiary of Comcast a termination fee in the amount of $1.5 billion in cash if the merger agreement is terminated because:

- the AT&T Board withdraws or modifies, in a manner adverse to Comcast, its recommendation of either the AT&T transaction proposal or the AT&T Comcast charter proposal; or

- AT&T willfully and materially breaches its obligations set forth under "-- Covenants -- AT&T Board's Covenant to Recommend and Hold Meeting" or "-- Covenants -- No Solicitation."

In addition, AT&T will pay a wholly owned subsidiary of Comcast the termination fee specified above if the merger agreement is terminated as a result of AT&T shareholders having failed to approve either the AT&T transaction proposal or the AT&T Comcast charter proposal at the AT&T shareholders meeting, an Acquisition Proposal was pending at the time of the AT&T shareholders meeting and, within one year of the AT&T shareholders meeting, AT&T enters into an agreement relating to an alternative material transaction.

Comcast will pay AT&T a termination fee in the amount of $1.5 billion in cash if the merger agreement is terminated because the Comcast Board withdraws or modifies, in a manner adverse to AT&T, its recommendation of either the Comcast transaction proposal or the AT&T Comcast charter proposal or if Comcast shareholders fail to approve either the Comcast transaction proposal or the AT&T Comcast charter proposal.

EXPENSES

All costs and expenses incurred in connection with the AT&T Comcast transaction will be paid by the party incurring the cost or expense; provided that (1) AT&T will pay any costs and expenses incurred by AT&T Broadband that are in excess of $120 million (exclusive of any costs and expenses incurred by AT&T Broadband as described in clauses (2), (3), (4) and (5) of this sentence), (2) AT&T Broadband will pay any costs and expenses incurred in connection with any financing arrangement entered into by AT&T Broadband as described under "-- Covenants -- Interim Finance Committee," except that Comcast will pay any costs and expenses incurred in connection with the credit facilities referred to in the first sentence of the second paragraph under "Summary and Overview of the Transactions -- Risk Factors -- Risk Factors Relating to the AT&T Comcast Transaction -- AT&T Comcast and its Subsidiaries May Not Be Able to Obtain the Necessary Financing At All or on Terms Acceptable to it," (3) AT&T Broadband will pay any costs and expenses, to the extent not paid by AT&T Comcast, incurred in connection with redeeming or refinancing the TOPrS, releasing AT&T from any obligations in respect of the TOPrS or posting a letter of credit in support of such AT&T obligations, in each case as described under "-- Covenants -- TOPrS Covenant," (4) AT&T Broadband will pay 50% of any costs and expenses in excess of $50 million incurred by AT&T or any of its subsidiaries in connection with obtaining the Note Consents (through either a one-time cash payment of a consent fee or through a coupon increase or a combination thereof), and (5) AT&T and Comcast each will pay 50% of any fees and expenses, other than attorneys' and accounting fees and expenses, incurred in relation to the printing, filing and mailing of this document and the registration statement in which this document is included.

AMENDMENTS AND WAIVERS

Any provision of the merger agreement may be amended or waived prior to the completion of the mergers if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each of the parties to the merger agreement or, in the case of a waiver, by each of the parties to the merger agreement against whom the waiver is to be effective. After the adoption of the merger agreement by shareholders of Comcast or AT&T, no amendment or waiver of any provision of the merger agreement may be made or given that requires the approval of shareholders of Comcast or AT&T, respectively, unless such required approval is obtained.

THE SEPARATION AND DISTRIBUTION AGREEMENT

The following summary of the separation and distribution agreement, as amended, is qualified in its entirety by reference to the complete text of the separation and distribution agreement, as amended, which is incorporated by reference and attached as Annex B to this document.

THE SEPARATION

Assignment. AT&T will assign and transfer to AT&T Broadband all of AT&T's and its subsidiaries' right, title and interest in all of the assets of AT&T's broadband business which are not already held by AT&T Broadband or an AT&T Broadband subsidiary. The assets comprising AT&T's broadband business are generally determined in the following manner:

- Assets reflected in the AT&T Broadband Group balance sheet dated as of December 31, 2000 are assets of AT&T's broadband business, except as described below.

- Assets reflected in the AT&T Communications balance sheet dated as of December 31, 2000 are assets of AT&T's communications business, except as described below.

- Certain assets are specifically assigned to AT&T's broadband business regardless of whether or not they are reflected in the AT&T Broadband Group balance sheet dated as of December 31, 2000.

- Certain assets are specifically assigned to AT&T's communications business regardless of whether or not they are reflected in the AT&T Communications balance sheet dated as of December 31, 2000.

- Assets that are not reflected in the AT&T Broadband Group balance sheet or the AT&T Communications balance sheet, in each case dated as of December 31, 2000, or specifically assigned to AT&T's broadband business or AT&T's communications business are assigned to the business to which they primarily relate.

Assumption. At the same time as the assignment, AT&T Broadband will assume all of the liabilities of AT&T's broadband business that are not already liabilities of AT&T Broadband or an AT&T Broadband subsidiary. The liabilities of AT&T's broadband business are generally determined in the following manner:

- Liabilities reflected in the AT&T Broadband Group balance sheet dated as of December 31, 2000 are liabilities of AT&T's broadband business, except as described below.

- Liabilities reflected in the AT&T Communications balance sheet dated as of December 31, 2000 are liabilities of AT&T's communications business, except as described below.

- Certain liabilities are specifically assigned to AT&T's broadband business regardless of whether or not they are reflected in the AT&T Broadband Group balance sheet dated as of December 31, 2000.

- Certain liabilities are specifically assigned to AT&T's communications business regardless of whether or not they are reflected in the AT&T Communications balance sheet dated as of December 31, 2000.

- Certain liabilities such as liabilities arising out of the AT&T Comcast transaction or involving At Home or AT&T Wireless (to the extent AT&T is not indemnified by AT&T Wireless for such liabilities) are divided evenly between AT&T's broadband business and AT&T's communications business regardless of whether or not they are reflected in the AT&T Broadband Group balance sheet or the AT&T Communications balance sheet, in each case dated as of December 31, 2000.

- Liabilities that are not reflected in the AT&T Broadband Group balance sheet or the AT&T Communications balance sheet, in each case dated as of December 31, 2000, or specifically assigned to AT&T's broadband business or AT&T's communications business are assigned to the business to which they primarily relate.

THE AT&T BROADBAND SPIN-OFF

After the separation, AT&T will spin off AT&T Broadband by distributing to each holder of record of a share of AT&T common stock, NYSE symbol "T," on the record date for the AT&T Broadband spin-off, except for those holders that have purported to exercise appraisal rights under New York law, one share of AT&T Broadband common stock for each share of AT&T common stock held. The record date for the AT&T Broadband spin-off will be the close of business on the date of completion of the mergers unless otherwise agreed by AT&T and Comcast. No distribution of AT&T Broadband common stock will be made upon AT&T Consumer Services Group tracking stock.

Since the AT&T Broadband merger will occur shortly after the AT&T Broadband spin-off, AT&T shareholders will not be sent stock certificates representing the shares of AT&T Broadband common stock distributed to them in the AT&T Broadband spin-off. Instead, AT&T will cause the distribution agent for AT&T Broadband common stock issued in the AT&T Broadband spin-off to hold AT&T Broadband common stock in trust for AT&T shareholders as of the record date pending conversion of AT&T Broadband common stock into shares of AT&T Comcast common stock pursuant to the AT&T Broadband merger. After the AT&T Broadband merger, the applicable AT&T shareholders will receive in uncertificated form the shares of AT&T Comcast common stock into which their shares of AT&T Broadband common stock were converted, and cash in lieu of fractional shares, as described under "-- The Merger Agreement -- Exchange of Shares."

TIMING OF THE SEPARATION AND THE AT&T BROADBAND SPIN-OFF

The separation and the AT&T Broadband spin-off are scheduled to occur on the closing date for the mergers. See "-- The Merger Agreement -- Timing of Closing." On the closing date, the separation will occur prior to the AT&T Broadband spin-off which will occur prior to the mergers.

REPAYMENT OF INTRACOMPANY DEBT

AT&T Broadband has agreed to pay to AT&T at the completion of the AT&T Comcast transaction an amount equal to the amount of debt that it or any AT&T Broadband subsidiary owes to AT&T or any AT&T subsidiary, other than AT&T Broadband or any AT&T Broadband subsidiary, in exchange for a contribution of such debt to AT&T Broadband's capital and for the contribution of the AT&T Broadband business. As described under "-- The Merger Agreement -- Covenants -- Interim Finance Committee," Comcast has agreed to arrange for the financing necessary to permit AT&T Broadband to repay debt owed by AT&T Broadband and its subsidiaries to AT&T and its subsidiaries, other than AT&T Broadband and its subsidiaries. On May 3, 2002, AT&T Broadband and AT&T Comcast entered into definitive credit agreements arranged by Comcast with a syndicate of lenders providing for the financing that is anticipated to be necessary to repay this intracompany debt, which as of December 31, 2001, was $3.96 billion. Absent additional deleveraging activities, it is expected that this figure will grow to fund capital expenditures, operations and third party debt maturities and redemptions through the completion of the AT&T Comcast transaction. See "Summary and Overview of the Transactions -- Risk Factors -- Risk Factors Relating to the AT&T Comcast Transaction -- AT&T Comcast and its Subsidiaries May Have Difficulty Obtaining Necessary Financing At All or on Terms Acceptable to it."

AT&T has agreed to repay at the completion of the AT&T Comcast transaction any debt that it or any of its subsidiaries, other than AT&T Broadband or any AT&T Broadband subsidiary, owes to AT&T Broadband or any AT&T Broadband subsidiary.

POST-SPIN-OFF TRANSACTIONS

The ability of AT&T and AT&T Broadband to engage in certain acquisitions, redeem stock, issue equity securities or take any other action or actions that in the aggregate would be reasonably likely to have the effect of causing or permitting one or more persons to acquire directly or indirectly stock representing a 50% or greater interest, within the meaning of Section 355(e) of the Code, in AT&T or AT&T Broadband or otherwise jeopardize the non-recognition of taxable gain or loss for U.S. federal

income tax purposes to AT&T, AT&T affiliates and AT&T shareholders in connection with the separation and the AT&T Broadband spin-off may be limited for a period of 25 months following the AT&T Broadband spin-off.

DISPOSITION OF TIME WARNER ENTERTAINMENT INTEREST

Upon any disposition of all or any portion of its interest in Time Warner Entertainment after the signing of the merger agreement, AT&T Broadband has agreed to pay AT&T 50% of the proceeds received from such disposition in excess of the threshold amount described in the next sentence reduced by taxes on 50% of such excess. The threshold amount is equal to the balance, plus 7% simple interest per annum on the balance, of $10.2 billion reduced by the aggregate proceeds of any previous dispositions of any portion of the Time Warner Entertainment interest.

If the Time Warner Entertainment interest has not been fully disposed of within 54 months of the completion of the AT&T Comcast transaction, the remaining Time Warner Entertainment interest will be appraised at fair market value. To the extent that the amount of such appraisal exceeds the threshold amount specified above, AT&T Broadband has agreed to pay AT&T 50% of such excess, on a tax-adjusted basis.

CONDITIONS TO THE COMPLETION OF THE SEPARATION AND THE AT&T BROADBAND SPIN-OFF

The obligations of AT&T to complete the separation and the AT&T Broadband spin-off are subject to the satisfaction or waiver, to the extent permissible, of certain conditions, including:

- receipt of all required regulatory approvals other than those the failure of which to be obtained would not reasonably be expected to have a Material Adverse Effect with respect to AT&T's broadband business or AT&T's communications business (as defined under "-- The Merger Agreement -- Conditions to the Completion of the Mergers" but with respect to AT&T's communications business);

- satisfaction of all conditions necessary to permit the AT&T Broadband spin-off to qualify as a tax-free distribution to AT&T, AT&T Broadband and the AT&T shareholders and absence of any condition likely to prevent the AT&T Broadband spin-off from qualifying as a tax-free distribution to AT&T, AT&T Broadband and the AT&T shareholders;

- absence of a legal prohibition on the separation or the AT&T Broadband spin-off;

- approval of the AT&T Broadband spin-off by AT&T shareholders; and

- satisfaction of all of the other conditions to the mergers specified under "-- The Merger Agreement -- Conditions to the Completion of the Mergers" other than the condition that the separation and the AT&T Broadband spin-off have been completed and other than the additional conditions to Comcast's obligations to effect the mergers.

MUTUAL RELEASE; INDEMNIFICATION

Mutual Release of Pre-Closing Claims. AT&T and AT&T Broadband have each agreed to release the other from any and all claims that it may have against the other party arising from any acts or events occurring or failing to occur prior to the completion of the AT&T Broadband spin-off, subject to certain exceptions specified in the separation and distribution agreement.

Indemnification by AT&T. After completion of the AT&T Broadband spin-off, AT&T will indemnify AT&T Broadband from any and all liabilities relating to, arising out of or resulting from any of the following:

- the failure of AT&T or any of its subsidiaries or any other person to pay any liabilities, or perform under any contracts, of AT&T's communications business;

- the assets or contracts of AT&T's communications business; and

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- any breach of the separation and distribution agreement or any of the ancillary agreements by AT&T.

Indemnification by AT&T Broadband. After completion of the AT&T Broadband spin-off, AT&T Broadband will indemnify AT&T from any and all liabilities relating to, arising out of or resulting from any of the following:

- the failure of AT&T Broadband or any of its subsidiaries or any other person to pay any liabilities, or perform under any contracts, of AT&T's broadband business;

- the assets or contracts of AT&T's broadband business;

- any breach of the separation and distribution agreement or any of the ancillary agreements by AT&T Broadband; and

- if neither the Microsoft transaction nor the QUIPS Transfer occurs, any liabilities relating to, arising out of or resulting from any action commenced by Microsoft claiming that the transaction violates the terms of the QUIPS; however, in the event that AT&T is required to repay the QUIPS as a result of such action, the indemnified liability in respect of the repayment will be reduced by the amount of the QUIPS fair market value plus any accrued interest on the QUIPS since the date of determination of the QUIPS fair market value. See "-- The Merger Agreement -- Covenants -- QUIPS Failure."

Tax Indemnification. Subject to the exceptions described below, AT&T Broadband will indemnify AT&T against 50% of the taxes and related costs assessed against AT&T resulting from the disqualification of the separation and the AT&T Broadband spin-off as tax-free transactions under Section 355 of the Code.

If such disqualification results from a transaction involving the stock or assets of AT&T Broadband occurring after the AT&T Broadband spin-off, from AT&T Broadband's failure to remain actively engaged in a trade or business or from the failure of any representation made with respect to AT&T Broadband in connection with certain tax opinions and Internal Revenue Service rulings, then AT&T Broadband will be required to indemnify AT&T against all such taxes and related costs.

If such disqualification results from a transaction involving the stock or assets of AT&T occurring after the AT&T Broadband spin-off, from AT&T's failure to remain actively engaged in a trade or business or from the failure of any representation made with respect to AT&T in connection with certain tax opinions and Internal Revenue Service rulings, then AT&T Broadband is not required to indemnify AT&T against any such taxes or related costs.

AT&T Broadband will also indemnify AT&T against 50% of the taxes and related costs resulting from the Liberty Media or AT&T Wireless spin-offs failing to be tax-free, unless either spin-off becomes taxable as a result of an action taken by AT&T or AT&T Broadband, in which case the acting party bears full responsibility for any resulting AT&T liabilities. AT&T Broadband's obligation described in the preceding sentence is reduced by AT&T Broadband's share of any indemnification that AT&T receives from Liberty Media or AT&T Wireless as a result of the relevant spin-off failing to qualify as tax-free.

Other Indemnification. Subject to the next sentence, AT&T and AT&T Broadband will indemnify each other for 50% of any liability resulting from any untrue statement or omission of a material fact in any registration statement relating to the AT&T Broadband spin-off or in any other filing made by AT&T or AT&T Broadband with the Securities and Exchange Commission in connection with the separation, the AT&T Broadband spin-off, the AT&T Broadband merger or any related agreements. AT&T will indemnify AT&T Broadband and AT&T Comcast for any liability resulting from any untrue statement or omission of a material fact in any registration statement relating to the Consumer Services charter amendment proposal, any other proposal related to the creation of AT&T Consumer Services Group tracking stock, the

reverse stock split proposal or any AT&T 2002 annual meeting proposal other than the AT&T transaction proposal or the AT&T Comcast charter proposal.

TERMINATION

The separation and distribution agreement may be terminated by AT&T if the merger agreement has terminated.

AMENDMENTS AND WAIVERS

Any provision of the separation and distribution agreement may be amended or waived prior to the completion of the AT&T Comcast transaction if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by AT&T, AT&T Broadband and Comcast or, in the case of a waiver, by the party to the separation and distribution agreement against whom the waiver is to be effective and Comcast.

THE SUPPORT AGREEMENT

In connection with the merger agreement, AT&T, Comcast, AT&T Comcast, Sural LLC and Brian L. Roberts have entered into a support agreement relating to the shares of Comcast voting stock held by Sural prior to the completion of the AT&T Comcast transaction and the shares of AT&T Comcast voting stock that will be held by Sural after completion of the AT&T Comcast transaction. All of such shares are referred to in this section as the "Comcast Shares". As of the date of this document, Sural held shares of Comcast voting stock representing approximately 86.7% of Comcast's voting power. The following summary of the support agreement, as amended, is qualified in its entirety by reference to the complete text of the support agreement, as amended, which is incorporated by reference and attached as an exhibit to the registration statement in which this document is included.

VOTING AGREEMENT

Sural has agreed to vote the Comcast Shares:

- in favor of the Comcast transaction proposal, the AT&T Comcast charter proposal and the preferred structure proposal;

- against any action or agreement that would reasonably be expected to result in a breach of any covenant, representation or warranty or any other obligation or agreement of Comcast under the merger agreement or that would reasonably be expected to result in any of the conditions to the obligations of the parties under the merger agreement not being fulfilled;

- in favor of any other matter relating to the consummation of the transactions contemplated by the merger agreement with respect to which Sural may be entitled to vote; and

- against any other matter that would reasonably be expected to prevent, interfere with or delay consummation of the transactions contemplated by the merger agreement.

COVENANTS

No Inconsistent Agreements. Sural has agreed that it will not enter into any voting agreement or grant a proxy or power of attorney or take any other action with respect to the Comcast Shares which is inconsistent with the terms of the support agreement. Brian L. Roberts has agreed that he will not enter into any voting agreement or grant a proxy or power of attorney or take any other action with respect to any units of membership interests in Sural which is inconsistent with the terms of the support agreement.

Dispositions Prior to Completion of the AT&T Comcast Transaction. Sural has agreed that prior to the completion of the AT&T Comcast transaction it will not transfer ownership of any of the Comcast Shares, except to certain permitted transferees who agree to be bound by the same transfer restrictions.

Dispositions After Completion of the AT&T Comcast Transaction. Sural has agreed that from and after the completion of the AT&T Comcast transaction until the tenth anniversary of the completion of the AT&T Comcast transaction it will not transfer ownership of any of its shares of AT&T Comcast Class B common stock, except to certain permitted transferees who agree to be bound by the same transfer restrictions or in a transaction that (1) permits AT&T Comcast's other shareholders to dispose of all of their shares of AT&T Comcast stock for the same per share consideration as Sural receives for its shares of AT&T Comcast Class B common stock (or, if higher, any of its shares of any other class of AT&T Comcast common stock) and (2) is approved by the disinterested holders of AT&T Comcast's voting stock. Brian L. Roberts has also agreed that from and after the completion of the AT&T Comcast transaction until the tenth anniversary of the completion of the AT&T Comcast transaction he will not transfer ownership of any of his securities or other equity interests in Sural, except to certain permitted transferees who agree to be bound by the same transfer restrictions or in a transaction that (1) permits AT&T Comcast's other shareholders to dispose of all of their shares of AT&T Comcast stock for the same per share consideration as the effective per share consideration that Brian L. Roberts receives, as a result of his ownership interest in Sural, for each of the shares of AT&T Comcast Class B common stock held

by Sural, or, if higher, any of the shares of any other class of AT&T Comcast common stock and (2) is approved by the disinterested holders of AT&T Comcast's voting stock. Following the tenth anniversary of the completion of the AT&T Comcast transaction, subject to applicable law, holders of AT&T Comcast Class B common stock will be permitted to transfer their shares of AT&T Comcast Class B common stock in a transaction in which they receive a premium that is disproportionate to the premium, if any, received by the other holders of AT&T Comcast stock for their shares of AT&T Comcast stock.

Interested Party Transactions. AT&T Comcast has agreed that, except as described in the next sentence, after the completion of the AT&T Comcast transaction neither it nor any of its subsidiaries will enter into any material transaction with Brian L. Roberts or any of his associates or any permitted transferee unless such transaction is approved by AT&T Comcast's disinterested directors. Compensation arrangements between Brian L. Roberts or any of his associates on the one hand and AT&T Comcast or any of its subsidiaries on the other hand will require the approval of the disinterested directors of the compensation committee of the AT&T Comcast Board.

Additional Voting Agreements. Sural has agreed that from and after the completion of the AT&T Comcast transaction until the 2005 annual meeting of AT&T Comcast shareholders, it will vote its shares of AT&T Comcast Class B common stock against any proposed amendment to the governance arrangements set forth in the AT&T Comcast charter. See "Description of Governance Arrangements Following the AT&T Comcast Transaction."

Sural has also agreed to vote its shares of AT&T Comcast Class B common stock in favor of the nominees selected by the Directors Nominating Committee, or otherwise nominated by AT&T Comcast, for election as directors at the 2004 annual meeting of AT&T Comcast shareholders; provided that if a shareholder (other than Brian L. Roberts or a shareholder associated with or otherwise acting on behalf of or in concert with Brian L. Roberts) nominates individuals who are independent persons for election as directors at such annual meeting, Sural may instead elect to vote its shares of AT&T Comcast Class B common stock in such election of directors in the same proportion as holders of shares of

AT&T Comcast common stock, other than AT&T Comcast Class B common stock and any other voting shares of AT&T Comcast owned by Brian L. Roberts or Sural or any permitted transferee, vote in such election of directors.

Sural has further agreed that if Brian L. Roberts dies or becomes incapable of performing his duties prior to the fifth anniversary of the completion of the AT&T Comcast transaction, then, unless Ralph J. Roberts has sole voting power in respect of the election of directors with respect to all outstanding shares of AT&T Comcast Class B common stock, from the date of Brian L. Roberts's death or inability to perform his duties until the fifth anniversary of the completion of the AT&T Comcast transaction, Sural will vote its shares of AT&T Comcast Class B common stock in any election of AT&T Comcast directors in the same proportion as holders of shares of AT&T Comcast common stock, other than AT&T Comcast Class B common stock and any other voting shares of AT&T Comcast owned by Brian L. Roberts or Sural or any permitted transferee, vote in such election of directors.

Each permitted transferee of any of the shares of AT&T Comcast Class B common stock will also be required to agree, as a condition to such transfer, to the voting obligations described in the three preceding paragraphs.

ENFORCEMENT

The support agreement provides that any determination with respect to Sural's, Brian L. Roberts's or AT&T Comcast's compliance with the support agreement or otherwise with respect to the items described in "-- Covenants," in each case after the completion of the AT&T Comcast transaction, including any determination as to the enforcement action to be taken by AT&T Comcast in connection with such determination, will be made for AT&T Comcast by the disinterested, independent persons on the AT&T Comcast Board; provided that any Comcast director designee, including any replacement Comcast director designee, or any director who was a Comcast director designee or any spouse, parent, sibling, lineal

descendant, aunt, uncle, cousin, other close relative of Brian L. Roberts or their respective spouses will not be considered a disinterested, independent person.

AMENDMENTS

Any provision of the support agreement may be amended if such amendment is in writing and is signed by each of the parties to the support agreement. However, no amendment of any provision described under "-- Covenants" or "-- Enforcement" will be effective without the approval of:

- a majority of the disinterested, independent persons on the AT&T Comcast Board; provided that any Comcast director designee, including any replacement Comcast director designee, or any director who was a Comcast director designee or any spouse, parent, sibling, lineal descendant, aunt, uncle, cousin, other close relative of Brian L. Roberts or their respective spouses will not be considered disinterested, independent persons; and

- holders of a majority of the votes cast by holders of all of the classes of AT&T Comcast capital stock entitled to vote, other than the AT&T Comcast Class B common stock and any other voting shares of AT&T Comcast owned by Brian L. Roberts, Sural or any permitted transferee.

TERMINATION

The support agreement terminates on the earlier to occur of (1) one day after the tenth anniversary of the completion of the AT&T Comcast transaction and (2) any termination of the merger agreement.

THE EXCHANGE AGREEMENT AND INSTRUMENT OF ADMISSION

In connection with the AT&T Comcast transaction, Comcast and Microsoft entered into an exchange agreement dated December 7, 2001. On December 19, 2001, following execution of the merger agreement, AT&T and AT&T Comcast each became a party to the exchange agreement by executing the instrument of admission. On March 11, 2002, Comcast, AT&T, AT&T Comcast and Microsoft amended the exchange agreement and instrument of admission. The following summary of the exchange agreement and the instrument of admission, in each case as amended, is qualified in its entirety by reference to the complete texts of the exchange agreement and the instrument of admission, in each case as amended, which are incorporated by reference and attached as exhibits to the registration statement in which this document is included.

QUIPS EXCHANGE

QUIPS. Microsoft (through a wholly owned subsidiary) holds $5 billion in aggregate liquidation preference amount of 5% Convertible Quarterly Income Preferred Securities (referred to in this document by their acronym "QUIPS") of AT&T Finance Trust I, a Delaware business trust. The QUIPS are convertible into $5 billion aggregate face amount of 5% Junior Convertible Subordinated Debentures due 2029 of AT&T, which are in turn convertible into AT&T common stock.

The Exchange. In connection with the AT&T Broadband spin-off, Microsoft has agreed to exchange the QUIPS for a number of shares of AT&T Broadband common stock that, subject to the limitation described in the next sentence, will be converted in the AT&T Broadband merger into 115 million shares of AT&T Comcast Class A common stock under the Preferred Structure (or AT&T Comcast Class C common stock under the Alternative Structure). To the extent necessary so that Microsoft and its affiliates will not hold more than 4.95% of AT&T Comcast's voting power as a result of the AT&T Comcast transaction, Microsoft has agreed to accept shares of the non-voting AT&T Comcast Class A Special common stock in the AT&T Broadband merger instead of an equivalent number of shares of voting AT&T Comcast common stock. If Microsoft transfers shares of voting AT&T Comcast common stock or its voting interest in AT&T Comcast is diluted below 4.95%, subject to certain conditions, Microsoft will have the right to cause AT&T Comcast to exchange the shares of non-voting AT&T Comcast Class A Special common stock received in the AT&T Broadband merger for shares of voting AT&T Comcast common stock provided that its voting interest in AT&T Comcast does not exceed 4.95% after the exchange.

INTERNET ACCESS

Until the fifth anniversary of the Microsoft transaction, subject to the completion of the Microsoft transaction and the AT&T Comcast transaction, AT&T Comcast has agreed that if AT&T Comcast offers a high-speed Internet access agreement to any third party, then it will be obligated to offer an agreement on nondiscriminatory terms with respect to the same cable systems to Microsoft for its Internet service provider, The Microsoft Network. Because Comcast has entered into an access agreement with United Online and AT&T Broadband has entered into an access agreement with each of Earthlink, Internet Central and

Connected Data Systems, upon completion of the Microsoft transaction and the AT&T Comcast transaction AT&T Comcast will be required, with respect to each such agreement with another ISP, to offer an access agreement to Microsoft on terms no less favorable than those provided to the other ISP with respect to the specific cable systems covered under the agreement with the other ISP.

COVENANTS

Each of Comcast, Microsoft, AT&T and AT&T Comcast has undertaken certain covenants in the exchange agreement. The following summarizes the more significant of these covenants.

Merger Documentation. Comcast has agreed that, without the prior written consent of Microsoft, which consent will not be unreasonably withheld, Comcast will not agree to any amendment or waiver of any provision of any of the AT&T Comcast transaction agreements that would reasonably be expected to (1) conflict with any provision of the exchange agreement, the agreements relating to the set-top box

commitment described below or any access agreement entered into between Microsoft and AT&T Comcast pursuant to the most favored nation provision described above or (2) be materially adverse to Microsoft's rights under the exchange agreement or the benefits that Microsoft reasonably expects to realize from the exchange agreement, in the case of (2), to the extent that any such amendment or waiver would have an effect on Microsoft that is materially disproportionate to the effect it would have on other AT&T Broadband or AT&T Comcast shareholders.

Lockup. Prior to six months after completion of the Microsoft transaction, subject to certain exceptions, Microsoft has agreed that neither Microsoft nor any of its wholly owned subsidiaries will sell, or enter into any agreement, arrangement or negotiations relating to the sale of, any of the shares of AT&T Comcast common stock that it receives in connection with the Microsoft transaction.

Indemnity. Comcast has agreed to indemnify Microsoft against any claim by Comcast, AT&T or any shareholder of Comcast, AT&T or AT&T Comcast for any loss arising as a result of the AT&T Broadband spin-off or the mergers failing to be tax-free, except to the extent such a failure results directly from a breach by Microsoft of its covenant described under "-- Lockup" or of the failure of a related representation and warranty made by Microsoft in the exchange agreement.

CONDITIONS TO THE COMPLETION OF THE MICROSOFT TRANSACTION

Conditions to the Obligations of Microsoft. The obligations of Microsoft to complete the Microsoft transaction are subject to the satisfaction or waiver, to the extent permissible, of the following conditions:

- absence of a material legal prohibition on the Microsoft transaction or the mergers;

- except as provided in the next bullet point, satisfaction or waiver of all conditions to the mergers and the reasonable satisfaction of Microsoft that the mergers will occur immediately following the Microsoft transaction;

- satisfaction, but not waiver, of the condition to the mergers that there has been no Material Adverse Effect with respect to AT&T's broadband business;

- material accuracy of the representations and warranties of Comcast, AT&T and AT&T Comcast contained in the exchange agreement or made pursuant to the exchange agreement;

- performance by Comcast, AT&T and AT&T Comcast of all of their respective obligations under the exchange agreement;

- approval for the listing on The Nasdaq Stock Market of the shares of AT&T Comcast common stock to be issued in the mergers, other than the shares of AT&T Comcast Class B common stock;

- delivery by AT&T and Comcast of opinions of counsel relating to various corporate matters; and

- after completion of the AT&T Broadband spin-off, AT&T Broadband holds substantially all of the assets and liabilities of AT&T's broadband business.

Conditions to the Obligations of Comcast and AT&T. The obligations of Comcast and AT&T to complete the Microsoft transaction are subject to the satisfaction or waiver, to the extent permissible, of the following conditions:

- satisfaction or waiver of all conditions to the mergers and the reasonable satisfaction of Comcast that the mergers will occur;

- material accuracy of the representations and warranties of Microsoft contained in the exchange agreement;

- performance by Microsoft of all of its obligations under the exchange agreement; and

- delivery by Microsoft of an opinion of counsel relating to various corporate matters.

TERMINATION

The exchange agreement may be terminated by either Comcast or Microsoft in any of the following circumstances:

- the merger agreement has been terminated;

- any law or regulation makes completion of the Microsoft transaction illegal or a permanent injunction prohibiting completion of the Microsoft transaction is entered; or

- the mergers have not been completed by March 1, 2003.

INTERACTIVE TECHNOLOGY AGREEMENT

In connection with the exchange agreement, Microsoft and Comcast Cable Communications, Inc. have entered into a three-year agreement pursuant to which the parties will conduct a trial during 2002 of an interactive television platform, including set-top box middleware. If the trial results meet agreed technical standards, the platform meets defined competitive requirements and a launch would meet Comcast Cable's reasonable business objectives, Comcast Cable has agreed that it will commercially launch the Microsoft platform to at least 25% of its newly installed middleware customer base.

THE TAX SHARING AGREEMENT

The following summary of the tax sharing agreement is qualified in its entirety by reference to the complete text of the tax sharing agreement, which is incorporated by reference into this document and attached as an exhibit to the registration statement in which this document is included.

IN GENERAL

AT&T Broadband is currently included in AT&T's federal consolidated income tax group and AT&T Broadband's tax liability will be included in the consolidated federal income tax liability of AT&T for 2002 until the time of the AT&T Broadband spin-off. The tax sharing agreement provides for tax sharing payments between AT&T Broadband and AT&T for periods prior to the AT&T Broadband spin-off, based on the taxes or tax benefits of hypothetical affiliated groups consisting of the businesses, assets and liabilities that make up AT&T Broadband, on the one hand, and all other businesses, assets and liabilities of AT&T, on the other hand. Each group is generally responsible for the taxes attributable to its lines of business and entities comprising its group.

AT&T and AT&T Broadband have agreed that the consolidated tax liability (before credits) of the hypothetical group will be allocated to each group based on such group's contribution to consolidated taxable income. This allocation will take into account losses, deductions and other tax attributes that are utilized by the hypothetical group even if these attributes could not be utilized on a stand-alone basis. Tax sharing payments in respect of the consolidated tax liability of the hypothetical group, after allocation of consolidated tax credits, will be made between AT&T and AT&T Broadband consistent with the allocations under the tax sharing agreement. As between AT&T and AT&T Broadband, certain tax items are specially allocated to the AT&T group and AT&T Broadband group under the tax sharing agreement.

AT&T BROADBAND SPIN-OFF

AT&T and AT&T Broadband have agreed that taxes related to intercompany transactions that are triggered by the AT&T Broadband spin-off will be generally allocated to AT&T Broadband.

NON-INCOME TAX LIABILITIES

AT&T and AT&T Broadband have agreed that joint non-income tax liabilities will generally be allocated between AT&T and AT&T Broadband based on the amount of such taxes attributable to each group's line of business. If the line of business with respect to which the liability is appropriately associated cannot be readily determined, the tax liability will be allocated to the AT&T group.

AUDIT ADJUSTMENTS

AT&T and AT&T Broadband have agreed that taxes resulting from audit adjustments will generally be allocated between the two groups based on line of business. In general, AT&T controls audits and administrative matters related to pre-spin-off periods.

POST-SPIN-OFF TAX ATTRIBUTES

Generally, AT&T Broadband may not carry back a loss, credit or other tax attribute from a post-spin-off period to a pre-spin-off period, unless AT&T Broadband obtains AT&T's consent (which, in the case of significant net operating or capital loss carrybacks, may not be unreasonably withheld) and then only to the extent permitted by applicable law.

AMENDMENTS AND WAIVERS

Any provision of the tax sharing agreement may be amended or waived prior to the completion of the transaction if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by AT&T, AT&T Broadband and Comcast or, in the case of a waiver, by the party to the tax sharing agreement against whom the waiver is to be effective and Comcast.

THE ANCILLARY AGREEMENTS

In addition to the other agreements described in this section, AT&T and AT&T Broadband have entered into various other commercial agreements in connection with the AT&T Comcast transaction. A brief summary of these agreements follows:

NETWORK SERVICE AGREEMENTS.

AT&T and AT&T Broadband have entered into four principal network service agreements as follows.

- Master Carrier Agreement. This agreement reflects the rates, terms and conditions on which AT&T Business Services Group will provide voice, data and Internet services to AT&T Broadband, including both wholesale services (those used as a component in AT&T Broadband's services to its customers) and "administrative" services (for internal AT&T Broadband usage). Pricing is market based, with provisions defining an ongoing process to ensure that the prices remain competitive.

- First Amended and Restated Local Network Connectivity Services Agreement. This agreement reflects the rates, terms and conditions on which AT&T Business Services Group will provide certain local network connectivity services to AT&T Broadband for use in providing local telephone services to AT&T Broadband's subscribers. This agreement consists of two parts:

  -- a capital lease from AT&T Business Services Group to AT&T Broadband of certain network switching and transport assets to be used exclusively by AT&T Broadband for a term of up to ten years, commencing January 1, 2001 for initial assets leased under the agreement; and

  -- an operating agreement for the provision of local network connectivity, management and operational services in support of AT&T Broadband's local cable telephone services, with a minimum term of five years commencing January 1, 2001.

- Master Facilities Agreement. This agreement permits AT&T or any of its subsidiaries to use existing fiber facilities owned or leased by AT&T Broadband or its controlled affiliates, together with related services. In addition, AT&T Broadband will construct and lease to AT&T new fiber facilities in the areas served by AT&T Broadband's cable systems for use in providing telecommunications services. The term of the build-out period will expire on January 8, 2012. Subject to certain termination rights specified in this agreement, the term of AT&T's right to use facilities leased under this agreement will expire on January 8, 2028, renewable at AT&T's option for successive 20-year terms in perpetuity.

- Interconnection and Intercarrier Compensation Term Sheet. This agreement, which has a five-year initial term commencing January 1, 2001, specifies the terms of interconnection of the parties' networks, and compensation for:

  -- the origination or termination of interexchange traffic for the other party; and

  -- the exchange of local traffic between the parties' local customers.

High Speed Internet Services Binding Term Sheet. This agreement reflects the rates, terms and conditions on which AT&T will provide specified processes, procedures and services to support AT&T Broadband in its provision of broadband Internet services to AT&T Broadband subscribers. This agreement has a four-year initial term commencing December 4, 2001.

Intellectual Property Agreement. This agreement specifies the ownership and license rights granted by each party to the other in specified patents, software, copyrights and trade secrets. Among other rights granted, the effect of this agreement is to allow AT&T Broadband and AT&T to continue to have the same rights to use the intellectual property that they had at the time of the separation and AT&T Broadband spin-off.

Other Agreements to be Executed. AT&T and AT&T Comcast will enter into a corporate name agreement immediately prior to the completion of the AT&T Comcast transaction pursuant to which AT&T will grant to AT&T Comcast the right to use the term "AT&T" as part of its full corporate name, but prohibit any use of "AT&T" as a trade name, trademark, or service mark, or in a domain name other than specified domain names permitted for certain purposes. Such grant of rights will be perpetual unless terminated as a result of the Roberts family's voting power falling below 33% or pursuant to any other terms of the agreement.

Subject to the terms of the separation and distribution agreement, prior to the completion of the AT&T Comcast transaction, AT&T and AT&T Broadband may also enter into other agreements in connection with the AT&T Comcast transaction.

CHAPTER SIX
AT&T CORP. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The AT&T Corp. Management's Discussion and Analysis of Financial Condition and Results of Operations set forth below was included in AT&T's Annual Report on Form 10-K for the year ended December 31, 2001 (as amended on May 3, 2002). The AT&T groups referred to in this joint proxy statement/prospectus differ in various financial and other respects from the segments described in this section. For financial and other information on the AT&T groups, see the information set forth elsewhere in this joint proxy statement/prospectus.

OVERVIEW

AT&T is among the world's communications leaders, providing voice, data and video communications services to large and small businesses, consumers and government agencies. AT&T provides domestic and international long distance, regional and local communications services, cable (broadband) television and Internet communication services.

RESTRUCTURING OF AT&T

On October 25, 2000, AT&T announced a restructuring plan designed to fully separate or issue separately tracked stocks intended to reflect the financial performance and economic value of each of AT&T's four major operating units.

On December 19, 2001, AT&T and Comcast Corporation (Comcast) announced an agreement to combine AT&T Broadband with Comcast. Under the terms of the agreement, AT&T will spin-off AT&T Broadband and simultaneously merge it with Comcast, forming a new company to be called AT&T Comcast Corporation (AT&T Comcast). AT&T shareowners will receive a number of shares of AT&T Comcast common stock based on an exchange ratio calculated pursuant to a formula specified in the merger agreement. If determined as of the date of the merger agreement, the exchange ratio would have been approximately 0.34, assuming the AT&T shares held by Comcast are included in the number of shares of AT&T common stock outstanding. Assuming Comcast retains its AT&T shares and converts them into exchangeable preferred stock of AT&T as contemplated by the merger agreement, the exchange ratio would be approximately 0.35. Assuming certain conditions, AT&T shareowners will own an approximate 55% economic stake and an approximate 61% voting interest in the new company, calculated as of the date of the merger agreement. The merger of AT&T Broadband and Comcast is subject to regulatory review, approval by both companies' shareowners and certain other conditions, and is expected to close by the end of 2002. AT&T also intends to proceed with the creation of a tracking stock for its AT&T Consumer Services business, which is expected to be distributed to AT&T shareowners following shareowner approval. AT&T has not yet determined the timing of the distribution, which may be made within a year of shareowner approval or may be made thereafter, depending on market conditions. Additionally, the AT&T board of directors could decide not to proceed with the distribution of the tracking stock, or could proceed at a time or in a manner different from its current intentions.

These restructuring activities are complicated and involve a substantial number of steps and transactions, including obtaining various approvals, such as Internal Revenue Service (IRS) rulings. AT&T anticipates, however, that the transactions associated with AT&T's restructuring plan will be tax-free to U.S. shareowners. Future financial conditions, superior alternatives or other factors may arise or occur that make it inadvisable to proceed with part or all of AT&T's restructuring plans. Any or all of the elements of AT&T's restructuring plan may not occur as AT&T currently expects or in the time frames that it currently contemplates, or at all. Alternative forms of restructuring, including sales of interests in these businesses, would reduce what is available for distribution to AT&T shareowners in the restructuring.

On May 25, 2001, AT&T completed an exchange offer of AT&T common stock for AT&T Wireless stock. Under the terms of the exchange offer, AT&T issued 1.176 shares of AT&T Wireless Group tracking stock in exchange for each share of AT&T common stock validly tendered. A total of

372.2 million shares of AT&T common stock were tendered in exchange for 437.7 million shares of AT&T Wireless Group tracking stock. In conjunction with the exchange offer, AT&T recorded an $80 premium as a reduction to net income available to common shareowners. The premium represents the excess of the fair value of the AT&T Wireless Group tracking stock issued over the fair value of the AT&T common stock exchanged.

On July 9, 2001, AT&T completed the split-off of AT&T Wireless as a separate, independently traded company. All AT&T Wireless Group tracking stock was converted into AT&T Wireless common stock on a one-for-one basis and 1,136 million shares of AT&T Wireless common stock held by AT&T were distributed to AT&T common shareowners on a basis of 0.3218 of a share of AT&T Wireless for each AT&T share outstanding. AT&T common shareowners received whole shares of AT&T Wireless and cash payments for fractional shares. The IRS ruled that the transaction qualified as tax-free for AT&T and its shareowners for U.S. federal income tax purposes, with the exception of cash received for fractional shares. For accounting purposes, the deemed effective split-off date was June 30, 2001. At the time of split-off, AT&T retained approximately $3 billion, or 7.3%, of AT&T Wireless common stock, about half of which was used in a debt-for-equity exchange in July in 2001. The remaining portion of these holdings was monetized in October and December through the issuance of debt that is exchangeable into Wireless shares (or their cash equivalents) at maturity. The split-off of AT&T Wireless resulted in a noncash tax-free gain of $13.5 billion, which represented the difference between the fair value of the AT&T Wireless tracking stock at the date of the split-off and AT&T's book value in AT&T Wireless Services. This gain was recorded in the third quarter of 2001 as a "Gain on disposition of discontinued operations" in the Consolidated Statement of Income.

On August 10, 2001, AT&T completed the split-off of Liberty Media Corporation as an independent, publicly traded company (since AT&T did not exit the line of business that Liberty Media Group (LMG) operated in, LMG was not accounted for as a discontinued operation). AT&T redeemed each outstanding share of Class A and Class B LMG tracking stock for one share of Liberty Media Corporation's Series A and Series B common stock, respectively. The IRS ruled that the split-off of Liberty Media Corporation qualified as a tax-free transaction for AT&T, Liberty Media and their shareowners. For accounting purposes, the deemed effective split-off date was July 31, 2001.

TRACKING STOCKS

During the periods 1999 through 2001, AT&T had one or more tracking stocks outstanding. In 1999, in connection with the acquisition of Tele-Communications, Inc. (TCI), AT&T issued a separate tracking stock to reflect 100% of the performance of LMG. In 2000, AT&T issued a tracking stock to track the financial performance of AT&T Wireless Group. The shares initially issued tracked approximately 16% of the performance of AT&T Wireless Group.

A tracking stock is designed to provide financial returns to its holders based on the financial performance and economic value of the assets it tracks. Ownership of shares of AT&T common stock, AT&T Wireless Group tracking stock or Liberty Media Class A or B tracking stock did not represent a direct legal interest in the assets and liabilities of any of the groups, but an ownership of AT&T in total. The specific shares represented an interest in the economic performance of the net assets of each of the groups.

The earnings attributable to AT&T Wireless Group are excluded from the earnings available to AT&T Common Stock Group and are reflected as "Income (loss) from discontinued operations," net of applicable taxes of AT&T Wireless Group in the Consolidated Statements of Income. Similarly, the earnings and losses related to LMG are excluded from the earnings available to AT&T Common Stock Group. The remaining results of operations of AT&T, including the financial performance of AT&T Wireless Group not represented by the tracking stock, are referred to as the AT&T Common Stock Group and are represented by AT&T common stock.

AT&T did not have a controlling financial interest in LMG for financial accounting purposes; therefore, its ownership in LMG was reflected as an investment accounted for under the equity method in

AT&T's consolidated financial statements. The amounts attributable to LMG are reflected in the accompanying consolidated financial statements as "Equity (losses) earnings from Liberty Media Group" and "Investment in Liberty Media Group and related receivables, net" prior to its split-off from AT&T.

AT&T Wireless Group was an integrated business of AT&T, and LMG was a combination of certain assets and businesses of ATT neither was a stand-alone entity prior to its split-off from AT&T.

MERGER WITH MEDIAONE GROUP, INC.

AT&T completed the merger with MediaOne Group, Inc. (MediaOne) on June 15, 2000, in a cash and stock transaction valued at approximately $45 billion. AT&T issued approximately 603 million shares of AT&T common stock, of which 60 million were treasury shares, and made cash payments of approximately $24 billion.

The merger was recorded under the purchase method of accounting, whereby the assets and liabilities of MediaOne Group were recorded at fair value on the date of the acquisition. Accordingly, the results of MediaOne have been included with the financial results of AT&T, within AT&T Broadband, since the date of acquisition. In accordance with the purchase method of accounting, periods prior to the merger were not restated to include the results of MediaOne.

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements with respect to AT&T's restructuring plan, financial condition, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies or synergies, budgets, capital and other expenditures, network build out and upgrade, competitive positions, availability of capital, growth opportunities for existing products, benefits from new technologies, availability and deployment of new technologies, plans and objectives of management, and other matters.

These forward-looking statements, including, without limitation, those relating to the future business prospects, revenue, working capital, liquidity, capital needs, network build out, interest costs and income, are necessarily estimates reflecting the best judgment of senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements including, without limitation:

- the risks associated with the implementation of AT&T's restructuring plan, which is complicated and involves a substantial number of different transactions each with separate conditions, any or all of which may not occur as AT&T currently intends, or which may not occur in the timeframe it currently expects,

- the risks associated with each of AT&T's main business units, operating as independent entities as opposed to as part of an integrated telecommunications provider following completion of AT&T's restructuring plan, including the inability of these groups to rely on the financial and operational resources of the combined company and these groups having to provide services that were previously provided by a different part of the combined company,

- the impact of existing and new competitors in the markets in which these groups compete, including competitors that may offer less expensive products and services, desirable or innovative products, technological substitutes, or have extensive resources or better financing,

- the impact of oversupply of capacity resulting from excessive deployment of network capacity,

- the ongoing global and domestic trend toward consolidation in the telecommunications industry, which may have the effect of making the competitors of these entities larger and better financed and afford these competitors with extensive resources and greater geographic reach, allowing them to compete more effectively,

- the effects of vigorous competition in the markets in which the company operates, which may decrease prices charged, increase churn and change customer mix, profitability and average revenue per user,

- the ability to enter into agreements to provide services, and the cost of entering new markets necessary to provide services,

- the ability to establish a significant market presence in new geographic and service markets,

- the availability and cost of capital and the consequences of increased leverage,

- the impact of any unusual items resulting from ongoing evaluations of the business strategies of the company,

- the requirements imposed on AT&T or latitude allowed to competitors by the Federal Communications Commission (FCC) or state regulatory commissions under the Telecommunications Act of 1996 or other applicable laws and regulations,

- the risks associated with technological requirements, technology substitution and changes and other technological developments,

- the results of litigation filed or to be filed against the company,

- the possibility of one or more of the markets in which the company competes being impacted by changes in political, economic or other factors, such as monetary policy, legal and regulatory changes or other external factors over which these groups have no control, and

- the risks related to AT&T's investments and joint ventures.

The words "estimate," "project," "intend," "expect," "believe," "plan" and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Moreover, in the future, AT&T, through its senior management, may make forward-looking statements about the matters described in this document or other matters concerning AT&T.

The discussion and analysis that follows provides information management believes is relevant to an assessment and understanding of AT&T's consolidated results of operations for the years ended December 31, 2001, 2000 and 1999, and financial condition as of December 31, 2001 and 2000.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

AT&T's financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Management continually evaluates its estimates and judgments including those related to revenue recognition, allowances for doubtful accounts, useful lives of property, plant and equipment, internal use software and intangible assets, investments, derivative contracts, pension and other postretirement benefits and income taxes. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. AT&T believes that of its significant accounting policies, the following may involve a higher degree of judgment or complexity:

Revenue recognition -- AT&T only records revenue for transactions which are considered to be part of our central, ongoing operations. AT&T recognizes long distance and local voice and data services revenue based upon minutes of traffic processed or contracted fee schedules including sales of prepaid calling cards. Cable video and nonvideo installation revenue is recognized in the period the installation services are provided to the extent of direct selling costs. Any remaining amount is deferred and recognized over the estimated average period that customers are expected to remain connected to the cable distribution

systems. Customer activation fees, along with the related costs up to but not exceeding the revenues, are deferred and amortized over the customer relationship period. AT&T recognizes other products and services revenue when the products are delivered and accepted by customers and when services are provided in accordance with contract terms. For contracts where we provide customers with an indefeasible right to use network capacity, we recognize revenue ratably over the stated life of the agreement. Any sales of installed fiber are not recognized as revenue. AT&T considers these transactions to be sales of property, plant and equipment and record any gain or loss in "Other income (expense)" in the Consolidated Statements of Income.

Allowances for doubtful accounts -- AT&T maintains allowances for doubtful accounts for estimated losses which result from the inability of our customers to make required payments. AT&T bases its allowances on the likelihood of recoverability of accounts receivable based on past experience and taking into account current collection trends that are expected to continue. If economic or specific industry trends worsen beyond AT&T's estimates, it would increase its allowances for doubtful accounts by recording additional expense. Accounts receivable are fully reserved for when past due 180 days or more.

Estimated useful lives of property, plant and equipment, internal use software and intangible assets -- AT&T estimates the useful lives of property, plant and equipment, internal use software and intangible assets in order to determine the amount of depreciation and amortization expense to be recorded during any reporting period. The useful lives are estimated at the time the asset is acquired and are based on historical experience with similar assets as well as taking into account anticipated technological or other changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of an impairment charge to reflect the write-down in value of the asset. AT&T reviews these types of assets for impairment annually, or when events or circumstances indicate that the carrying amount may be not be recoverable over the remaining lives of the assets. In assessing impairments, AT&T uses cash flows which take into account management's estimates of future operations. Beginning January 1, 2002, in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," AT&T will no longer amortize goodwill, excess basis related to equity-method investments and franchise costs, but will test these assets at least annually for impairment.

Investments -- AT&T holds investments in other companies which it accounts for under either the cost method or equity method of accounting. Many of these companies are publicly traded and have volatile share prices however, some of these companies are not publicly traded and therefore the value may be difficult to determine. For investments that are not publicly traded we estimate fair value using market-based (comparable sales) and income-based (discounted cash flow) methods. In addition, AT&T has monetized some of these investments by issuing debt that is tied to the trading price of the security, and which can be settled in shares or cash. Some of AT&T's cost-method investments are classified as "trading" securities under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and are marked-to-market through the income statement. However, other cost method investments are classified as "available-for-sale" under SFAS No. 115 and are marked-to-market through other comprehensive income on the balance sheet. AT&T records an investment impairment charge on its "available-for-sale" and equity-method investments when we believe the decline in the investment value is other than temporary. When determining an other than temporary decline, AT&T considers, among other items, the length of time the trading price has been below its carrying value, the financial condition of the investee company, including the industry in which they operate, and AT&T's ability or intent to retain the investment. If the financial condition of the investee company or the industry in which it operates were to be materially different than AT&T's expectation, AT&T would record an expense to reflect the other than temporary decline in value of the investment. At December 31, 2001, unrealized losses on "available-for-sale" securities included in "Other comprehensive income" as a component of shareowners' equity were approximately $0.3 billion (pretax).

Derivative contracts -- AT&T enters into derivative contracts to mitigate market risk from changes in interest rates, foreign currency exchange rates and equity prices. Certain exchangeable debt (debt exchangeable into or tied to the value of securities AT&T owns) contain embedded derivatives that require accounting separate from the debt instrument, while other exchangeable debt has derivatives issued in conjunction with net purchased options. The fair value of option based derivatives is determined using the Black-Scholes option pricing model, which is based on a set of inputs, including the price of the underlying stock, volatility of the underlying stock and interest rates. These inputs are based on prevailing market indications that are either directly observable in the market, received from qualified investment banking firms or are internally calculated. Changes in these inputs would result in a change in the fair value of the option contracts. Changes in the fair value of option contracts accounted for as cash flow hedges would be recorded, net of income taxes, within Other

Comprehensive Income on the balance sheet. Changes in the fair value of option contracts undesignated for accounting purposes would be recorded within other income (expense) on the income statement. Generally, fair value calculations of other derivative contracts (e.g., interest rate swaps and foreign exchange forwards) require less judgment and are valued based on market interest rates and foreign exchange rates.

Pension and postretirement benefits -- The amounts recognized in the financial statements related to pension and postretirement benefits are determined on an actuarial basis, which utilizes many assumptions in the calculation of such amounts. A significant assumption used in determining AT&T's net pension credit (income) and postretirement expense is the expected long-term rate of return on plan assets. In 2001, AT&T assumed an expected long-term rate of return on plan assets of 9.5%. On average, AT&T's actual return on plan assets over the long-term has substantially exceeded 9.5%; however, in the past two years, the plan's assets have experienced rates of return substantially lower than 9.5%. For 2002, AT&T will lower its expected long-term rate of return assumption from 9.50% to 9.0%, reflecting the generally expected moderation of long-term rates of return in the financial markets. AT&T expects this decrease in the expected long-term rate of return to decrease operating income by approximately $0.1 billion.

Another estimate that affects AT&T's net pension credit and postretirement expense is the discount rate used in the annual actuarial valuations of pension and postretirement benefit plan obligations. At the end of each year, AT&T determines the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the pension and postretirement benefit obligations. The discount rate is generally based on the yield on high-quality corporate fixed-income investments. At December 31, 2001, AT&T lowered its discount rate to 7.25% from 7.5% at December 31, 2000. Changes in the discount rate do not have a material impact on AT&T's results of operations.

Income taxes -- AT&T records deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax bases of assets and liabilities. If enacted tax rates changed, AT&T would adjust its deferred tax assets and liabilities, through the provision for income taxes in the period of change, to reflect the enacted tax rate expected to be in effect when the deferred tax items reverse. A one percentage point change in the enacted tax rates would increase or decrease net income by approximately $0.7 billion. AT&T records a valuation allowance on deferred tax assets to reflect the expected future tax benefits to be realized. In determining the appropriate valuation allowance, AT&T takes into account the level of expected future taxable income and available tax planning strategies. If future taxable income was lower than expected or if expected tax planning strategies were not available as anticipated, AT&T may record additional valuation allowance through income tax expense in the period such determination was made. At December 31, 2001, AT&T had long-term deferred tax assets (included within long-term deferred tax liabilities) of $5.4 billion, which included a valuation allowance of $57 million.

CONSOLIDATED RESULTS OF OPERATIONS

The comparison of 2001 results with 2000 results was affected by events such as acquisitions and dispositions that occurred in these two years. For example, included in 2001 was a full year of MediaOne results; however, 2000 included MediaOne's results only since the June 15, 2000, date of acquisition. In

addition, AT&T had dispositions of certain cable systems during each year and disposed of international businesses during 2000. Cable systems and businesses disposed of in 2000 were included in 2000 results for part of the year and not in 2001 results. Likewise, cable systems disposed of in 2001 were included in 2000 results for the full year and in 2001 results for part of the year. Also, At Home Corp. (Excite@Home) affected the comparison of annual results.

For the period January 1, 2000, through August 31, 2000, Excite@Home was accounted for as an equity method investment. For the period September 1, 2000, through December 31, 2000, Excite@Home was fully consolidated as a result of corporate governance changes, which gave AT&T the right to designate six of the 11 Excite@Home board members, and therefore, a controlling interest. In 2001, Excite@Home was fully consolidated for the period January 1, 2001, through September 28, 2001, the date Excite@Home filed for Chapter 11 bankruptcy protection. As a result of the bankruptcy and AT&T removing four of its six members from the Excite@Home board of directors, AT&T no longer consolidated Excite@Home as of September 30, 2001. The consolidation of Excite@Home (effective September 1, 2000) resulted in the inclusion of 100% of its results in each line item of AT&T's Consolidated Balance Sheets and Consolidated Statements of Income. The approximate 77% of Excite@Home not owned by AT&T is shown in the 2000 Consolidated Balance Sheet within "Minority Interest" and as a component of "Minority interest income (expense)" in the 2001 and 2000 Consolidated Statements of Income. As a result of the significant losses incurred by Excite@Home, the minority interest balance was fully utilized (in September); therefore, in September 2001 AT&T recognized more than its 23% share of losses of Excite@Home. Under the equity method of accounting, any earnings or losses are included as a component of "Net losses related to other equity investments" in the Consolidated Statement of Income. Beginning October 1, 2001, AT&T no longer records equity earnings or losses related to Excite@Home since AT&T recognized losses in excess of its investment in Excite@Home.

Effective July 1, 2000, the FCC eliminated Primary Interexchange Carrier Charges (PICC or per-line charges) that AT&T pays for residential and single-line business customers. The elimination of these per-line charges resulted in lower access expense as well as lower revenue, since AT&T has historically billed its customers for these charges.

The comparison of 2000 results with 1999 results was also affected by the acquisition of MediaOne and the elimination PICC. In addition, AT&T acquired TCI and the IBM Global Network (now AT&T Global Network Services or AGNS) during 1999. Therefore, twelve months of their results are included in 2000's results, but are included for only a part of 1999 (since their respective dates of acquisition). Dispositions of certain cable systems and international businesses occurred during 1999 and 2000, affecting comparability. The consolidation of Excite@Home, effective September 1, 2000, also affected comparability. Prior to September 1, 2000, Excite@Home was accounted for as an equity method investment.

Finally, the comparison of 2000 results with 1999 results was impacted by the launch of Concert on January 5, 2000, AT&T's global joint venture with British Telecommunications plc (BT). AT&T contributed all of its international gateway-to-gateway assets and the economic value of approximately 270 multinational customers specifically targeted for direct sales by Concert. As a result, 2000 results do not include the revenue and expenses associated with these customers and businesses, while 1999 does, and 2000 results include our proportionate share of Concert's earnings in "Net losses related to other equity investments" in the Consolidated Statements of Income. On October 16, 2001, AT&T and BT announced that they had reached binding agreements to unwind Concert. Under the Concert dissolution agreement with BT, AT&T will reclaim customer contracts and assets that were initially contributed to the venture, including international transport facilities and gateway assets. In addition, AT&T Business Services will obtain ownership of certain frame relay assets located in the Asia Pacific region that BT initially contributed to the venture. AT&T Business Services expects to combine these assets with its existing international networking and other assets. The unwind of Concert is expected to close by the end of the first half of 2002.

REVENUE

	FOR THE YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	DOLLARS IN MILLIONS		
AT&T Business Services	$28,024	$28,900	$28,692
AT&T Consumer Services	15,079	18,894	21,753
AT&T Broadband	9,799	8,226	5,070
Corporate and other	(352)	(487)	(542)
Total Revenue	$52,550	$55,533	$54,973

Total revenue decreased 5.4%, or $3.0 billion, in 2001 compared with 2000. The decline was largely driven by accelerating declines in long distance voice revenue of approximately $5.7 billion. Partially offsetting the decline was revenue of approximately $2.2 billion, primarily attributable to growth in data and Internet protocol (IP), local and outsourcing services within AT&T Business Services, and increased revenue from AT&T Broadband, primarily telephony, high-speed data, expanded basic cable and digital video. Also offsetting the decline was revenue of approximately $0.3 billion largely due to net acquisitions (primarily MediaOne), and the consolidation of Excite@Home, partially offset by the elimination of PICC. AT&T expects long distance revenue to continue to be negatively impacted by ongoing competition and product substitution and while we expect data and IP revenue to continue to grow, AT&T expects the growth rate to slow. Revenue in 2002 will be positively impacted by the inclusion of revenue resulting from the unwind of Concert, including revenue from multinational customers and foreign-billed revenue previously contributed to Concert. In addition, AT&T expects revenue from AT&T Broadband to increase.

Total revenue increased 1.0%, or $0.6 billion, in 2000 compared with 1999 primarily driven by a growing demand for AT&T's IP, outsourcing within AT&T Business Services and growth in AT&T Broadband of approximately $2.2 billion, as well as the impact of acquisitions and the consolidation of Excite@Home, partially offset by the impact of Concert, dispositions and the elimination of PICC of approximately $1.5 billion. These revenue increases were partially offset by continued declines in long distance voice revenue of approximately $2.9 billion.

Revenue by segment is discussed in greater detail in the segment results section.

FOR THE YEARS ENDED DECEMBER 31,		
2001	2000	1999
DOLLARS IN MILLIONS		

Access and other connection............................	$12,136	$13,140	$14,439

Access and other connection expenses decreased 7.6%, or $1.0 billion, in 2001 compared with 2000. Included within access and other connection expenses are costs that AT&T pays to connect calls on the facilities of other service providers, as well as the Universal Service Fund contributions and per-line charges mandated by the FCC. Approximately $1.6 billion of the decrease was due to mandated reductions in per-minute access-rates, lower per-line charges and lower international connection rates. In July 2000, per-line charges that AT&T paid for residential and single-line business customers were eliminated by the FCC. These reductions were partially offset by a $0.6 billion increase due to overall volume growth primarily related to local and international services and higher Universal Service Fund contributions. Since most of these charges are passed through to the customer, the per-minute access-rate and per-line charge reductions and the increased Universal Service Fund contributions have generally resulted in a corresponding impact on revenue.

In 2002, access and other connection expenses will continue to decline as a result of mandated reductions in per minute access rates, lower universal service fund contributions and lower long distance call volumes. These reductions will be partially offset by an increase in local connectivity expenses primarily due to growth in local services. In addition, the unwind of Concert will also result in lower access and other connections expenses, since in 2001 the charge from Concert was recorded as access and

other connection expenses and in 2002 as AT&T takes back assets, it will record the expenses in each line item based on how the assets and customers are served and managed.

Access and other connection expenses decreased 9.0% to $13.1 billion in 2000, compared with $14.4 billion in 1999. Mandated reductions in per-minute access costs and decreased per-line charges resulted in lower costs of approximately $1.5 billion. Also contributing to the decrease was more efficient network usage. These decreases were partially offset by approximately $0.6 billion of higher costs due to volume increases, and $0.5 billion as a result of higher Universal Service Fund contributions.

Costs paid to telephone companies outside of the United States to connect calls made to countries outside of the United States (international settlements) are also included within access and other connection expenses. International interconnection charges decreased approximately $0.5 billion in 2000, as a result of