August 8, 2002

By Hand Delivery

W. Kenneth Ferree, Chief
Media Bureau
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: Applications for Consent to the Transfer of Control of Licenses from Comcast Corporation and AT&T Corp., Transferors, to AT&T Comcast Corporation, Transferee, MB Docket No. 02-70

Dear Mr. Ferree:

From the outset, AT&T Corp. ("AT&T") and Comcast Corporation ("Comcast") (collectively, "Applicants") have emphasized their intent to divest AT&T's minority limited partnership interest in Time Warner Entertainment Company, L.P. ("TWE"). As the Applicants stated in their initial Public Interest Statement (at 61):

> In the event that the sale of the TWE interest to a third party or parties has not been completed when the Applicants are ready to close the merger, AT&T, if it has not already done so, is prepared to take the steps that may be necessary to insulate the interest under the Commission's rules before it transfers that interest to AT&T Comcast. In addition, Comcast and AT&T Broadband will take such additional steps, if any, as may be appropriate to ensure that AT&T Comcast would not be able to influence TWE prior to its ultimate sale.

Consistent with that commitment and to minimize any possible concerns associated with AT&T Comcast's ownership of the TWE interest, the Applicants propose to place the TWE interest in trust at the closing of the merger if the interest has not been divested by that date. Attached hereto is a detailed description of the material terms and conditions that would govern the trust mechanism.

As noted above, this trust proposal is *in addition to* the steps that the Applicants have committed to take to insulate the limited partnership interest. To further allay any conceivable concerns, the Applicants will agree unilaterally to have the conditions set forth in Paragraphs 3 through 5, inclusive, of the Safeguards Relating to Video

Programming appended to the Commission's AT&T-MediaOne merger order[1] apply to AT&T Comcast and govern its relationship with TWE after the merger closes.

The Applicants are eager to close their merger as soon as possible and to begin to deliver the public interest benefits described in the record in this proceeding. We believe that the attached strongly reaffirms the Applicants' commitment to divesting AT&T's interest in TWE. The proposal also provides additional assurance, if any were needed, that AT&T Comcast will not have any ability to influence TWE pending its sale. The Applicants, therefore, respectfully request that the Commission promptly approve their merger.

Respectfully submitted,

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Attachment

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1 *Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc. to AT&T Corp.*, 15 FCC Rcd 9816, Appendix B (2000).

Proposed Material Terms and Conditions to Govern Establishment of Trusts to Hold AT&T's Limited Partnership Interests in TWE

1. Trust Entities

AT&T Broadband's interests in Time Warner Entertainment Company, L.P. ("**TWE**") are currently held as follows: An approximately 2.1% interest is held by MediaOne of Colorado, Inc. ("**MOC**"), which is an indirect wholly-owned subsidiary of AT&T Corp. ("**AT&T**"). An approximately 25.5% interest is held by MediaOne TWE Holdings, Inc. ("**MOTH**"), which in turn is wholly-owned by MOC. Upon closing (the "**Closing**") of the proposed transaction (the "**AT&T Comcast Transaction**") to combine AT&T Broadband with Comcast Corporation ("**Comcast**"), MOC will be an indirect wholly-owned subsidiary of AT&T Comcast Corporation ("**AT&T Comcast**"), the new parent company of the combined businesses.

Following a series of internal transactions designed to provide maximum future flexibility in the possible restructuring of TWE and the sale of interests received in connection therewith, immediately prior to Closing the interest in TWE now held by MOC will be held by a newly-formed Delaware limited liability company that is indirectly wholly-owned by MOC ("**LLC 1**"), MOTH will be indirectly wholly-owned by MOC, and the interest in TWE now held by MOTH will be held by a newly-formed Delaware limited liability company that is wholly-owned by MOTH ("**LLC 2**"). At Closing, LLC 1 and LLC 2 will be converted into Delaware business trusts (the "**MOC Trust**" and the "**MOTH Trust**," respectively, and together, the "**Trusts**"). MOC (or a wholly-owned subsidiary of MOC) will be the grantor of the MOC Trust and MOTH (or a wholly-owned subsidiary of MOTH) will be the grantor of the MOTH Trust (such grantors together, "**Grantors**"). The operation of the Trusts will be governed by the terms described below, as well as by the applicable rules and orders of the Federal Communications Commission (the "**FCC**"). The same trustee (the "**Trustee**") will be named for both Trusts. The terms of the Trusts will be identical in all material respects, and both will conform fully to the description provided herein.

2. Contribution of TWE Partnership Interests

All of Grantors' TWE partnership interests will reside in the Trusts at Closing.

During the Trusts' term, the Trustee will have legal and record ownership of the contributed TWE partnership interests.

If any additional interest in TWE is acquired by AT&T Comcast or any of its subsidiaries during the terms of the Trusts, such interest will be delivered to the Trustee and become subject to the Trusts.

3. Term of the Trusts; Irrevocability

The Trusts will provide a 5-year period for divestiture of the TWE partnership interests in accordance with Section 5. If the TWE partnership interests are not completely divested by the end of this period, the Trustee will have the authority and be directed to divest whatever portion of the interest remains as quickly as possible, and in all events within 2 years thereafter. The Trusts may terminate prior to the end of the periods described above in accordance with the termination provisions set forth in Section 13. The Trusts will be irrevocable by Grantors.

4. Trustee Control of the TWE Partnership Interests

The Trustee will have sole and exclusive power and authority to manage the TWE partnership interests and to exercise the rights thereunder including, without limitation, the right to exercise any voting, director appointment, consent or management rights under the TWE partnership agreement or otherwise, in a manner intended to maximize the value thereof. Grantors will not retain any such rights with respect to the TWE partnership interests. As used herein, the term "affiliates" shall have the definition given in 47 U.S.C. § 153(1). The Trustee will retain and hold the interests, and will have the authority to sell the interests, in accordance with the terms of the Trusts and the TWE partnership agreement.

5. Divestiture of the TWE Partnership Interests

During the 5-year period commencing with the Closing (the "**5-Year Period**"), the Trustee will have the authority and be directed to pursue applicable registration rights provisions, in a manner intended to maximize the value received by Grantors, consistent with the goal of concluding a complete sale of the TWE partnership interests by the end of the 5-Year Period. The Trustee will be authorized to engage in such litigation as may be necessary to effect any registration rights. In addition, if any of the TWE partnership interests are saleable in the public market under an already effective registration statement or without the requirement of a registration statement being effective under Federal and state securities laws, then the Trustee may also seek to effect a sale thereof in the manner described above. A sale by the Trustee in the manner permitted in this paragraph is referred to herein as a "**Public Sale**." The Trustee will not otherwise have the power to dispose of any of the TWE partnership interests during the 5-Year Period, unless pursuant to one or more Alternate Dispositions or a Private Sale (as such terms are defined in this Section 5).

At any time during the 5-Year Period, Grantors and/or their affiliates may propose any one or more of the following transactions directly or indirectly with respect to all or part of the TWE partnership interests (an "**Alternate Disposition**"), which the Trustee would be obligated to use reasonable best efforts to effect (including by becoming a party thereto, subject to appropriate indemnification from Grantors and their affiliates). If necessary to effect an Alternate Disposition, the Trustee will discontinue (and not initiate) any efforts to effect a Public Sale of the part of the TWE partnership interests which is the subject of the Alternate Disposition until the Alternate Disposition is closed or terminated without closing.

Alternate Dispositions are:

(i) A sale or other transfer, conversion or exchange to a person or persons unaffiliated with Grantors for cash.

(ii) A sale or other transfer, conversion or exchange to a person or persons unaffiliated with Grantors for any consideration other than cash that is not Restricted Consideration. "**Restricted Consideration**" is an interest in AOL Time Warner or an entity that, directly or indirectly, owns interests in cable systems or cable programming networks which are attributable under then current FCC rules to AOL Time Warner.

(iii) A sale or other transfer, conversion or exchange to a person or persons unaffiliated with Grantors for Restricted Consideration. (For example, the conversion of TWE to a corporation in connection with the registration rights process under the existing TWE partnership agreement would be an Alternate Disposition for Restricted Consideration.)

(iv) A transaction with a person or persons unaffiliated with Grantors the result of which is that all or a portion of the economic interest underlying all or part of the TWE partnership interests is converted to cash, while the legal and record ownership of such TWE partnership interests remains in the Trusts (a "**Derivative Transaction**").

If an Alternate Disposition results in Restricted Consideration, the Restricted Consideration received will remain in the Trusts, subject to the same provisions regarding sale by the Trustee and Alternate Dispositions as applied to the TWE partnership interests. Accordingly, unless the context requires otherwise, as used herein the term "**TWE**" refers to TWE as well as any entity which is the issuer of Restricted Consideration, the term "**TWE partnership interests**" refers to the TWE partnership interests as well as any Restricted Consideration received on account of the TWE partnership interests in an Alternate Disposition, and the term "**TWE partnership agreement**" refers to the TWE partnership agreement and the governing documentation applicable to any such Restricted Consideration.

If an Alternate Disposition does not result in Restricted Consideration, (x) cash consideration will be distributed to Grantors, and (y) non-cash consideration will remain in the Trusts unless its distribution to Grantors is approved by the Media Bureau. The Trustee will notify the Media Bureau in writing of any such non-cash consideration that it receives. The distribution of such non-cash consideration to the Grantors shall be deemed approved unless the Media Bureau notifies the Trustee, in writing and within 30 days of receipt of such notice from the Trustee, that it objects to such distribution. If at any time after an Alternate Disposition any Restricted Consideration received in such Alternate Disposition ceases to be Restricted Consideration, the consideration will be treated as set forth in this paragraph.

Following an Alternate Disposition, and subject to the limitations contained in the following paragraph, the Trustee will retain the power for the remainder of the 5-Year Period to dispose of any remaining TWE partnership interests, other than that which is the subject of a Derivative Transaction, in a Public Sale. Following an Alternate Disposition which is a Derivative Transaction, the Trustee will not take any action during the 5-Year Period to effect a Public Sale of the part of the TWE partnership interests which is the subject of the Derivative Transaction (for the period of time of the Derivative Transaction).

The Trustee acknowledges that at Closing, AOL Time Warner, AT&T and Comcast may be parties to a binding agreement (which will be an Alternate Disposition) pursuant to which, among other things, TWE is to be restructured (the "**TWE Restructuring**"), and pursuant to which, pending its closing (the "**Restructuring Closing**"), the registration rights process provided for in the existing TWE partnership agreement has been stayed. In such event, and provided such agreement requires that in the event of its termination (without the Restructuring Closing having occurred) the stay of the registration rights process under the existing TWE partnership agreement will be lifted and such process will be reinstated at the same point at which it was stayed (with the exception that the appraisal will be redone following such termination pursuant to the existing registration rights provisions thereunder), then the Trustee agrees that the following will apply following the Restructuring Closing:

(A) If the consideration received includes the publicly traded common stock of AOL Time Warner, then the Trustee will not take any action to dispose of any such stock in a Public Sale during the 90-day period following the Restructuring Closing.

(B) If the consideration received includes stock in a new private holding company for TWE or its assets ("**Holdco**"), then the Trustee will not take any action to effect any initial public offering of Holdco pursuant to any applicable registration rights during the 180-day period following the Restructuring Closing.

(C) If: (1) the consideration received includes a partnership interest in TWE (or a successor holder of its assets); (2) a new TWE partnership agreement restricts the right of Grantors to sell or otherwise transfer such interest for a period of time following the Restructuring Closing not to exceed 2 years; (3) the new TWE partnership agreement contains provisions providing for the private sale of such partnership interest thereafter; and (4) within 3 years following the Restructuring Closing the Grantors have not effected such a sale as an Alternate Disposition; then the Trustee will have the right to effect a private sale thereof (a "**Private Sale**") pursuant to such provisions.

Neither Grantors nor any of their affiliates will be permitted to be a purchaser in a Public Sale or a Private Sale or a counterparty in a Derivative Transaction.

If any of the TWE partnership interests remain at the end of the 5-Year Period, the Trustee thereafter will have the authority and be directed to dispose of it in any manner it chooses, with the goal of disposing of the remaining interests as quickly as possible, and in all events within 2 years thereafter.

6. Distribution of Proceeds of Sale

The Trustee shall cause to be distributed to Grantors as soon as practicable following receipt (i) any cash, and (ii) following any approval thereof by the Media Bureau, any assets which do not constitute Restricted Consideration. Such amounts may be reduced by the amount of fees or expense reimbursements then owed by Grantors to the Trustee.

7. Trustee Obligations, Fees and Indemnification

The Trustee will administer the Trusts in accordance with the terms of the Trusts and all applicable FCC rules and orders. The Trustee is required to maintain appropriate records, books and files.

The Trusts will provide for payment by Grantors of all documented charges, taxes and expenses that are "reasonable, necessary and proper" arising from the Trustee's performance of duties. Grantors will pay customary fees to the Trustee.

Grantors will indemnify the Trustee against claims and liabilities arising from the Trustee's performance, including claims and liabilities arising from any actions taken by the Trustee in furtherance of its obligation to sell promptly any of the TWE partnership interests that remain after the 5-Year Period, except for those incurred as a result of the Trustee's "malfeasance," i.e., bad faith, gross negligence or willful misconduct, or other action inconsistent with the terms of the Trusts.

8. Trustee Selection

The Trustee will be appointed by Grantors after notice to the FCC. The Trustee will have experience and expertise in acquisitions and divestitures of media or media-related assets. The Trusts will impose limitations, consistent with FCC rules, that bar Grantors from designating a Trustee and any successor Trustee who has certain types of relationships with Grantors or their affiliates, including their officers, directors, managers, agents or employees, as well as individuals who have an extratrust business, personal or familial relationship with any of the foregoing individuals or entities.

9. Trustee Removal, Resignation and Replacement

Consistent with FCC rules, Grantors may not remove or replace the Trustee at will. The Trustee may resign, with 60 days written notice to Grantors, and be replaced with a successor Trustee chosen by Grantors in compliance with FCC rules and written notice to the Commission.

10. Trustee Advisors

The Trustee may retain accountants, attorneys, investment bankers, managing underwriters and other advisors, so long as (i) their fees and expenses are reasonable and customary, and (ii) they do not have any material business relationship with AOL Time Warner or its affiliates during the term of the Trusts. In order to facilitate an expeditious divestiture, the Trustee may retain any accountants, investment bankers, managing underwriters and other advisors retained prior to Closing by AT&T, Comcast or their respective affiliates, provided that such advisors are solely accountable to the Trustee in respect of advice or services rendered to the Trustee in connection with divestiture of the TWE partnership interests. The Trustee will be required to provide to Grantors notice and documentation of fees and expenses incurred in connection with retention of advisors pursuant to this Section.

Grantors may also retain advisors to assist the Trustee with the divestiture of the TWE partnership interests (including any accountants, attorneys, investment bankers, managing underwriters and other advisors retained by AT&T or Comcast prior to Closing to the extent they have not been retained by the Trustee pursuant to the previous paragraph), provided that the Trustee is free to accept or reject their advice and is privy to any instructions they are given by Grantors or their affiliates.

11. Grantors' Involvement in TWE Management

Except as provided in the terms of the Trusts, as described in Section 12, the Trusts will bar Grantors and their affiliates from having an interest in, control of or involvement in the management of TWE, or seeking to influence the management of TWE or any cable system in which TWE has an interest (other than Kansas City Cable Partners and Texas Cable Partners, L.P., on account of AT&T Broadband's 50% general partnership interest therein outside of TWE).

12. Communications Between Grantors and Trustee

Communication between the Trustee and Grantors will be governed by the following:

i. *Communication Regarding Operation And Management Of TWE.* The Trusts will bar the Trustee from providing any information to Grantors or their affiliates concerning the operation or management of TWE or any cable system in which TWE has an interest, except that the Trustee may provide Grantors with financial statements and tax information required for compliance with SEC and IRS requirements. The Trusts will also bar Grantors or their affiliates from communicating with the Trustee regarding the operation or management of TWE or any cable system in which TWE has an interest.

   The Trusts will give the Trustee access to Grantors' personnel, books, records and facilities relating to the TWE partnership interests, in order to fulfill its obligations under the Trusts.

ii. *Communication Regarding Public Sale, Private Sale Or Alternate Disposition.* The Trusts will allow the Trustee to engage in communications with Grantors or their affiliates to facilitate sale of the TWE partnership interests. Grantors or their affiliates will be permitted to communicate with the Trustee in connection with the Trustee's efforts to divest the TWE partnership interests through a Public Sale, a Private Sale or an Alternate Disposition. In addition, the Trustee will be required to provide periodic reports (no less frequently than quarterly during the 5-Year Period and no less frequently than monthly thereafter) to Grantors (with a copy to the Media Bureau), describing the Trustee's efforts to divest the TWE partnership interests through any such means.

Grantors will use their reasonable best efforts, consistent with the Trusts and applicable orders and rules of the FCC, to assist the Trustee in accomplishing the divestiture of the TWE partnership interests, including using their reasonable best efforts to provide such information as is required by the Trustee to effect such divestiture.

iii. *Communication Regarding Fiduciary Matters.* The Trusts will permit communications at any time between the Trustee and Grantors regarding the fiduciary obligations owed by the Trustee to Grantors.

13. Termination

The Trusts will terminate upon the first to occur of the following: (i) divestiture of all of the TWE partnership interests and the payment of all proceeds to Grantors; or (ii) expiration of the 2-year period following the 5-Year Period, unless the term of the Trusts is extended to comply with the terms of any applicable FCC order. Upon termination of the Trusts, the Trustee will be required to deliver all property then held by the Trustee to Grantors. The Trustee will be given a reasonable period to conclude administration of the Trusts.

In addition, the MOTH Trust may terminate at the time of the Restructuring Closing, provided that a new trust on the same terms as the MOTH Trust is formed simultaneously, the grantor of which is an entity wholly-owned by MOC (provided MOC then remains wholly-owned by AT&T Comcast), and provided further that the grantor then owns and contributes (or causes to be contributed) to the new trust all of the Restricted Consideration received in the TWE Restructuring by the grantor and its affiliates in exchange for the TWE partnership interests that were held in the MOTH Trust.

14. Modification

The Trusts shall not be modified except by an instrument in writing executed by each of the parties. No substantial modification in the Trusts, including, but not limited to, modifications that affect the Trusts' compliance with any FCC rule or order (including any order adopted by the FCC in connection with the AT&T Comcast Transaction), shall be made unless approved by the Media Bureau. A request for substantial modification to the Trusts shall be deemed approved unless the Media Bureau notifies the Trustee, in writing and within 14 days of receipt of such request from the Trustee, that it objects to such modification. A copy of any insubstantial modification in the Trusts shall be filed with the FCC within ten days following the execution thereof, with copies to the Media Bureau.

15. Assignment

The Trusts will not be assignable by the Trustee. The Trusts will allow Grantors to assign their rights to AT&T Comcast or its affiliates, as well as any person who becomes the direct or indirect beneficial owner of the TWE partnership interests as a result of a merger, asset transfer or other business combination involving AT&T Comcast or its affiliates.

16. Confidentiality

The Trusts and all matters concerning the performance, enforcement and interpretation thereof will be kept in strict confidence by the parties, except where disclosure is required by law, rule or regulation (e.g., FCC or SEC disclosure requirements) to carry out the express purposes and terms of the Trusts or in connection with any claims or actions relating to the Trusts.

17. Miscellaneous

The Trusts will include typical provisions relating to the treatment of headings, governing law, execution in counterparts, survivability, integration and waiver.