Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In re Applications of	)
	)
Application for Consent to the Transfer of Control of Licenses	)
	)
COMCAST CORPORATION, and **AT&T CORP.**, Transferors	)
	)
To	)
	)
AT&T COMCAST CORPORATION, Transferee	)
	)

DECLARATION OF ROBERT PICK

1. My name is Robert Pick. I am Senior Vice President, Corporate Development, at Comcast Corporation ("Comcast"). I am responsible for identifying and conducting financial analyses of potential merger and acquisition opportunities for Comcast and for presenting recommendations on these opportunities to the executive management and Board of Directors of Comcast. In connection with these responsibilities, I evaluate, among other things, the potential for mergers and acquisitions to generate synergies and efficiencies for Comcast. In addition, when Comcast management determines that the company should pursue a potential merger or acquisition transaction, I am responsible for conducting the business/financial due diligence of the target and negotiating the terms of the transaction.

2. I have held this position at Comcast for over 12 years, and I have been involved in estimating the synergies and efficiencies associated with numerous different merger and acquisition transactions, including, but not limited to, Comcast's acquisitions of EW Scripps, Prime Communications LLC, McLean Hunter, the Home Team Sports regional sports network,

Greater Media of Philadelphia, and Jones Intercable of Broward County. Since approximately May 2001, I have been directly involved in evaluating and estimating the synergies and efficiencies that will result from the announced merger (the "Merger") between Comcast and AT&T Broadband Corporation ("AT&T Broadband") to create AT&T Comcast Corporation ("AT&T Comcast").

A. Summary of Synergies and Efficiencies Analysis

3. The purpose of this declaration is to describe the major categories of synergies and efficiencies that my staff and I identified in the course of evaluating and negotiating the Merger. These benefits will stem from a number of sources and include the following: (i) accelerated telephony roll-out; (ii) new product development and launch; (iii) programming cost savings; (iv) capital expenditure efficiencies; (v) operating efficiencies; and (vi) national advertising sales.

4. In our analysis, my staff and I relied upon a number of sources of data, including (i) Comcast internal financial information; (ii) publicly available data concerning AT&T Broadband; and (iii) information concerning AT&T Broadband obtained in the course of due diligence. We also relied upon our experience in evaluating and projecting synergies and efficiencies resulting from prior Comcast acquisitions. In the course of the evaluation and negotiation of the Merger, we regularly reported on our synergy and efficiency analyses to executive Comcast management. We also provided reports on synergy and efficiency calculations to the Comcast Board of Directors.

5. Unless otherwise noted, the estimates discussed in this declaration are the same estimates that were developed for an Investor Presentation to AT&T Broadband's and Comcast's investors which occurred on December 20, 2001 ("Investor Presentation"). In addition, certain

expected synergies and efficiencies, such as those relating to capital expenditures, were not included in the Investor Presentation, but are described below.

6. Based on my experience in evaluating prior acquisitions, the information that I obtained in connection with this transaction, and certain assumptions described below, we concluded that the Merger should facilitate and accelerate the launch and roll-out of a number of advanced broadband services, including cable telephony, broadband Internet services, Video-on-Demand ("VOD"), and other services described below. As described below, these new services should give our customers greater choices and should enhance competition in the provision of communications and entertainment services.

7. In addition, based on my experience in evaluating prior acquisitions, the information that I obtained in connection with this transaction, and certain assumptions described below, we estimated that, within five years, the Merger should result in synergies and efficiencies worth approximately $1.25 to $1.95 billion a year in increased earnings before interest, tax, depreciation and amortization ("EBITDA"). In my experience, EBITDA is one of the generally accepted standards for measuring the financial performance of companies in the cable industry. We estimated that some of these synergies and efficiencies should be realized immediately or very soon after closing and that more than half of them should be realized within 3 years following the closing. Because the analysis contained in the Investor Presentation focused on EBITDA, these estimates did not include our estimate that AT&T Comcast will also be able to save $200 to $300 million a year on capital expenditures.

8. We note that the projections and estimates summarized in paragraphs 6 and 7 were necessarily based upon incomplete data and were inherently inexact. Moreover, in the course of calculating potential synergies and efficiencies, it was necessary to rely upon the

accuracy of data supplied to us and to make certain simplifying assumptions and estimates, which inevitably injected a level of uncertainty into the analysis. Within these constraints, we attempted to calculate synergies and efficiencies likely to result from the Merger as reasonably as possible. With access to more or better data, we may modify some of our value estimates for particular categories of synergies and efficiencies. We may also identify additional sources of cost savings and efficiencies. In addition, as AT&T Comcast integrates the operations of Comcast and AT&T Broadband, it may modify its plans for the launch and roll-out of services in light of the company's financial and operational performance and broader economic trends and developments.

B. The Ability to Utilize AT&T Broadband's Experience To Introduce Cable Telephony in Comcast's Service Area (\$600 to \$800 Million Annually)

9. AT&T Broadband has devoted significant resources to developing, deploying and marketing cable telephony over the last several years. As explained below, we concluded that the Merger should permit AT&T Comcast to use AT&T Broadband's extensive experience and expertise to accelerate the roll-out of cable telephony to consumers and to create a larger and more effective facilities-based competitor to the Incumbent Local Exchange Carriers ("ILECs"). This conclusion depends, of course, upon the accuracy of the information we reviewed in the course of due diligence, as well as the actual financial and operational performance of cable telephony in the marketplace.

10. To date, Comcast's experience with cable telephony has been relatively limited. Comcast has acquired a few existing cable telephony networks through prior acquisitions, but these networks are relatively small, and Comcast has not yet developed any new cable telephony

networks on its own initiative, nor has Comcast developed the experience or infrastructure to expand cable telephony on its own.

11. AT&T Broadband, by contrast, has invested substantial resources in the development and launch of cable telephony. Based upon our due diligence discussions, we understand that AT&T Broadband currently markets cable telephony service using circuit switch technology to approximately seven million households in 16 markets, and has over one million customers (or 14.8% of its marketable homes, with penetration rates reaching 30% in some communities). We understand that, in the past year, AT&T Broadband added almost one-half million new cable telephony customers. We also understand that AT&T Broadband's cable telephony business has already been able to generate significant benefits for AT&T Broadband, including a reduction in subscriber "churn" – *i.e.*, the rate at which subscribers cancel AT&T Broadband's service. In addition, we understand that AT&T Broadband has continued to develop and test Internet Protocol Technology ("VoIP") for cable telephony and that AT&T Broadband believes that its back office systems (*e.g.*, billing, customer service, etc.) will be compatible with VoIP. We understand that AT&T Broadband's significant investments in marketing and back office systems will make the transition to VoIP more efficient and rapid.

12. Based on the information we obtained during due diligence discussions, we concluded (i) that AT&T Broadband's business model for cable telephony should be viable and (ii) that AT&T Comcast should be able to take advantage of AT&T Broadband's expertise and experience in cable telephony to expand this business to Comcast's former service areas following the Merger. In light of these conclusions, AT&T Comcast currently plans to continue the roll out of cable telephony to former AT&T systems and to commence the roll-out of cable telephony to former Comcast systems. Based upon this plan, we estimated that, within five

years, AT&T Comcast should generate an additional $600 to $800 million in EBITDA annually by providing cable telephony to Comcast's former service areas. AT&T Comcast's cable telephony business would be one of the few viable national competitors to the ILECs. As noted above, this projection depends upon the accuracy of the due diligence data Comcast has received, as well as the actual financial and operational performance of cable telephony in the marketplace.

C. Increased Ability to Develop New Products and Services <u>($100 to $200 Million Annually)</u>

13. The Merger should also provide AT&T Comcast with a greater ability to develop and introduce new products and services to consumers, including, for example, VOD, Interactive Television ("ITV"), High Definition Television ("HDTV"), cable based home security systems, home networking systems and e-commerce services.

14. The potential demand for many of these new products is substantial. For instance, Comcast has invested significant resources in developing and testing various VOD products (including four market trials in 2001) and VOD is currently available in 16 Comcast systems which pass approximately 3 million homes. Based upon its experience so far, Comcast expects that VOD services will offer consumers a compelling competitive alternative to video rental stores and that VOD may constitute a significant source of revenue in the near future. Financial analysts have estimated that Blockbuster had an estimated average revenue per customer of $6.80 per month in 2000, which suggests the potential magnitude of VOD sales.

15. Comcast is exploring other offerings that combine traditional video programming with interactive functionalities, including advanced home shopping and digital video recording features. It has conducted interactive TV trials, including trials with WINK Interactive

Television in Chesterfield and Prince William Counties, Virginia, and with Liberate Interactive Television in other markets. Comcast has also conducted trials in Sarasota, Florida, of a new home and family security service enabling broadband customers to view from a remote location (*e.g.*, from their place of work), via a password-restricted Internet website, the presence in their homes of a family member requiring care such as a child or an elderly person. Similarly, activity in a home can be made accessible to remotely located security employees for regular monitoring to identify particular events such as a break-in or other emergency. The merged entity will be able to take advantage of the expertise gained by Comcast from these trials to accelerate the deployment of new products to its customers. AT&T Comcast will also benefit from the expertise and operational experience AT&T Broadband has gained in data network infrastructure, technology, and management, including issues relating to network integrity.

16. The combined company will also be able to develop, deploy and market new products more quickly, cheaply and effectively because of its increased scale. Scale is significant in this context because larger companies can play a leading role in developing, refining, and disseminating the technological standards for new services. There are also economies of scale associated with implementing the systems and infrastructure necessary to deploy these new products in the combined company's service area.

17. In light of the foregoing analysis, we estimated that the value to AT&T Comcast of developing these new products should be between $100 and $200 million in EBITDA a year within three years. This estimate represents additional revenue from new services of approximately $1.80 per subscriber per month by 2005. This estimate depends, of course, upon the actual performance of various new products in ongoing trials and, if launched, in the marketplace, as well as broader economic trends.

D. Programming Cost Savings <u>($250 to $450 Million Annually)</u>

18. Video programming costs are the largest single expense item for Comcast and these costs have increased at a substantially higher rate than inflation for many years. Controlling these costs has been an important goal for Comcast. As explained below, the Merger should help achieve this goal by decreasing the rate of growth in programming costs for AT&T Comcast.

19. Following the Merger, we believe that, where permissible under existing programming contracts, AT&T Comcast should be able to obtain the best rate of either AT&T Broadband or Comcast for AT&T Comcast's entire service area with respect to most programming contracts. In most cases, this should probably be AT&T Broadband's rates, but in some instances it may be Comcast's rates depending upon the individual channel or bundle of channels covered by specific contracts. The cost savings associated with adopting the best rate currently being paid by either AT&T Broadband or Comcast should be realized by AT&T Comcast immediately after closing or very soon thereafter. Based upon our experience with prior acquisitions or swaps of cable systems owned by AT&T Broadband and its affiliates, we have found that the rates that AT&T Broadband currently pays for basic cable programming are, in the aggregate, generally lower than Comcast's current rates for the same group of programming channels. Furthermore, AT&T Comcast may also be able to reduce programming costs under some existing contracts because, with a larger subscriber base, additional volume discounts may be triggered.

20. In addition to the savings described above, we believe that AT&T Comcast should also be able to save additional costs on a going forward basis as individual programming contracts come up for renewal based upon volume discounts achieved as a result of, among other

things, AT&T Comcast's greater size and ability to resist supra-competitive rate increases by the suppliers of video programming. Accordingly, we concluded that – while programming costs are likely to continue to increase at a rate higher than inflation for the foreseeable future – AT&T Comcast should be able to reduce (but not eliminate) the rate of increase in the growth of programming costs.

21. Based on the foregoing analysis and assumptions, we estimated that AT&T Comcast should be able to save between $250 to $450 million a year in programming expenses. Achieving these savings will depend upon a number of factors, including the actual terms of specific programming contracts, broader trends in programming prices, and the dynamics of individual negotiations between AT&T Comcast and the sellers of video programming.

E. Capital Expenditure Savings <u>($200 to $300 Million Annually)</u>

22. The cable business involves significant capital expenditures for physical plant items such as cable infrastructure, vehicles, and set-top boxes. It has been my experience in the cable industry that MSOs can purchase these capital items at lower prices if they are purchased in larger quantities.

23. Based upon publicly available data, we estimated that Comcast and AT&T Broadband will collectively spend approximately $5.5 billion on capital expenditure items in 2002. Following the Merger, the level of AT&T Comcast's capital expenditures will fluctuate from year to year. We have concluded that AT&T Comcast should be able to obtain lower prices for many of these capital items as a result of the combined volume of its purchases. While the exact extent of this decrease cannot be determined with precision at this point, we have estimated that the combined entity should be able to save between 5% to 7% on capital expenditure items.

24. Based upon this estimate, we calculated that, over the next four years, if Comcast and AT&T Broadband combined their purchasing, the new company would be able to save between $200 and $300 million annually. Achieving these savings will depend upon a number of factors, including broader trends in prices for capital items and the dynamics of individual negotiations between AT&T Comcast and the sellers of these products. Because the analysis contained in the Investor Presentation focused on EBITDA and not capital expenditures, this source of savings was not included in the Investor Presentation.

F. Increased Operating Efficiencies <u>($200 to $300 Million Annually)</u>

25. The Merger should lead to increased operating efficiencies in at least two separate ways. First, AT&T Comcast should be able to decrease the aggregate amount of overhead currently spent by AT&T Broadband and Comcast for corporate services, such as corporate management, corporate development, strategic development, treasury, accounting, tax, and in-house legal services. Currently all of these functions are performed separately by or for both companies. After the Merger, AT&T Comcast should be able to consolidate redundant services within a single corporate management structure and reduce the total number of personnel currently employed to provide these services.

26. Second, we have estimated that AT&T Comcast should be able to benefit significantly from increased operating efficiencies at the cable division level. In connection with prior acquisitions, Comcast has developed a considerable amount of expertise in connection with raising the operating margins of acquired cable systems. Comcast's 2001 operating margin was in excess of 40%. AT&T Broadband's 2001 operating margin, by contrast, was between 20% and 25%. Based on past experience, we believe that, within five years, we will be able to raise

the operating margins associated with AT&T Broadband's former operations to a level more closely in line with Comcast's margins by managing these operations more efficiently. This estimate is supported by Comcast's success in raising operating margins in prior transactions, including the acquisitions of EW Scripps, Jones Intercable, Inc., and Lenfest Communications, Inc.

27. Given the rapid growth and competitive impact of Direct Broadcast Satellite ("DBS") services, it is uncertain whether Comcast will be able to maintain its current margins, but Comcast's experiences in prior acquisitions indicate that AT&T Comcast's margins should still be significantly greater than the margins that AT&T Broadband would likely achieve without the merger.

28. In total, we believe that the savings associated with lowering the combined company's aggregate overhead costs and increasing operating efficiencies at the operational level will have an EBITDA impact of approximately $200 to $300 million a year after one to three years. Certain efficiencies will take somewhat longer to realize than others and the value of these increased operating efficiencies should increase from the first year after the Merger through the end of the third year. The estimates of these savings, which represent less than five percent of the combined company's estimated non-programming expenses for 2002, should be achievable. Achieving these savings will depend upon a number of factors, including the cost and operational structures at the cable division level and the continued competitive impact of DBS and other competitors.

G. The Ability to Sell National Advertising <u>($100 to $200 Million Annually)</u>

29. Cable advertising has traditionally been local and regional in character because of the geographically fragmented nature of the cable industry. To date, cable operators have lacked the scale necessary to compete for national advertisers. The Merger will create, for the first time, a cable company with the geographic reach to sell advertising on a national scale. This is because AT&T Comcast will have a leading market presence in 8 of the top 10 Designated Market Areas ("DMAs") and its service area will range throughout the country from Los Angeles to Philadelphia. The combined company will also pass more than 38 million homes and have a presence in 41 states. The prospective audience should be attractive to national advertisers even without offering the ubiquitous coverage offered by television broadcast networks.

30. As a result, AT&T Comcast should be able to offer a service – national advertising – that neither AT&T Broadband nor Comcast was able to offer before, and thus should begin to compete in an important segment of the advertising market against broadcast television, DBS, and potentially other cable networks. Currently, Comcast has excess capacity to sell advertising time on its networks, which will facilitate the ability of AT&T Comcast to take advantage of this new business opportunity.

31. We have estimated that AT&T Comcast will be able to achieve $100 to $200 million in increased EBITDA annually from the sale of national advertising within one to three years after the Merger. Third-party industry estimates indicate that advertisers paid the broadcasting industry approximately $15 billion for national advertising in 2001. Accordingly, even if it captures only 1% to 2% of the broadcasting industry's current revenue from national advertising, AT&T Comcast should be able to generate $100 to $200 million in EBITDA from

the sale of national advertising. This estimate depends upon numerous factors, including trends in the broader economy and advertising sales.

H. The Merger Is Necessary to Achieve the Synergies and Efficiencies

32. Based upon our analysis and experience with prior acquisitions, I have concluded that the Merger is necessary to achieve the synergies and efficiencies outlined above. As is apparent from the preceding analysis, each of the benefits outlined above is based in part upon the increased size, scale, experience base, and geographic scope of the combined company. Absent the Merger, Comcast and AT&T Broadband would not be able to achieve synergies and efficiencies of the same size or in a comparable time frame.

33. For a number of reasons, the benefits of the Merger outlined above could not be achieved through means short of a merger, such as a joint venture or other collaboration. There are a number of reasons for this conclusion. In some cases, legal requirements may preclude joint ventures and collaborations among MSOs. In addition, based upon my experience in the industry, I believe that joint ventures and other collaborations among MSOs often involve complex and unwieldy governance and ownership structures that interfere with effective management and create significant inefficiencies.

I, Robert Pick, declare under penalty of perjury that the foregoing declaration is true and correct. Executed on February 27, 2002.

/s/ Robert S. Pick______________________
Robert Pick