

KC/TS

TC 98-102

In the Matter of _____ IN THE MATTER OF THE
APPLICATION OF COMCAST
TELECOMMUNICATIONS, INC. D/B/A
COMCAST LONG DISTANCE FOR A
CERTIFICATE OF AUTHORITY TO
PROVIDE TELECOMMUNICATIONS
SERVICES IN SOUTH DAKOTA

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
5/26 98	Filed and Docketed;
5/28 98	TC Tax Filing;
8/5 98	Order Granting COA;
8/5 98	Docket Closed.



TC98-102

Esther H. Rosenthal, Staff Counsel
Comcast Telecommunications, Inc.
1500 Market Street
Philadelphia, PA 19102
215-981-8413 (voice)
215-981-8593 (facsimile)
Esther_Rosenthal@cable.comcast.com

Via FedEx

May 22, 1998

South Dakota Public Utilities Commission
Capitol Building, 1st Floor
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

RECEIVED

MAY 26 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: Application For A Certificate Of Authority To Transact Business As A Switchless Reseller Of Telecommunications Services

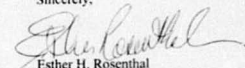
To Whom It May Concern:

Comcast Telecommunications, Inc. d/b/a Comcast Long Distance hereby respectfully submits one (1) original and ten (10) copies of its above-referenced application. Also enclosed, please find a check in the amount of two hundred and fifty dollars (\$250) for filing fees.

Please date stamp the duplicate of this letter and return it in the envelope provided. If you have any questions regarding this matter, please contact me at (215) 981-8413.

Thank you for your assistance.

Sincerely,



Esther H. Rosenthal
Staff Counsel

Enclosures

TC 98-102

RECEIVED

MAY 26 1998

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF:

THE APPLICATION OF COMCAST)
TELECOMMUNICATIONS, INC. D/B/A)
COMCAST LONG DISTANCE)
FOR A CERTIFICATE OF AUTHORITY)
TO TRANSACT THE BUSINESS)
OF A SWITCHLESS RESELLER OF)
TELECOMMUNICATIONS SERVICES)
WITHIN THE STATE OF SOUTH DAKOTA)

DOCKET NO. _____

APPLICATION FOR AUTHORIZATION

COMCAST TELECOMMUNICATIONS, INC. d/b/a COMCAST LONG DISTANCE (hereinafter "Applicant") respectfully requests that the Public Utilities Commission of the State of South Dakota ("Commission") grant Applicant authority pursuant to SDCL 49-31-3 and in accordance with ARSD 20:10:24:02 to provide intrastate telecommunications services to the public within South Dakota through the resale of similar services offered by other interexchange carriers ("IXCs") in the State. Applicant further requests that the Commission approve its initial proposed tariff. Applicant, for purposes of verification, and in evidence of its fitness to operate and the public need for its services, offers the following information in support of this Application:

1. Applicant maintains its headquarters at 211 South Gulph Road, King of Prussia, Pennsylvania 19406. Applicant's telephone number is (610) 992-7777, and may be reached by facsimile at (610) 992-9577.

2. Applicant is incorporated under the laws of the State of Pennsylvania. A copy of the Company's Articles of Incorporation is attached hereto as Exhibit A. Applicant has authority to transact business within the State of South Dakota as a foreign corporation. A copy of the qualifying document is set forth in Exhibit B hereto.

3. The name of Applicant's Registered Agent, and the address of the registered office of the corporation in South Dakota is:

CT Corporation Systems
319 South Coteau Street
Pierre, SD 57501

4. Correspondence regarding this Application should be directed to:

Esther H. Rosenthal, Staff Counsel
1500 Market Street
Philadelphia, PA 19102
(215) 981-8413 [voice]
(215) 981-8593 [facsimile]

Description of Authority Requested

5. Applicant seeks authority to operate as a reseller of intrastate telecommunications services to the public on a statewide basis. Applicant seeks authority to offer a full range of "1+" interexchange telecommunications services on a resale basis. Specifically, Applicant seeks authority to provide MTS, out-WATS, debit card and calling card services.

6. Applicant does not intend to provide operator services, 900 or 700 services.

7. Applicant owns no transmission facilities. Applicant will offer service to its subscribers using facilities of the communications networks of Worldcom, other certificated facilities-based IXC's, and the local exchange telephone companies ("LECs").

8. Applicant has no plans at this time to construct any transmission facilities of its own and seeks no construction authority by means of this Application. Applicant will operate exclusively as a reseller.

9. Applicant will abide by all rules governing telecommunications resellers which the Commission has promulgated or may promulgate in the future, unless application of such rules is specifically waived by the Commission.

Proposed Services

10. Applicant intends to offer MTS, in-WATS, out-WATS, debit card and calling card services to subscribers within South Dakota. Applicant combines high quality transmission services with very competitive rates, flexible end user billing, professional customer services and excellent reporting to create a unique blend which meets the individualized needs of business and residential customers.

11. Applicant intends to engage in "switchless" resale. Applicant will arrange for the traffic of its subscribers to be routed directly over the networks of Applicant's underlying network providers.

12. Applicant is committed to the use of ethical sales practices. All distributors of its products must commit to market Applicant's services in a professional manner, and to fairly and accurately portray Applicant's services and the charges for them.

Description and Fitness of Applicant

13. Applicant's officers have extensive managerial, financial and technical experience with which to execute the business plan described herein. Applicant's management personnel represent a broad spectrum of business and technical disciplines, possessing many years of individual and aggregate telecommunications experience. In support of Applicant's managerial and technical ability to provide the services for which authority is sought herein, Applicant submits a description of the background and experience of its current management team as Exhibit C.

14. Applicant is a wholly owned subsidiary of Comcast Telephony Communications, Inc. ("CTCI"), a Delaware corporation. CTCI's ultimate parent is Sural Corporation¹, which controls approximately 78% of the voting rights in Comcast Corporation, a Pennsylvania corporation. Comcast Corporation and its subsidiaries are diversified communications companies principally engaged in the development, management and operation of wired services including cable television and telephone service, wireless telecommunications including cellular, personal communications services and direct-to-home satellite television, and content. In support of Applicant's financial ability to provide the services contemplated herein, Applicant attaches hereto as Exhibits D and E respectively the most current Form 10-K and Annual Report of Comcast Corporation.

Initial Proposed Tariff

15. Applicant proposes to offer service pursuant to the rules, regulations, rates and other terms and conditions included in Applicant's initial proposed tariff which is attached hereto as Exhibit F. Billing, payment, credit, deposit and collection terms are set forth in Applicant's proposed tariff.

Public Interest Consideration

16. Applicant's entry into the South Dakota marketplace is in the public interest because Applicant intends to make a uniquely attractive blend of service quality, network management and reporting, and low rates available. Namely, Applicant's offering ultimately will enable residents of South Dakota to obtain long distance services at highly competitive rates.

17. In addition to the direct benefits delivered to the public by its services, Applicant's entry into the South Dakota marketplace will benefit the public indirectly by increasing the competitive pressure felt by existing IXC's, spurring them to lower costs and improve services in response.

¹ The shares of Sural are owned by Ralph Roberts, who founded Comcast Corporation in 1969, and his son Brian Roberts, who serve as Chairman of the Board and President, respectively, of Comcast Corporation.

Requested Regulatory Treatment

18. Applicant is a non-dominant reseller of interexchange telecommunications services. Applicant requests to be regulated by the Commission in the same relaxed fashion extended to other, similarly situated resellers.

Compliance with ARSD 20:10:24:02

19. In accordance with ARSD 20:10:24:02, Applicant provides the following information:

- (1). The name, address, and telephone number of Applicant:

COMCAST TELECOMMUNICATIONS, INC.
D/B/A COMCAST LONG DISTANCE
211 South Gulph Road
King of Prussia, PA 19406
(610) 992-9777 [voice]
(610) 992-9577 [facsimile]
(888) 918-4357 [toll-free customer service]

- (2). Applicant also shall provide services under the name COMCAST LONG DISTANCE.
- (3). (a) See paragraph 2 of this Application.
- (b) Applicant has no principal office in South Dakota. Applicant's registered agent is set forth in paragraph 3 hereinabove.
- (c) Applicant is wholly owned by Comcast Telephony Communications, Inc., a Delaware corporation.
- (d) Applicant owns or controls no subsidiaries.
- (4) Applicant is a corporation organized under the laws of Pennsylvania.
- (5) See paragraph 5 of the Application.
- (6) See paragraph 7 and 8 of the Application.
- (7) Applicant shall offer services on all equal access areas within the State of South Dakota.

Accordingly, Applicant does not attach a map describing service boundaries.

- (8) See Exhibits D, E and F attached hereto.

- (9) All complaints and regulatory matters should be directed to:

Esther Rosenthal, Staff Counsel
Comcast Telecommunications, Inc.
1500 Market Street
Philadelphia, PA 19102
(215) 981-8413 [voice]
(215) 981-8593 [facsimile]

Customer billing and service matters are handled via Applicant's toll-free customer service line. Customer service representatives are available Monday through Friday 9am to 6pm, with on call representatives available during all other hours.

(10) Applicant has never been denied registration or certification in any state. Applicant may provide service in the following states: Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Idaho, Indiana, Iowa, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Montana, New Hampshire, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, Texas, Utah, Virginia, Wisconsin and Wyoming.

(11) Applicant plans to market its services directly, and in conjunction with third parties, via print advertisements and during consumer-initiated (inbound) calls. Additionally, Applicant will utilize its own in-house sales staff to generate a commercial customer base. Applicant does not participate in multi-level marketing. Applicant is committed to the use of ethical sales practices. All distributors of its products must commit to market Applicant's services in a professional manner and to fairly and accurately portray Applicant's services and the charges for them. Marketing materials have not yet been developed for use in South Dakota. Applicant, however, provides as Exhibit G a copy of a marketing brochure currently used to market Applicant's services to customers of Applicant's affiliate Comcast Cellular Communications, Inc.

(12) Applicant proposes to resell services within South Dakota in excess of Applicant's cost of purchasing services from Applicant's underlying carrier. Applicant plans to purchase South Dakota intrastate services from Worldcom for approximately \$0.16 per minute and resell to the public for approximately \$0.21 a minute. Applicant also will utilize the services of other certificated underlying carriers when possible to obtain competitive pricing.

Conclusion

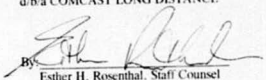
20. A decision by the Commission to grant Applicant a Certificate of Authority is plainly in the public interest. Applicant will introduce important new products and services at very competitive rates as well as enhance the competitiveness of the overall long distance market in South Dakota.

WHEREFORE, COMCAST TELECOMMUNICATIONS, INC. d/b/a COMCAST LONG DISTANCE, respectfully requests that this Commission grant it authority to transact the business of a reseller of interexchange telecommunications services within the State of South Dakota, that the Commission regulate it in a streamlined fashion, and that the Commission approve Applicant's initial proposed tariff effective on the date of the Order granting authority.

Respectfully submitted,

COMCAST TELECOMMUNICATIONS, INC.
d/b/a COMCAST LONG DISTANCE

Dated: 5-21-98

By: 

Esther H. Rosenthal, Staff Counsel
1500 Market Street
Philadelphia, PA 19102
(215) 981-8413 [voice]
(215) 981-8593 [facsimile]

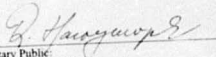
VERIFICATION

William G. Kingsley, Vice President of COMCAST TELECOMMUNICATIONS, INC. D/B/A COMCAST LONG DISTANCE, first being duly sworn on oath, deposes and says that he has read the foregoing Application and verifies that the statements made therein are true and correct to the best of his knowledge, information and belief.

COMCAST TELECOMMUNICATIONS, INC.
D/B/A COMCAST LONG DISTANCE

BY: 
William G. Kingsley, Vice President

The foregoing instrument was acknowledged before me this 18th day of May,
1998, by William G. Kingsley.


Notary Public:
For the County of:
My Commission expires:

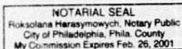


EXHIBIT A



COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF STATE

APRIL 02, 1998

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

COMCAST TELECOMMUNICATIONS, INC.

I, Yvette Kane, Secretary of the Commonwealth of Pennsylvania do hereby certify that the foregoing and annexed is a true and correct photocopy of Articles of Incorporation and all Amendments

which appear of record in this department



IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the Secretary's Office to be affixed, the day and year above written.

A handwritten signature in cursive script, appearing to read "Yvette Kane".

Secretary of the Commonwealth

SSCH

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

Memorandum Number: _____

Filed with the Department of State on **FEB 14 1994**

Entry Number: **2626643**

Secretary of the Commonwealth

Reilly
EC

ARTICLES OF AMENDMENT-DOMESTIC BUSINESS CORPORATION

DECE-15-10-3 (Rev. 88)

In compliance with the requirements of 15 Pa.C.S. § 1915 (relating to articles of amendment), the undersigned business corporation, desiring to amend its Articles, hereby states that:

1. The name of the corporation is GLOBALCOM TELECOMMUNICATIONS, INC.

2. The (a) address of the corporation's current registered office in the Commonwealth or (b) commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following address to conform to the records of the Department):

IN 311 MONTGOMERY AVE. PHILADELPHIA PA 19106 MONTGOMERY
Number and Street City State Zip County

(b) _____
Name of Commercial Registered Office Provider County

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

3. The statute by or under which it was incorporated is PA BUSINESS CORPORATION LAW OF 1988

4. The original date of its incorporation is JULY 20, 1993

5. (Check, and if appropriate complete, one of the following):

☒ The amendment shall be effective upon filing these Articles of Amendment in the Department of State

_____ The amendment shall be effective on: _____

6. (Check one of the following):

☒ The amendment was adopted by the shareholders pursuant to 15 Pa.C.S. § 1914(a) and (b).

_____ The amendment was adopted by the board of directors pursuant to 15 Pa.C.S. § 1914 (a)

7. (Check, and if appropriate complete, one of the following):

☒ The amendment adopted by the corporation, set forth in full, is as follows:

The Aggregate Number of Shares authorized to be issued by this Corporation is 10,000

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this _____ day of FEBRUARY, 1994

GLOBALCOM TELECOMMUNICATIONS, INC.

Name of Corporation

Sf. _____
(Signature)

TITLE: President

PA Dept. of State

Microfilm Number _____

Entry Number 253574

Filed with the Department of State on _____

AUG 12 1996

Secretary of the Commonwealth

STATEMENT OF CHANGE OF REGISTERED OFFICE

DSCB:15-1507/4144/5507/6144/5508 (Rev 90)

- ☐ Domestic Business Corporation (15 Pa. C.S. §1507)
☐ Foreign Business Corporation (15 Pa.C.S. §4144)
☐ Domestic Nonprofit Corporation (15 Pa.C.S. §5507)
☐ Foreign Nonprofit Corporation (15 Pa.C.S. §6144)
☐ Domestic Limited Partnership (15 Pa.C.S. §8506)

In compliance with the requirements of the applicable provisions of 15 Pa. C.S. (relating to corporations and unincorporated associations) the undersigned corporation or limited partnership, desiring to effect a change of registered office, hereby states that:

1. The name of the corporation or limited partnership is: GLOBALCOM TELECOMMUNICATIONS, INC.

2. The (a) address of this corporation's or limited partnership's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is: (the Department is hereby authorized to correct; the following information to conform to the records of the Department):

(a) 273 Montgomery Avenue, Suite 200, Bala Cynwyd, PA 19004 Montgomery
Number and Street City State Zip County

(b) c/o _____
(N/A)
Name of Commercial Registered Office Provider County

For a corporation or a limited partnership represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation or limited partnership is located for venue and official publication purposes.

3. (Complete part (a) or (b)):

- (a) The address to which the registered office of the corporation or limited partnership in this Commonwealth is to be changed is:

111 Presidential Boulevard, Suite 125A, Bala Cynwyd, PA 19004 Montgomery
Number and Street City State Zip County

- (b) The registered office of the corporation or limited partnership shall be provided by:

c/o _____
(N/A)
Name of Commercial Registered Office Provider County

For a corporation or a limited partnership represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation or limited partnership is located for venue and official publication purposes.

PA DEPT. OF STATE

AUG 12 1996

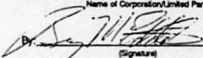
DSCB:15-1507/4144/5507/6144/5500 (Rev 90)-2

4. (Settle out if a limited partnership): Such change was authorized by the Board of Directors of the corporation.

IN TESTIMONY WHEREOF, the undersigned corporation or limited partnership has caused this statement to be signed by a duly authorized officer this 6th day of August, 1996.

GLOBALCOM TELECOMMUNICATIONS, INC.

Name of Corporation/Limited Partnership

By: 

(Signature)

Title: President

Microfilm Number

9774-1112

Filed with the Department of State on

OCT - 7 1997

Entity Number

9535545

Secretary of the Commonwealth

66

ARTICLES OF MERGER-DOMESTIC BUSINESS CORPORATION

DSCB 15-1926 (Rev 90)

In compliance with the requirements of 15 Pa.C.S. § 1926 (relating to articles of merger or consolidation), the undersigned business corporations, desiring to effect a merger, hereby state that:

1. The name of the corporation surviving the merger is: GlobalCom Telecommunications, Inc.

2. (Check and complete one of the following):

X The surviving corporation is a domestic business corporation and the (a) address of its current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) 111 Presidential Boulevard, Suite 121A, Bala Cynwyd, PA 19004 Montgomery County
Number and Street City State Zip County

(b) c/o: _____
Name of Commercial Registered Office Provider County

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

_____ The surviving corporation is a qualified foreign business corporation incorporated under the laws of _____ and the (a) address of its current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) _____
Number and Street City State Zip County

(b) c/o: _____
Name of Commercial Registered Office Provider County

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

_____ The surviving corporation is a nonqualified foreign business corporation incorporated under the laws of _____ and the address of its principal office under the laws of such domiciliary jurisdiction is: _____

_____ Number and Street City State Zip County

3. The name and the address of the registered office in this Commonwealth or name of its commercial registered office provider and the county of venue of each other domestic business corporation and qualified foreign business corporation which is a party to the plan of merger are as follows:

97 OCT - 7 PM 3:24

DSCB 15-1926 PA DEPT. OF STATE

9774-1113

Name of Corporation	Address of Registered Office or Name of Commercial Registered Office Provider	County
Global Enterprises Corp.	111 Presidential Boulevard, Suite 200, Bala Cynwyd, PA 19004	Montgomery
GlobalTel Long Distance Services, Inc.	111 Presidential Boulevard, Suite 200, Bala Cynwyd, PA 19004	Montgomery
Global Long Distance Services, Inc.	111 Presidential Boulevard, Suite 200, Bala Cynwyd, PA 19004	Montgomery
Global Enterprises & Telecom Services, Inc.	111 Presidential Boulevard, Suite 200, Bala Cynwyd, PA 19004	Montgomery

4. (Check, and if appropriate complete, one of the following):

- ☐ The plan of merger shall be effective upon filing these Articles of Merger in the Department of State.
- ☒ The plan of merger shall be effective on: 10/7/97 at _____ Day _____ Hour

5. The manner in which the plan of merger was adopted by each domestic corporation is as follows:

Name of Corporation	Manner of Adoption
GlobalCom Telecommunications, Inc.	Adopted by the directors and shareholders (or members) pursuant to 15 Pa.C.S. § 1924(a).
Global Enterprises Corp.	Adopted by the directors and shareholders (or members) pursuant to 15 Pa.C.S. § 1924(a).
GlobalTel Long Distance Services, Inc.	Adopted by the directors and shareholders (or members) pursuant to 15 Pa.C.S. § 1924(a).
Global Long Distance Services, Inc.	Adopted by the directors and shareholders (or members) pursuant to 15 Pa.C.S. § 1924(a).
Global Enterprises & Telecom Services, Inc.	Adopted by the directors and shareholders (or members) pursuant to 15 Pa.C.S. § 1924(a).

7. (Check, and if appropriate complete, one of the following):

- ☒ The plan of merger is set forth in full in Exhibit A attached hereto and made a part hereof.
- ☐ Pursuant to 15 Pa.C.S. § 1901 (relating to omission of certain provisions from filed plans) the provisions, if any, of the plan of merger that amend or constitute the operative Articles of Incorporation of the surviving corporation as in effect subsequent to the effective date of the plan are set forth in full in Exhibit A attached hereto and made a part hereof. The full text of the plan of merger is on file at the principal place of business of the surviving corporation, the address of which is:

Number and Street	City	State	Zip	County
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IN TESTIMONY WHEREOF, the undersigned corporation or each undersigned corporation has caused these Articles of Merger to be signed by a duly authorized officer thereof this 7th day of October, 19 97.

GlobalCom Telecommunications, Inc.
(Name of Corporation)

BY: Arthur R. Block
(Signature)

TITLE: Arthur R. Block, Vice President

Global Enterprises Corp.
(Name of Corporation)

BY: Arthur R. Block

(Signature)

TITLE: Arthur R. Block, Vice President

GlobalTel Long Distance Services, Inc.
(Name of Corporation)

BY: Arthur R. Block

TITLE: Arthur R. Block, Vice President

Global Long Distance Services, Inc.
(Name of Corporation)

BY: Arthur R. Block

TITLE: Arthur R. Block, Vice President

Global Enterprises & Telecom Services, Inc.
(Name of Corporation)

BY: Arthur R. Block

TITLE: Arthur R. Block, Vice President

9774-1115

Exhibit "A"

PLAN OF MERGER

This PLAN OF MERGER was adopted on the 7th day of October, 1997 by the Board of Directors of Comcast Telephony Communications, Inc., a Delaware Corporation, as the sole shareholder ("Shareholder"), of the following entities of GlobalCom Telecommunications, Inc., a Pennsylvania corporation ("GTI"): Global Enterprises Corp., a Pennsylvania corporation ("GEC"); GlobalTel Long Distance Services, Inc., a Pennsylvania corporation ("GTLD"); Global Long Distance Services, Inc., a Pennsylvania corporation ("GLD") and Global Enterprises & Telecom Services, Inc., a Pennsylvania corporation ("GET").

- FIRST: The Shareholder owns all of the outstanding shares of GTI, GEC, GTLD, GLD and GET.
- SECOND: Upon compliance with the applicable provisions of the Business Corporation Law of 1988 (Title 15, Pennsylvania Consolidated Statutes) of Pennsylvania, as amended, each of GEC, GTLD, GLD and GET shall be merged into GTI, and GTI shall be the surviving corporation (the "Surviving Corporation"), and the separate existence of each of GEC, GTLD, GLD and GET shall thereupon cease (the "Merger").
- THIRD: The Articles of Incorporation of the Surviving Corporation shall be the present Articles of Incorporation of GTI.
- FOURTH: The Bylaws of the Surviving Corporation shall be the present Bylaws of GTI.
- FIFTH: The Directors and Officers of the Surviving Corporation shall be the present Directors and Officers of GTI.
- SIXTH: The appropriate officers of GEC, GTLD, GLD and GET shall make and execute, under the corporate seals of the respective corporations, whatever certificates and documents are required by the Commonwealth of Pennsylvania to effect the Merger, and to cause the same to be filed, in the manner provided by law, and to do all things whatsoever, whether within or without the Commonwealth of Pennsylvania, which may be necessary and proper to effect the Merger.
- SEVENTH: The effect of the Merger shall be as follows:
- (a) The separate existence of each of GEC, GTLD, GLD and GET shall cease and GTI shall continue to exist as the Surviving Corporation.

(b) The issued and outstanding shares of each of GEC, GTLD, GLD and GET shall not be converted or exchanged in any manner, but each said share which is issued and outstanding as of the effective date of the Merger shall be surrendered and extinguished. The issued and outstanding shares of the Surviving Corporation shall not be converted or exchanged in any manner, but each said share which is issued and outstanding as of the effective date of the Merger shall continue to represent one issued share of the Surviving Corporation.

EIGHTH: The Surviving Corporation shall be governed by the laws of the Commonwealth of Pennsylvania. The registered office of the Surviving Corporation shall be 1570 Market Street, Philadelphia, PA 19102 and the registered agent at such address shall be Comcast Corporation.

Microfilm Number

Entity Number

2515545

Filed with the Department of State

NOV 24 1997

Secretary of the Commonwealth

ARTICLES OF AMENDMENT-DOMESTIC BUSINESS CORPORATION

ENC'D 15-1911 (Rev. 90)

In compliance with the requirements of 15 Pa.C.S. § 1915 (relating to articles of amendment), the undersigned business corporation, desiring to amend its Articles, hereby states that:

1. The name of the corporation is: Globalcom Telecommunications, Inc.

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) 111 Presidential Boulevard, Suite 121A Bala Cynwyd PA 19004 Montgomery
Number and Street City State Zip County

(b) c/o: _____
Name of Commercial Registered Office Provider County

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

3. The statute by or under which it was incorporated is: 15 Pa.C.S. § 1306 (PA Business Corporation Law of 1988)

4. The date of its incorporation is: June 25, 1992

5. (Check, and if appropriate complete, one of the following):

☒ The amendment shall be effective upon filing these Articles of Amendment in the Department of State.

☐ The amendment shall be effective on: _____ at _____
Date Hour

6. (Check one of the following):

☐ The amendment was adopted by the shareholders (or members) pursuant to 15 Pa.C.S. § 1914(a) and (b).

☒ The amendment was adopted by the board of directors pursuant to 15 Pa.C.S. § 1914(c).

7. (Check, and if appropriate complete, one of the following):

☒ The amendment adopted by the corporation, set forth in full, is as follows:

1. The name of the corporation is:

Comcast Telecommunications, Inc.

☐ The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

PA DEPT. OF STATE

NOV 24 1997

9706-374

DSCB.15-1915 (Rev 90)-2

8. (Check if the amendment restates the Articles):

☐ The restated Articles of Incorporation supersede the original Articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this 28th day of October, 19 97.

Globalcom Telecommunications, Inc.
(Name of Corporation)

BY: Arthur R. Block

(Signature)

TITLE: Arthur R. Block, Vice President

EXHIBIT B

State of South Dakota

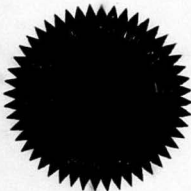


OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AUTHORITY

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that the Application for a Certificate of Authority of COMCAST TELECOMMUNICATIONS, INC. (PA) to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state under the name of COMCAST TELECOMMUNICATIONS, INC.



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this March 2, 1998.

Joyce Hazeltine
JOYCE HAZELTINE
Secretary of State

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52275

EXHIBIT C

COMCAST TELECOMMUNICATIONS, INC.
EXECUTIVE AND MANAGERIAL BIOGRAPHIES

Ralph Roberts, Chairman

Mr. Roberts is Chairman of the Board and Chief Executive Officer of Comcast Corporation. Starting with the purchase of a single cable television system in Tupelo, Mississippi in 1963, Mr. Roberts turned Comcast Corporation into one of the largest cable television companies in the world. His entrepreneurial endeavors have brought him many awards including the distinguished Vanguard Award for Leadership from the National Cable Television Association and induction into the Broadcasting & Cable Hall of Fame. Roberts graduated from the Wharton School of the University of Pennsylvania.

Brian L. Roberts, Vice Chairman

Mr. Brian Roberts has served as President and Director of Comcast Corporation for more than five years. He has also served as Chairman of the National Cable Television Association, Vice Chairman of the Walter Kaetz Foundation, non-profit organization which trains minorities for employment in the cable television industry; and a director and executive committee member of CableLabs, a non-profit organization dedicated to technology research and development for the cable television industry. Prior to being named President, Roberts spent eight years in various management positions with Comcast. He is a graduate of the Wharton School of Finance at the University of Pennsylvania.

Lawrence S. Smith, Executive Vice President

Mr. Smith serves as Executive Vice President of Comcast Corporation. Mr. Smith joined Comcast in 1988 with responsibility for financial administration and corporate accounting. He previously served as Chief Financial Officer of Advanta Corporation, a financial services firm with assets of \$1.28 billion, and was a tax partner in the Philadelphia office of Arthur Anderson & Co., with which he was affiliated for 18 years. In addition to being a tax partner at Arthur Anderson & Co., he was responsible for the Philadelphia international business practice and the merger and acquisition practice. Mr. Smith is a 1969 graduate of Ithaca College.

Stanley L. Wang, Senior Vice President and Secretary

Mr. Wang serves as Senior Vice President, Secretary and General Counsel for Comcast Corporation. He is responsible for the legal affairs of Comcast and its Cable, Cellular and Telephone, Satellite and International Divisions. Prior to joining Comcast in January 1981, he had been an attorney and partner in the Newark, New Jersey law firm of Meyner & Landis since 1968. Mr. Wang is a 1962 graduate of Rutgers College, graduated in 1965 from New York University School of Law where he served as an Editor of the Law Review, completed a judicial clerkship in New Jersey in 1966 and served as a contract officer in the U.S. Army during the period 1966 to 1968.

William G. Kingsley, Vice President

Mr. Kingsley serves as Vice President, Telecommunications Businesses, Comcast Cable. Mr. Kingsley joined Comcast Corporation in June 1993 as Director - Telecommunications Businesses. In September 1995, he assumed his current position. Prior to joining Comcast, Mr. Kingsley held product and business development positions at GTE Mobile Communications and Contel Corporation. Mr. Kingsley received a Bachelor of Science in Business Administration from Lynchburg College and an MA in Telecommunications from George Washington University.

COMCAST TELECOMMUNICATIONS, INC.
EXECUTIVE AND MANAGERIAL BIOGRAPHIES

Nathaniel R. Cohen, President

Mr. Cohen serves as the President of Comcast Telecommunications, Inc. ("CTI"), and is instrumental in CTI's strategic planning, operations and financial management. He formerly served as Chairman and Chief Executive Officer of Globalcom Telecommunications, Inc., which was purchased by a subsidiary of Comcast Corporation in October 1997, and was renamed Comcast Telecommunications, Inc. Mr. Cohen is an active member of an Executive Management Committee of telephony services at Comcast. Prior to co-founding Globalcom in 1992, Mr. Cohen was Vice President of Finance for Home Patient Care Companies, a national provider of home health services. Mr. Cohen also served as a project director for Asbell & Associates, a Philadelphia based real estate development company, and as an accountant with Morris J. Cohen & Co. Mr. Cohen received a Bachelor of Science degree from Drexel University.

Barry M. Edelstein, Vice President

As Vice President of CTI, Mr. Edelstein plays a primary role in the marketing, sales, customer service, and operations of the company. Additionally, Mr. Edelstein acts as the primary interface for third party carriers and vendors on technical and service-related issues. Mr. Edelstein co-founded Globalcom, and served as its President and Counsel until it was purchased in October, 1997. Before his work with Globalcom, Mr. Edelstein was an associate at the law firm Rubin, Shapiro & Weiss specializing in corporate law. Mr. Edelstein has been a member of the Pennsylvania and New Jersey Bars since 1988, and has degrees from Delaware Law School of Widener University and Drexel University.

Michael J. Marsh, Controller

Mr. Marsh joined the company in 1993. He is directly responsible for the general accounting functions of CTI, as well as CTI's cost monitoring and statistical tracking, planning and budgeting. In addition, he monitors CTI's credit and collection activities, manages the accounts receivable department, and lends his knowledge to customer billing issues. Mr. Marsh's background includes nine years of financial analysis, general ledger, general accounting and payroll experience. He served as Senior Accountant for All Control Systems, Inc., a computer systems integrator, and for Asbell & Associates, a Philadelphia based real estate developer. Mr. Marsh received a Bachelor of Science degree in Finance/Accounting from Drexel University.

Esther H. Rosenthal, Staff Counsel

Ms. Rosenthal joined CTI in January 1998, bringing experience in Regulatory Affairs, Consumer Affairs, and business operations. Her primary responsibility is to advise CTI's officers of all regulatory and consumer issues related to the company's operations. As the company expands into new areas, Ms. Rosenthal will play a key role in the development and implementation of operational procedures that will help to ensure regulatory compliance. Prior to joining CTI, Ms. Rosenthal acted as Staff Counsel for Regulatory Affairs at WorldChange Communications, an international facilities-based long distance carrier. She also served as intern to the Honorable Andrew C. Barrent, former Commissioner of the Federal Communications Commission. Ms. Rosenthal earned her Bachelor of Arts degree in Broadcast/Cable from the Pennsylvania State University, and her Juris Doctor from California Western School of Law. Ms. Rosenthal has been a member of the California Bar since 1994.

Adam E. Levin, Senior Project Manager

As Senior Project Manager, Mr. Levin is responsible for the overall sales and customer growth of CTI. Mr. Levin lends his business expertise to company financial operations through development of costing and pricing models upon which CTI's operations are based. Prior to joining the company in 1994, Mr. Levin was employed by Nocopi Technologies, Inc. where he was responsible for the Marketing Development. He previously served as President of Boulder Products Corporation, a company involved in the development of proprietary automotive accessories, and was a project assistant with Asbell & Associates, a Philadelphia based real estate developer. Mr. Levin received a Bachelor of Arts degree from Lafayette College and a MBA in Finance from Drexel University.

*COMCAST TELECOMMUNICATIONS, INC.
EXECUTIVE AND MANAGERIAL BIOGRAPHIES*

Lori Paikin, Marketing Project Manager

Ms. Paikin has been employed with CTI since 1995, when it was operating as Globalcom. She lends her business acumen to the overall sales and marketing efforts of the CTI through the design of strategic marketing campaigns, specialized product development and related promotional materials. Ms. Paikin previously was employed by ATX Telecommunications as a Senior Market Analyst. She received her Bachelor of Arts degree in Communications from Temple University, awarded Magna Cum Laude. Ms. Paikin also received an Associate degree of Specialized Technology in Marketing from the Philadelphia Institute of Art, awarded Honors.

Samir J. Patel, MIS/Operations Coordinator

Mr. Patel joined CTI in 1993 when it was operating as Globalcom. He is directly responsible for all activities, including the programming, maintenance, trouble-shooting, and upgrading, related to the customer-related information systems of CTI. In addition, Mr. Patel provides network administration supervision, report generation, and manages and designs various databases. Prior to joining CTI, Mr. Patel served as a Management Trainee for Prime Health Group and Information Technology Trainee for General & Finance, both located in London, England. Mr. Patel graduated Upper Second Class, with a Bachelor of Arts degree in Honours in Business Computing from South Bank University in London, England.

EXHIBIT D

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED

DECEMBER 31, 1997

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 0-6983



(Exact name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of incorporation or organization)

23-1709202
(I.R.S. Employer Identification No.)

1500 Market Street, Philadelphia, PA
(Address of principal executive offices)

19102-2148
(Zip Code)

Registrant's telephone number, including area code: (215) 665-1700

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Class A Common Stock, \$1.00 par value
Class A Special Common Stock, \$1.00 par value
1-1/8% Discount Convertible Subordinated Debentures Due 2007

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒

No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☐

As of January 30, 1998, the aggregate market value of the Class A Common Stock and Class A Special Common Stock held by non-affiliates of the Registrant was \$919.7 million and \$9.743 billion, respectively.

As of January 30, 1998, there were 317,530,008 shares of Class A Special Common Stock, 31,792,325 shares of Class A Common Stock and 8,786,250 shares of Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III - The Registrant's definitive Proxy Statement for its Annual Meeting of Shareholders presently scheduled to be held in June 1998.

COMCAST CORPORATION
1997 FORM 10-K ANNUAL REPORT
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This Annual Report on Form 10-K for the year ended December 31, 1997, at the time of filing with the Securities and Exchange Commission, modifies and supersedes all prior documents filed pursuant to Sections 13, 14 and 15(d) of the Securities Exchange Act of 1934 for purposes of any offers or sales of any securities after the date of such filing pursuant to any Registration Statement or Prospectus filed pursuant to the Securities Act of 1933 which incorporates by reference this Annual Report.

This Annual Report on Form 10-K contains forward looking statements made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that such forward looking statements involve risks and uncertainties which could significantly affect expected results in the future from those expressed in any such forward looking statements made by, or on behalf of the Company. Certain factors that could cause actual results to differ materially include, without limitation, the effects of legislative and regulatory changes; the potential for increased competition; technological changes; the need to generate substantial growth in the subscriber base by successfully launching, marketing and providing services in identified markets; pricing pressures which could affect demand for the Company's services; the Company's ability to expand its distribution; changes in labor, programming, equipment and capital costs; the Company's continued ability to create or acquire programming and products that customers will find attractive; future acquisitions, strategic partnerships and divestitures; general business and economic conditions; and other risks detailed from time to time in the Company's periodic reports filed with the Securities and Exchange Commission.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

Income Taxes

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities and expected benefits of utilizing net operating loss carryforwards. The impact on deferred taxes of changes in tax rates and laws, if any, applied to the years during which temporary differences are expected to be settled, are reflected in the consolidated financial statements in the period of enactment.

Derivative Financial Instruments

The Company uses derivative financial instruments, including interest rate exchange agreements ("Swaps"), interest rate cap agreements ("Caps"), interest rate collar agreements ("Collars"), foreign exchange option contracts ("FX Options"), and common stock option contracts ("Equity Options") to manage its exposure to fluctuations in interest rates, foreign currency exchange rates and prices of its Class A Special Common Stock, par value \$1.00 per share (the "Class A Special Common Stock").

Swaps, Caps and Collars are matched with either fixed or variable rate debt and periodic cash payments are accrued on a settlement basis as an adjustment to interest expense. Any premiums associated with these instruments are amortized over their term and realized gains or losses as a result of the termination of the instruments are deferred and amortized over the remaining term of the underlying debt. Unrealized gains and losses as a result of these instruments are recognized when the underlying hedged item is extinguished or otherwise terminated.

Written FX Options are marked-to-market on a current basis in the Company's consolidated statement of operations. Gains and losses related to qualifying hedges of foreign currency denominated debt are offset against the translation adjustment included in stockholders' equity.

Proceeds from sales of Equity Options written on the Company's Class A Special Common Stock are recorded in stockholders' equity and an amount equal to the redemption price of the common stock is reclassified from permanent equity to temporary equity. Subsequent changes in the market value of the Equity Options are not recorded.

Those instruments that have been entered into by the Company to hedge exposure to interest rate and foreign exchange rate risks are periodically examined by the Company to ensure that the instruments are matched with underlying liabilities, reduce the Company's risks relating to interest rates and foreign currency exchange rates, and, through market value and sensitivity analysis, maintain a high correlation to the interest expense or underlying value of the hedged item. For those instruments that do not meet the above criteria, variations in their fair value are marked-to-market on a current basis in the Company's consolidated statement of operations.

The Company does not hold or issue any derivative financial instruments for trading purposes and is not a party to leveraged instruments (see Note 5). The credit risks associated with the Company's derivative financial instruments are controlled through the evaluation and monitoring of the creditworthiness of the counterparties. Although the Company may be exposed to losses in the event of nonperformance by the counterparties, the Company does not expect such losses, if any, to be significant.

Sale of Stock by a Subsidiary or Equity Method Investee
Changes in the Company's proportionate share of the underlying equity of a consolidated subsidiary or equity method investee which result from the issuance of additional securities by such subsidiary or investee are recognized as gains or losses in the Company's consolidated statement of operations unless gain realization is not assured in the circumstances. Gains for which realization is not assured are credited directly to additional capital.

New Accounting Pronouncements
In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." This statement, which establishes standards for reporting and disclosure of comprehensive income, is effective for interim and annual

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

periods beginning after December 15, 1997, although earlier adoption is permitted. Reclassification of financial information for earlier periods presented for comparative purposes is required under SFAS No. 130. As this statement only requires additional disclosures in the Company's consolidated financial statements, its adoption will not have any impact on the Company's consolidated financial position or results of operations. The Company will adopt SFAS No. 130 effective January 1, 1998.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement, which establishes standards for the reporting of information about operating segments and requires the reporting of selected information about operating segments in interim financial statements, is effective for fiscal years beginning after December 15, 1997, although earlier application is permitted. Reclassification of segment information for earlier periods presented for comparative purposes is required under SFAS No. 131. The Company does not expect adoption of this statement to result in significant changes to its presentation of financial data by business segment (see Note 10). The Company will adopt SFAS No. 131 effective January 1, 1998.

Loss for Common Stockholders Per Common Share

Loss for common stockholders per common share is computed by dividing net loss and loss before extraordinary items, after deduction of preferred stock dividends, by the weighted average number of common shares outstanding during the period.

In February 1997, the FASB issued SFAS No. 128, "Earnings per Share," which was adopted by the Company effective for the year ended December 31, 1997, as required by the statement. For the years ended December 31, 1997, 1996 and 1995, the Company's potential common shares have an antidilutive effect on the loss for common stockholders per common share and, therefore, have not been used in determining the total weighted average number of common shares outstanding. Diluted loss for common stockholders per common share for 1997, 1996 and 1995 is antidilutive and, therefore, has not been presented.

The following table summarizes those securities that could potentially dilute loss (earnings) for common stockholders per common share in the future that were not included in determining loss for common stockholders per common share as the effect was antidilutive (amounts in millions).

Potential Common Shares resulting from:	1997	December 31, 1996	1995
Stock options	16.8	15.5	14.9
Shares under restricted stock program	1.3	1.4	1.1
Convertible preferred stock	22.6	1.3	20.7
Convertible subordinated debt (see Note 6)	10.5	20.7	3.0
Written Equity Options	2.0	4.0	3.0
	<u>53.2</u>	<u>42.9</u>	<u>39.7</u>

Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to those classifications used in 1997.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

3. ACQUISITIONS AND OTHER SIGNIFICANT EVENTS

Sale of Comcast UK Cable

On February 4, 1998, Comcast UK Cable, a consolidated subsidiary of the Company, entered into a definitive agreement to be acquired by NTL Incorporated ("NTL"), an alternative telecommunications company in the UK. Pursuant to certain conditions, the Company is expected to receive 4.8 million shares of NTL common stock in exchange for all of the shares of Comcast UK Cable held by the Company (the "NTL Transaction"). Based on the closing price of the NTL common stock on February 4, 1998 of \$32.00 per share, the Company is expected to recognize a pre-tax gain of \$81.4 million upon closing of the NTL Transaction. Certain conditions agreed to in the NTL Transaction restrict the Company's ability to sell the NTL common stock to be received for a period of 180 days after the closing of the NTL Transaction. The NTL Transaction is expected to close in 1998, subject to the receipt of necessary regulatory and shareholder approvals, the consent of the bondholders of Comcast UK Cable and NTL, as well as the consent of certain NTL bank lenders. As of December 31, 1997 and for the year then ended, the assets and revenues of Comcast UK Cable totaled \$736.0 million and \$97.3 million, respectively.

AT&T Acquisition of TCGI

On January 8, 1998, AT&T Corporation ("AT&T") entered into a definitive merger agreement with Teleport Communications Group, Inc. ("TCGI"). Upon closing of the merger (the "AT&T Transaction"), the Company is expected to receive 24.2 million shares of AT&T common stock in exchange for all of the shares of TCGI held by the Company (see Note 4). Based on the closing price of the AT&T common stock on January 30, 1998 of \$62.625 per share, the Company is expected to recognize a pre-tax gain of approximately \$1.390 billion upon closing of the AT&T Transaction. Certain conditions agreed to in the AT&T Transaction restrict the Company's ability to sell the AT&T common stock to be received for a period of between 45 to 135 days after the closing of the AT&T Transaction. The AT&T Transaction is expected to close in 1998, subject to receipt of necessary regulatory and shareholder approvals.

E! Entertainment

On March 31, 1997, the Company, through Comcast Entertainment Holdings LLC (the "LLC"), which is owned 50.1% by the Company and 49.9% by The Walt Disney Company ("Disney"), purchased a 58.4% interest in E! Entertainment from Time Warner for \$321.9 million (the "E! Acquisition"). The E! Acquisition was funded by cash contributions to the LLC by the Company and Disney of \$132.8 million and \$189.1 million, respectively. In connection with the E! Acquisition, the Company contributed its 10.4% interest in E! Entertainment to the LLC. To fund the cash contribution to the LLC, the Company borrowed \$132.8 million from Disney in the form of two 10-year, 7% notes (the "Disney Notes").

In December 1997, the LLC acquired the 10.4% interest in E! Entertainment held by Cox Communications, Inc. ("Cox") for \$57.1 million. The acquisition was funded by cash contributions to the LLC by the Company and Disney of \$28.6 million and \$28.5 million, respectively. As of December 31, 1997, the LLC owns a 79.2% interest in E! Entertainment.

The Company accounted for the acquisitions under the purchase method and E! Entertainment was consolidated with the Company effective March 31, 1997. The allocation of the purchase price relating to the assets and liabilities of E! Entertainment is preliminary pending a final appraisal.

Microsoft Investment

On June 30, 1997 (the "Issuance Date"), the Company and Microsoft Corporation ("Microsoft") completed a Stock Purchase Agreement. Microsoft purchased and the Company issued 24.6 million shares of the Company's Class A Special Common Stock at \$20.29 per share, for \$500.0 million and 500,000 shares of the Company's newly issued 5.25% Series B Mandatorily Redeemable Convertible Preferred Stock, par value \$1,000 per share (the "Series B Preferred Stock"), for \$500.0 million (see Note 6).

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

Offerings of Subsidiary Debt

In May 1997, Comcast Cable Communications, Inc. ("Comcast Cable") and Comcast Cellular Corporation (formerly Comcast Cellular Holdings, Inc.) ("Comcast Cellular"), both wholly owned subsidiaries of the Company, sold a total of \$2.7 billion of nonrecourse public debt with interest rates ranging from 8 1/8% to 9 1/2% and maturity dates from 2004 to 2027. Comcast Cable and Comcast Cellular used the net proceeds from the offerings to repay existing borrowings by their subsidiaries (see Note 5).

Scriptis Cable

In November 1996, the Company acquired the cable television operations ("Scriptis Cable") of The E.W. Scriptis Company ("E.W. Scriptis") in exchange for 93.048 million shares of the Company's Class A Special Common Stock, valued at \$1.552 billion (the "Scriptis Acquisition"). The Company accounted for the Scriptis Acquisition under the purchase method and Scriptis Cable was consolidated with the Company effective November 1, 1996. As the consideration given in exchange for Scriptis Cable was shares of Class A Special Common Stock, the Scriptis Acquisition had no significant impact on the Company's consolidated statement of cash flows.

During the second quarter of 1997, the Company recorded the final purchase price allocation relating to the Scriptis Acquisition. The terms of the Scriptis Acquisition provide for, among other things, the indemnification of the Company by E.W. Scriptis for certain liabilities, including tax liabilities, relating to Scriptis Cable prior to the acquisition date.

QVC

In February 1995, the Company and Tele-Communications, Inc. ("TCI") acquired all of the outstanding stock of QVC not previously owned by them (approximately 65% of such shares on a fully diluted basis) for \$46, in cash, per share (the "QVC Acquisition"), representing a total cost of approximately \$1.4 billion. The QVC Acquisition, including the exercise of certain warrants held by the Company, was financed with cash contributions from the Company and TCI of \$296.3 million and \$6.6 million, respectively, borrowings of \$1.1 billion under a \$1.2 billion QVC credit facility and existing cash and cash equivalents held by QVC. Following the acquisition, the Company and TCI owned, through their respective subsidiaries, 57.45% and 42.55%, respectively, of QVC. The Company, through a management agreement, is responsible for the day to day operations of QVC. The Company accounted for the QVC Acquisition under the purchase method and QVC was consolidated with the Company effective February 1, 1995.

Cellular Rebuild

In 1995, the Company's cellular division purchased \$172.0 million of switching and cell site equipment which replaced the existing switching and cell site equipment (the "Cellular Rebuild"). The Company substantially completed the Cellular Rebuild during 1995. Accordingly, during 1995, the Company charged \$110.0 million to depreciation expense which represented the difference between the net book value of the equipment replaced and the residual value realized upon its disposal.

Unaudited Pro Forma Information

The following unaudited pro forma information for the years ended December 31, 1996 and 1995 has been presented as if the Scriptis Acquisition and the QVC Acquisition had occurred on January 1, 1995. This unaudited pro forma information is based on historical results of operations adjusted for acquisition costs and, in the opinion of management, is not necessarily indicative of what the results would have been had the Company operated the acquired entities since January 1, 1995 (dollars in millions, except per share data).

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

	Year Ended December 31,	
	1996	1995
Revenues	\$4,290.6	\$3,772.0
Loss before extraordinary items	(79.3)	(83.5)
Net loss	(80.3)	(89.6)
Net loss per share	(.24)	(.27)

4. INVESTMENTS, PRINCIPALLY IN AFFILIATES

	December 31,	
	1997	1996
	(Dollars in millions)	
Equity method	\$867.6	\$966.1
Fair value method	346.5	165.5
Cost method	50.2	46.1
	<u>\$1,264.3</u>	<u>\$1,177.7</u>

Equity Method

The Company records its proportionate interests in the net income (loss) of substantially all of its investees three months in arrears, other than the UK Investees (see below). The Company's recorded investments exceed its proportionate interests in the book value of the investees' net assets by \$225.8 million as of December 31, 1997 (primarily related to the investments in Comcast-Spectacor and Sprint PCS). Such excess is being amortized to equity in net income or loss, primarily over a period of 20 to 30 years, which is consistent with the estimated lives of the underlying assets. The original cost of investments accounted for under the equity method totaled \$1.454 billion and \$1.271 billion as of December 31, 1997 and 1996, respectively. Summarized financial information for the Company's equity method investees for 1997, 1996 and 1995 is as follows (dollars in millions).

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

	Sprint PCS	TCI	UK Investment	Comcast Spectacor	QVC	Other	Combined
Year Ended December 31, 1997:							
Combined Results of Operations							
Revenues, net	\$111.5	\$431.3	\$197.5	\$140.8		\$755.0	\$1,636.1
Operating, selling, general and administrative expenses	959.4	398.5	168.4	117.9		831.2	2,475.4
Depreciation and amortization	194.2	133.9	76.0	46.5		69.1	519.7
Operating loss	(1,042.1)	(101.1)	(46.9)	(23.0)		(145.3)	(1,359.0)
Net loss (a)	(1,187.3)	(192.9)	(92.2)	(39.6)		(191.2)	(1,703.2)
Company's Equity in Net Loss							
Equity in current period net loss (b)	(\$178.1)	(\$30.5)	(\$34.6)	(\$26.2)		(\$51.6)	(\$321.0)
Amortization expense	(1.5)	(0.2)	(0.6)	(5.4)		(1.4)	(9.1)
Total equity in net loss	(\$179.6)	(\$30.7)	(\$35.2)	(\$31.6)		(\$53.0)	(\$330.1)

Year Ended December 31, 1996:

Combined Results of Operations							
Revenues, net	\$0.1	\$192.9	\$155.2			\$440.0	\$788.2
Operating, selling, general and administrative expenses	208.0	180.9	140.9			486.0	1,015.8
Depreciation and amortization	1.9	57.2	57.6			60.0	176.7
Operating loss	(209.8)	(45.2)	(43.3)			(106.0)	(404.3)
Net loss (a)	(344.9)	(84.8)	(72.2)			(140.8)	(642.7)
Company's Equity in Net Loss							
Equity in current period net loss	(\$51.7)	(\$15.1)	(\$28.6)			(\$45.9)	(\$141.3)
Amortization income (expense)	0.6	(1.1)	(0.3)			(2.7)	(3.5)
Total equity in net loss	(\$51.1)	(\$16.2)	(\$28.5)			(\$48.6)	(\$144.8)

Year Ended December 31, 1995:

Combined Results of Operations							
Revenues, net	\$	\$180.5	\$143.7		\$425.9	\$314.4	\$1,064.5
Operating, selling, general and administrative expenses	21.6	167.8	156.6		354.7	347.8	1,048.5
Depreciation and amortization	0.2	44.4	52.2		13.0	57.6	167.4
Operating (loss) income	(21.8)	(31.7)	(65.1)		58.2	(91.0)	(151.4)
Net (loss) income (a)	(31.2)	(72.1)	(91.2)		28.3	(116.1)	(282.3)
Company's Equity in Net (Loss) Income							
Equity in current period net (loss) income	(\$4.7)	(\$13.6)	(\$37.5)		\$4.3	(\$29.8)	(\$81.3)
Amortization (expense) income	(0.5)	(2.1)			1.2	(3.9)	(5.3)
Total equity in net (loss) income	(\$5.2)	(\$15.7)	(\$37.5)		\$5.5	(\$33.7)	(\$86.6)

(a) see footnote (1) on page 56.
(b) see footnote (2) on page 56.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

	Sprint PCS	TCI	UK Investment	Comcast Spectacor	Other	Combined
Combined Financial Position						
As of December 31, 1997:						
Current assets	\$317.3	\$440.8	\$35.9	\$84.9	\$224.0	\$1,102.9
Noncurrent assets	5,483.3	1,675.2	716.4	285.4	971.2	9,131.5
Current liabilities	440.2	302.8	74.6	107.7	750.4	1,675.7
Noncurrent liabilities	3,312.9	1,061.6	558.7	188.0	377.2	5,498.4
As of December 31, 1996:						
Current assets	\$477.5	\$988.8	\$138.3		\$392.7	\$1,897.3
Noncurrent assets	2,921.8	1,037.1	711.4		1,262.2	5,932.5
Current liabilities	113.1	203.3	204.1		280.5	801.0
Noncurrent liabilities	682.8	1,011.1	427.6		1,180.8	3,302.3

- (1) Net (loss) income also represents (loss) income from continuing operations before extraordinary items and cumulative effect of changes in accounting principle.
- (2) As a result of the EI Acquisition, the Company recorded a charge representing the cumulative amount that would have been recorded had the Company accounted for its investment in EI Entertainment under the equity method since the date of initial investment (the "Cumulative Charge"). Since the Company's proportionate share of EI Entertainment's cumulative losses was in excess of the Company's historical cost basis in EI Entertainment and as the Company was under no contractual obligation to fund the losses of EI Entertainment, the Cumulative Charge was limited to the Company's historical cost basis of \$12.1 million. Such amount is included in equity in net losses of affiliates in the Company's consolidated statement of operations for the year ended December 31, 1997 as it is not significant for restatement of the Company's prior year financial statements.

Sprint PCS The Company, TCI, Cox and Sprint Corporation ("Sprint," and together with the Company, TCI and Cox, the "Parents"), and certain subsidiaries of the Parents (the "Partner Subsidiaries"), engage in the wireless communications business through Sprint PCS, a development stage enterprise through June 30, 1997. The Company made its initial investment in 1994 and, as of December 31, 1997, holds a general and limited partnership interest of 15% in Sprint PCS. The Company's investment in Sprint PCS is accounted for under the equity method based on the Company's general partnership interest and its representation on the partnership's board.

Sprint PCS was the successful bidder for 29 PCS licenses in the auction conducted by the FCC from December 1994 through mid-March 1995. The purchase price for the licenses was \$2.11 billion, all of which has been paid to the FCC. In addition, Sprint PCS has invested, and may continue to invest, in other entities that hold PCS licenses, may acquire PCS licenses in future FCC auctions or from other license holders and may affiliate with other license holders.

The Partner Subsidiaries have committed to contribute \$4.2 billion in cash to Sprint PCS through 1999, of which the Company's share is \$630.0 million. Of this funding requirement, the Company has made total cash contributions to Sprint PCS of \$602.0 million through January 30, 1998. The Company anticipates that Sprint PCS' capital requirements over the next several years will be significant. Requirements in excess of committed capital are planned to be funded by Sprint PCS through external financing, including, but not limited to, vendor financing, bank financing and securities offered to the public.

The proposed budget for 1998 for Sprint PCS has not yet been approved by the partnership board, which has resulted in the occurrence of a "Deadlock Event" as of January 1, 1998 under the partnership agreement. If the 1998 proposed budget is not approved through resolution procedures set forth in the partnership agreement, certain specified buy/sell procedures may be triggered which may result in a restructuring of the partners' interests, the sale of the Company's interest, or, in limited circumstances, the sale of Sprint PCS.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

TCGI. Through June 1996, the Company held investments in TCGI, TCG Partners and certain local joint ventures (the "Teleport Joint Ventures") managed by TCGI and TCG Partners. TCGI is one of the largest competitive alternative access providers in the US in terms of route miles. The Company had a 20.0% investment in TCGI and interests in the Teleport Joint Ventures ranging from 12.4% to 20.3%. On June 27, 1996, TCGI sold approximately 27 million shares of its Class A Common Stock (the "TCGI Class A Stock"), for \$16 per share, in an initial public offering (the "TCGI IPO"). In connection with the TCGI IPO, TCGI, the Company and subsidiaries of Cox, TCI and Continental Cablevision ("Continental") and collectively with Cox, TCI and the Company, the "Cable Stockholders" entered into an agreement pursuant to which TCGI was reorganized (the "Reorganization"). The Reorganization consisted of, among other things: (i) the acquisition by TCGI of TCG Partners; (ii) the acquisition by TCGI of additional interests in the Teleport Joint Ventures (including 100% of those interests held by the Company); and (iii) the contribution to TCGI of \$269.0 million aggregate principal amount of indebtedness, plus accrued interest thereon, owned by TCGI to the Cable Stockholders (except that TCI retained a \$26 million subordinated note of TCGI), including \$53.8 million principal amount and \$4.1 million of accrued interest owed to the Company. In connection with the Reorganization, the Company received 25.6 million shares of TCGI's Class B Common Stock (the "TCGI Class B Stock"). Each share of TCGI Class B Stock is entitled to voting power equivalent to ten shares of TCGI Class A Stock and is convertible, at the option of the holder, into one share of TCGI Class A Stock. As a result of the TCGI IPO, the Company recorded a \$40.6 million increase in its proportionate share of TCGI's net assets as a gain from equity offering of affiliate in its 1996 consolidated statement of operations (the "TCGI Gain").

In February 1997, in connection with an acquisition, TCGI issued 2.1 million unregistered shares of its TCGI Class A Stock. As a result of the stock issuance, the Company recorded a \$7.7 million increase in its proportionate share of TCGI's net assets as a gain from equity offering of affiliate in its 1997 consolidated statement of operations.

In March 1997, the Company received 2.76 million shares of TCGI Class A Stock from TCGI in exchange for the Company's shares of an alternate access provider. In May 1997, the Company sold all of its shares of TCGI Class A Stock for \$68.9 million and recognized a \$68.9 million pre-tax gain, which is included in investment income in its 1997 consolidated statement of operations.

In November 1997, TCGI filed a registration statement with the US Securities and Exchange Commission to sell 7.3 million shares of TCGI Class A Stock (the "TCGI Offering"). As a result of the TCGI Offering, the Company will recognize a \$59.6 million increase in its proportionate share of TCGI's net assets as a gain from equity offering of affiliate. Such gain will be recorded in the Company's March 31, 1998 condensed consolidated statement of operations and accumulated deficit as the Company records its proportionate share of TCGI's net losses one quarter in arrears.

As of December 31, 1997, the Company owns 25.6 million shares of TCGI Class B Stock representing a 20.1% voting interest and a 14.7% equity interest. The Company continues to account for its interest in TCGI under the equity method based on its voting interest maintained through the TCGI Class B Stock, its representation on TCGI's board of directors and its participation in a TCGI stockholder agreement granting certain rights to a control group.

UK Investments. As of December 31, 1997, Comcast UK Cable (see Note 3) holds a 27.5% interest in Birmingham Cable Corporation Limited and a 50.0% interest in Cable London PLC. In addition, Comcast UK Cable historically held an investment in Cambridge Holding Company Limited ("Cambridge Cable"). In March 1996, Comcast UK Cable purchased the 50.0% interest in Cambridge Cable that it had not previously owned for cash and approximately 8.9 million of its Class A Common Shares (the "Cambridge Acquisition"). Following the Cambridge Acquisition, Comcast UK Cable owns 100.0% of Cambridge Cable and consolidated the financial position and results of operations of Cambridge Cable effective March 31, 1996.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

Comcast-Spectacor. In July 1996, the Company completed its acquisition (the "Sports Venture Acquisition") of a 66% interest in the Philadelphia Flyers Limited Partnership, a Pennsylvania limited partnership ("PFLP"), the assets of which, after giving effect to the Sports Venture Acquisition, consist of (i) the National Basketball Association ("NBA") franchise to own and operate the Philadelphia 76ers basketball team and related assets (the "Sixers"), (ii) the National Hockey League ("NHL") franchise to own and operate the Philadelphia Flyers hockey team and related assets, and (iii) two adjacent arenas, leasehold interests in and development rights related to the land underlying the arenas and other adjacent parcels of land located in Philadelphia, Pennsylvania (collectively, the "Arenas"). Concurrent with the completion of the Sports Venture Acquisition, PFLP was renamed Comcast Spectacor, L.P. ("Comcast-Spectacor").

The Sports Venture Acquisition was completed in two steps. In April 1996, the Company purchased the Sixers for \$125.0 million in cash plus assumed net liabilities of \$11.0 million through a partnership controlled by the Company. To complete the Sports Venture Acquisition, in July 1996, the Company contributed its interest in the Sixers, exchanged approximately 3.5 million shares of the Company's Class A Special Common Stock and 6,370 shares of the Company's newly issued 5% Series A Convertible Preferred Stock (the "Series A Preferred Stock") (see Note 6), and paid \$15.0 million in cash for its current interest in Comcast-Spectacor. The remaining 34% interest in Comcast-Spectacor is owned by a group, including the former majority owner of PFLP, who also manages Comcast-Spectacor (the "Minority Group"). In connection with the Sports Venture Acquisition, Comcast-Spectacor assumed the outstanding liabilities relating to the Sixers and the Arenas, including a mortgage and other obligations of \$155.0 million. The Company accounts for its interest in Comcast-Spectacor under the equity method since the Company does not have control over Comcast-Spectacor's operations. The issuance of the Series A Preferred Stock and the Class A Special Common Stock in the Sports Venture Acquisition had no impact on the Company's consolidated statement of cash flows due to their non-cash nature.

QVC. Through January 31, 1995, QVC's fiscal year end was January 31, and therefore, the Company recorded its equity interest in QVC's net income two months in arrears. For the year ended December 31, 1995, the Company recorded its proportionate interest in QVC's net income for the period from November 1, 1994 through January 31, 1995. Such results were not previously recorded by the Company since QVC's results of operations were recorded two months in arrears. QVC's results of operations and financial position, subsequent to January 31, 1995, are not separately presented as QVC was consolidated with the Company effective February 1, 1995 (see Note 3).

Other. The Company's other equity investments include investments in cable communications (including Garden State telecommunications and content providers. The Company holds interests representing less than 20% of the total outstanding ownership interests in certain of its equity method investments. The equity method of accounting is utilized for these investments based on the type of investment (i.e. general partnership interest), board representation, participation in a controlling investor group, significant shareholder rights or a combination of these and other factors. The Company does not consider these other equity method investments to be individually significant to its consolidated financial position, results of operations or liquidity.

Restructuring of Primestar's Operations. The Company holds a 10.4% general and limited partnership interest in Primestar, which is principally engaged in the business of acquiring, originating and/or providing television programming services delivered by satellite through a network of distributors, including the Company, throughout the US. The Company, through a wholly owned subsidiary, distributes the Primestar DBS service (the "Primestar Service") to subscribers within specified areas of 19 states in the US. As of December 31, 1997, the Company provided the Primestar Service to more than 181,000 subscribers.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

On February 6, 1998, the Company entered into a Merger and Contribution Agreement (the "Merger and Contribution Agreement") with Primestar and the affiliates of each of the other partners of Primestar, including TCI Satellite Entertainment, Inc. ("TSAT"), a publicly-traded company, pursuant to which the Company's DBS operations, the Company's partnership interests in Primestar and the Primestar partnership interests and the DBS operations of the other partners of Primestar will be consolidated into a newly formed company ("New Primestar"). Under the terms of the Merger and Contribution Agreement, upon closing of the transactions, it is expected that New Primestar, through a series of transactions, will pay the Company approximately \$83 million (based upon the number of the Company's subscribers to the Primestar Service as of December 31, 1997) and that the Company would own approximately 10% of New Primestar common equity, both subject to adjustment based on the number of the Company's subscribers to the Primestar Service, inventory amounts and other factors as of the closing of the transactions. Subject to receipt of regulatory approval and other conditions, after the closing of the transactions, TSAT will merge with and into New Primestar in a transaction in which TSAT's outstanding common shares will be converted into common shares of New Primestar. As of December 31, 1997 and for the year then ended, the assets and revenues of the Company's DBS operations totaled \$162.8 million and \$114.1 million, respectively.

In June 1997, Primestar entered into an agreement with The News Corporation Limited, MCI Telecommunications Corporation and American Sky Broadcasting LLC ("ASkyB"), pursuant to which Primestar (or, under certain conditions, New Primestar) will acquire certain assets relating to a high-power DBS business (the "ASkyB Transaction"). In exchange for such assets, ASkyB will receive non-voting securities of New Primestar that will be convertible into non-voting common stock of New Primestar, and, accordingly, will reduce the Company's common equity interest in New Primestar to approximately 7% on a fully diluted basis, subject to adjustment.

The Merger and Contribution Agreement and the ASkyB Transaction are not conditioned on each other and may close independently. The Merger and Contribution Agreement is expected to close in 1998, subject to receipt of TSAT shareholder approval. The ASkyB Transaction is expected to close in 1998, subject to the receipt of all necessary governmental and regulatory approvals, including the approval of the FCC. There can be no assurance that such approvals will be obtained.

The Golf Channel. The Golf Channel is a 24-hour network devoted exclusively to golf programming. The programming schedule includes live golf coverage, golf instruction programs and golf news. In addition to the Company, the other partners in The Golf Channel include an affiliate of Fox, Inc., Times Mirror Corporation and other private investors. In January and February 1998, the Company entered into agreements to acquire an additional 28.9% interest in The Golf Channel for \$76.2 million. These transactions are expected to close in the first quarter of 1998. After completion of these transactions, the Company's ownership interest in The Golf Channel will be 43.3%.

The Company does not have any additional significant contractual commitments with respect to any of its investments. However, to the extent the Company does not fund its investors' capital calls, it exposes itself to dilution of its ownership interests.

Fair Value Method

The Company holds unrestricted equity investments in certain publicly traded companies, including an investment classified as short-term as of December 31, 1996 (see "Time Warner/TBS" below), with an historical cost of \$130.0 million and \$212.7 million as of December 31, 1997 and 1996, respectively. The Company has recorded these investments, which are classified as available for sale, at their estimated fair values of \$346.5 million and \$212.9 million as of December 31, 1997 and 1996, respectively. The unrealized pre-tax gains as of December 31, 1997 (which includes the @Home Unrestricted Shares - see below) and December 31, 1996 of \$216.5 million and \$200,000, respectively, have been reported in the Company's consolidated balance sheet as a component of stockholders' equity, net of related deferred income tax expense of \$75.8 million and \$100,000, respectively.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

@Home. In July 1997, At Home Corporation ("@Home"), an investee of the Company previously accounted for under the equity method, completed an initial public offering of its Series A Common Stock (the "@Home IPO"). @Home provides Internet services to customers and businesses over the cable television infrastructure in a limited number of cities in the U.S. Effective July 1, 1997, due to the dilution of the Company's equity and voting interests and other factors subsequent to the @Home IPO, the Company discontinued the equity method of accounting for its investment in @Home. As of December 31, 1997, the Company holds 8.0 million contractually restricted shares (the "Restricted Shares") and 6.6 million unrestricted shares (the "Unrestricted Shares") of @Home Series A Common Stock (the "@Home Series A Stock"), representing a 12.3% and a 5.7% equity and voting interest, respectively. The Company has recorded the Restricted Shares at their historical cost of \$1.1 million and the Unrestricted Shares, which are classified as available for sale, at their estimated fair value of \$164.6 million, based on the quoted market price of the @Home Series A Stock as of December 31, 1997. The unrealized pre-tax gain as of December 31, 1997 of \$163.7 million has been reported in the Company's consolidated balance sheet as a component of stockholders' equity, net of related deferred income tax expense of \$57.3 million.

Nexel. The Company held 693,000 shares of Common Stock of Nexel Communications, Inc. ("Nexel") as of December 31, 1995. In February 1996, in connection with certain preemptive rights of the Company under previously existing agreements with Nexel, the Company purchased an additional 8.16 million shares, classified as long-term investments available for sale, of Nexel common stock at \$12.25 per share, for a total cost of \$99.9 million. During the year ended December 31, 1996, the Company sold 5.6 million shares of Nexel common stock for \$105.4 million and recognized a pre-tax gain of \$31.4 million which is included in investment income in its consolidated statement of operations. At December 31, 1996, the Company held 3.3 million shares of Nexel common stock and options to acquire an additional 25.0 million shares of Nexel common stock at \$16 per share. As of December 31, 1996, these options, which had a historical cost of \$20.0 million, were included in investments in publicly traded companies at their fair value of \$32.6 million. In February 1997, the Company sold these options to Nexel for \$25.0 million and recognized a pre-tax gain of \$5.0 million. In July 1997, the Company sold its 3.3 million shares of Nexel common stock for \$73.4 million, resulting in a pre-tax gain of \$32.2 million. The gains on both the sale of the Nexel options and the Nexel common stock are included in investment income in the Company's 1997 consolidated statement of operations.

Time Warner/TBS. The Company received 1.36 million shares of Time Warner common stock (the "Time Warner Stock") in exchange (the "Exchange") for all of the shares of Turner Broadcasting System, Inc. ("TBS") stock (the "TBS Stock") held by the Company as a result of the merger of Time Warner and TBS in October 1996. As of the Exchange, the Company recognized a gain of \$47.3 million in the fourth quarter of 1996. As a result of the Company's investment in Time Warner Stock on the basis of \$38.9 million and the new basis for the Time Warner Stock on the merger date of \$56.2 million, which was based on the closing price of the Time Warner common stock of \$41.375 per share, in December 1996 and January 1997, the Company sold its interest in Time Warner, for \$3.7 million and \$48.6 million, respectively. In connection with the Company's consolidated statement of operations. As of December 31, 1996, the 1.27 million shares of Time Warner Stock held by the Company were recorded at their fair value of \$47.4 million and were included in short-term investments in the Company's consolidated balance sheet.

In January 1995, the Company exchanged its investments in Heritage Communications, Inc. with TCI for 13.3 million publicly-traded Class A common shares of TCI with a fair market value of \$290.0 million. Shortly thereafter, the Company sold 9.1 million unrestricted TCI shares for total proceeds of \$188.1 million. As a result of these transactions, the Company recognized a pre-tax gain of \$141.0 million as investment income in its 1995 consolidated statement of operations.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

Cost Method
It is not practicable to estimate the fair value of the Company's investments in privately held companies, accounted for under the cost method, due to a lack of quoted market prices and excessive costs involved in determining such fair value.

5. LONG-TERM DEBT

	December 31, 1997	1996 (Dollars in millions)
Notes payable to banks and insurance companies, due in installments through 2003	\$1,978.3	\$4,662.5
Senior participating redeemable zero coupon notes, due 2000		447.9
8-1/8% Senior notes, due 2004	299.7	
8-3/8% Senior notes, due 2007	596.3	
9-1/2% Senior notes, due 2007	998.4	
8-7/8% Senior notes, due 2017	545.5	
11-20% Senior discount debentures, due 2007	249.6	
10-14% Senior subordinated debentures, due 2001	378.3	339.2
9-3/8% Senior subordinated debentures, due 2005		126.6
9-1/8% Senior subordinated debentures, due 2008		125.0
10-5/8% Senior subordinated debentures, due 2012		250.0
Convertible subordinated debt:		
3-3/8% / 5-1/2% Step-up convertible subordinated debentures, due 2005	125.0	250.0
1-1/8% Discount convertible subordinated debentures, due 2007	234.1	250.0
7% Disney Notes, due 2007 (see Note 3)	250.0	200.0
Other debt, due in installments principally through 2000	300.0	300.0
Less current portion		250.0
		341.3

Maturities of long-term debt outstanding as of December 31, 1997 for the four years after 1998 are as follows (dollars in millions):

1999	\$207.9
2000	301.8
2001	573.6
2002	490.5

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

Cable Notes

In May 1997, Comcast Cable completed the sale of \$1.7 billion principal amount of notes (the "Cable Notes") through a private offering with registration rights. The Cable Notes were issued in four tranches: \$300.0 million principal amount of 8 1/8% Notes due 2004 (the "Seven-Year Notes"), \$600.0 million principal amount of 8 3/8% Notes due 2007 (the "Ten-Year Notes"), \$550.0 million principal amount of 8 7/8% Notes due 2017 (the "Twenty-Year Notes") and \$250.0 million principal amount of 8 1/2% Notes due 2027 (the "Thirty-Year Notes"). Comcast Cable used substantially all of the net proceeds from the offering of the Cable Notes to repay certain of its subsidiaries' notes payable to banks with the balance used for subsidiary general purposes. Collectively, the offering of the Cable Notes and the repayment of the aforementioned notes payable with the net proceeds from the offering of the Cable Notes are referred to herein as the "Cable Refinancing."

Interest on the Cable Notes is payable semiannually on May 1 and November 1 of each year, commencing November 1, 1997. The Seven-Year Notes, the Ten-Year Notes and the Twenty-Year Notes are redeemable, in whole or in part, at the option of Comcast Cable at any time and the Thirty-Year Notes are redeemable, in whole or in part, at the option of Comcast Cable at any time after May 1, 2009, in each case at a redemption price equal to the greater of (i) 100% of their principal amount, plus accrued interest thereon to the date of redemption, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption on a semiannual basis at the Adjusted Treasury Rate (as defined), plus accrued interest on the Cable Notes to the date of redemption. Each holder of the Thirty-Year Notes may require Comcast Cable to repurchase all or a portion of the Thirty-Year Notes owned by such holder on May 1, 2009 at a purchase price equal to 100% of the principal amount thereof.

The Cable Notes are unsecured and unsubordinated obligations of Comcast Cable and rank *pari passu* with all other unsecured and unsubordinated indebtedness and other obligations of Comcast Cable. The Cable Notes are effectively subordinated to all liabilities of Comcast Cable's subsidiaries, including trade payables. The Cable Notes are obligations only of Comcast Cable and are not guaranteed by and do not otherwise constitute obligations of the Company.

The indenture for the Cable Notes, among other things, contains restrictions (with certain exceptions) on the ability of Comcast Cable and its Restricted Subsidiaries (as defined): (i) make dividend payments or other restricted payments; (ii) create liens or enter into sale and leaseback transactions; and (iii) enter into mergers, consolidations, or sales of all or substantially all of their assets.

In October 1997, Comcast Cable completed an exchange of 100% of the Cable Notes for new notes (having the terms described above) registered under the Securities Act of 1933, as amended.

Cellular Notes

In May 1997, Comcast Cellular completed the sale of \$1.0 billion principal amount of 9 1/2% Senior Notes due 2007 (the "Cellular Notes") through a private offering with registration rights. Comcast Cellular used the net proceeds from the offering of the Cellular Notes to redeem its senior participating redeemable zero coupon notes (see "Redemption of Zero Coupon Notes" below) and to repay certain subsidiary indebtedness. Collectively, the offering of the Cellular Notes and the redemption and the repayment of the aforementioned notes with the net proceeds from the offering of the Cellular Notes is referred to herein as the "Cellular Refinancing."

Interest on the Cellular Notes is payable in cash semi-annually on May 1 and November 1 of each year, commencing on November 1, 1997. The Cellular Notes are redeemable, in whole or in part, at the option of Comcast Cellular, at any time on or after May 1, 2002 at a redemption price, initially of 104.75% of the principal amount of the Cellular Notes and declining annually to 100% on May 1, 2005, plus accrued and unpaid interest, if any, to the date of redemption. In addition, prior to May 1, 2000, Comcast Cellular may redeem the Cellular Notes at a price equal to 108.5% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net cash

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

proceeds from one or more Public Equity Offerings (as defined), provided, however, that at least 65% of the originally issued principal amount of the Cellular Notes would remain outstanding after giving effect to any such redemption. Upon the occurrence of a Change of Control Triggering Event (as defined), each holder of the Cellular Notes will have the right to require Comcast Cellular to repurchase such holder's Cellular Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

The Cellular Notes are general unsecured obligations of Comcast Cellular ranking senior to all subordinated Indebtedness (as defined) of Comcast Cellular and *pari passu* in right of payment with all other existing and future unsecured unsubordinated Indebtedness (as defined) and other liabilities of Comcast Cellular. The Cellular Notes are subordinate to all liabilities, including trade payables, of Comcast Cellular's subsidiaries.

The indenture for the Cellular Notes imposes certain limitations on the ability of Comcast Cellular and its Restricted Subsidiaries (as defined) to, among other things, incur Indebtedness (as defined), make Restricted Payments (as defined), including the payment of cash dividends on Comcast Cellular's Series A Preferred Stock, effect certain Asset Sales (as defined), enter into certain transactions with affiliates, merge or consolidate with any other person or transfer all or substantially all of their properties and assets.

In October 1997, Comcast Cellular completed an exchange of 100% of the Cellular Notes for new notes (having the terms described above) which were registered under the Securities Act of 1933, as amended.

Redemption of Zero Coupon Notes

In May 1997, Comcast Cellular used the net proceeds from the sale of the Cellular Notes to redeem all of its Series A Senior Participating Redeemable Zero Coupon Notes Due 2000 and Series B Senior Participating Redeemable Zero Coupon Notes Due 2000 (together, the "Zero Coupon Notes"). Unamortized debt acquisition costs related to the Zero Coupon Notes were not significant.

Redemption of 1 1/8% Debentures

On February 26, 1998, the Company announced its intention to redeem its \$541.9 million principal amount 1 1/8% discount convertible subordinated debentures due 2007 (the "1 1/8% Debentures") on March 30, 1998 at a redemption price of 67.112% of the principal amount, together with accrued interest thereon. Each \$1,000 principal amount of 1 1/8% Debentures is convertible into 19.3125 shares of the Company's Class A Special Common Stock. The Company anticipates using available borrowings under a subsidiary credit facility to fund amounts redeemed for cash, if any. In the first quarter of 1998, stockholders' equity will be increased by the full amount of the 1 1/8% Debentures converted (see Note 6), if any, plus accrued interest, less unamortized debt acquisition costs.

UK Holdings Credit Facility

In December 1997, Comcast UK Holdings Ltd. ("UK Holdings"), a wholly owned subsidiary of Comcast UK Cable, entered into a loan agreement with a consortium of banks to provide financing under a revolving credit facility (the "UK Holdings Credit Facility") up to a maximum of £200.0 million. There were no borrowings under the UK Holdings Credit Facility at December 31, 1997. In January 1998, UK Holdings borrowed £75.0 million under the UK Holdings Credit Facility. The UK Holdings Credit Facility bears interest at a rate per annum equal to the London Interbank Offered Rate ("LIBOR") plus 1/2% to 1 1/4%. Amounts available under the UK Holdings Credit Facility will be reduced each quarter in varying amounts beginning March 31, 2000 and continuing through December 31, 2000. Final maturity of the UK Holdings Credit Facility is January 31, 2001. Borrowings under the UK Holdings Credit Facility are guaranteed by certain of Comcast UK Cable's wholly owned subsidiaries.

2007 Discount Debentures

In November 1995, Comcast UK Cable received net proceeds of \$291.1 million from the sale of \$517.3 million principal amount at maturity of its 11.20% senior discount debentures due 2007 (the "2007 Discount Debentures"). Interest accretes on the 2007 Discount Debentures at 11.20% per annum, compounded semi-annually from

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

November 15, 1995 to November 15, 2000, after which date interest will be paid in cash on each May 15 and November 15, through November 15, 2007.

Debt Repayments

In October 1997, the Company completed the redemption of its \$250.0 million principal amount 3 3/8% / 5 1/2% step up convertible subordinated debentures due 2005 (the "Step Up Debentures"). The Company issued 8.4 million shares of its Class A Special Common Stock upon conversion of \$206.4 million principal amount of Step Up Debentures while \$43.6 million principal amount of Step Up Debentures was redeemed for cash at a redemption price of 105.58% of the principal amount, together with accrued interest thereon. Stockholders' equity was increased by the full amount of Step Up Debentures converted plus accrued interest, less unamortized debt acquisition costs. The issuance of the Company's Class A Special Common Stock upon conversion of the Step Up Debentures had no impact on the Company's consolidated statement of cash flows due to its noncash nature.

In October 1997, a wholly owned subsidiary of Comcast Cellular refinanced its existing revolving credit facility with the proceeds from borrowings under a new \$400.0 million credit agreement (the "New Bank Facility") with certain banks. Initial borrowings under the New Bank Facility were used principally to repay existing debt. Borrowings under the New Bank Facility are senior to the Cellular Notes and are secured by a pledge of the capital stock of Comcast Cellular's subsidiaries. The New Bank Facility contains various covenants, including financial covenants restricting changes in control (or making such an event of default) and restricting the payment of dividends, distributions and loans or advances to Comcast Cellular.

In June 1997, the Company redeemed for cash all of its outstanding 10% Subordinated Debentures, due 2003 (the "10% Debentures"). An aggregate principal amount of \$139.3 million of the 10% Debentures was redeemed at a redemption price of 100% of the principal amount thereof, together with accrued interest thereon. On the date of redemption, the 10% Debentures had an accreted value of \$127.7 million.

Extraordinary Items

Extraordinary items for the year ended December 31, 1997 of \$30.2 million or \$0.9 per common share consist of unamortized debt acquisition costs and debt extinguishment costs of \$47.9 million, net of the related tax benefit of \$17.7 million, expensed in connection with the Cable Refinancing, the Cellular Refinancing, the redemption of the 10% Debentures, the redemption of the Step Up Debentures and repayments made with the proceeds from the New Bank Facility.

Extraordinary items for the year ended December 31, 1996 of \$1.0 million consist of unamortized debt acquisitions costs of \$1.8 million, net of the related tax benefit of \$800,000, expensed in connection with the prepayment of a portion of a subsidiary's outstanding debt.

Extraordinary items for the year ended December 31, 1995 of \$6.1 million or \$0.2 per common share consist of debt extinguishment costs of \$9.4 million, net of the related tax benefit of \$3.3 million, expensed in connection with the refinancing of certain indebtedness.

Interest Rates

Fixed interest rates on notes payable to banks and insurance companies range from 8.6% to 10.57%. Bank debt interest rates vary based upon one or more of the following rates at the option of the Company:

- Prime rate to prime plus 0.75%;
- Federal Funds rate plus 0.5% to 1.5%; and
- LIBOR plus 0.3% to 1.875%.

As of December 31, 1997 and 1996, the Company's effective weighted average interest rate on its variable rate bank and insurance company debt outstanding was 6.58% and 6.53%, respectively.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

Interest Rate and Foreign Currency Risk Management

The Company is exposed to market risk including changes in interest rates and foreign currency exchange rates. To manage the volatility relating to these exposures, the Company enters into various derivative transactions pursuant to the Company's policies in areas such as counterparty exposure and hedging practices. Positions are monitored using techniques including market value and sensitivity analyses.

The use of interest rate risk management instruments, such as Swaps, Caps and Collars, is required under the terms of certain of the Company's outstanding debt agreements. The Company's policy is to manage interest costs using a mix of fixed and variable rate debt. Using Swaps, the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Caps are used to lock in a maximum interest rate should variable rates rise, but enable the Company to otherwise pay lower market rates. Collars limit the Company's exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates.

The following table summarizes the terms of the Company's existing Swaps, Caps and Collars as of December 31, 1997 and 1996 (dollars in millions).

	Notional Amount	Maturities	Average Interest Rate	Estimated Fair Value
As of December 31, 1997				
Variable to Fixed Swaps	\$600.0	1998-2000	5.56%	\$4.3
Caps	150.0	1998	6.67%	0.2
Collar	50.0	1998	7.00%/4.90%	
As of December 31, 1996				
Variable to Fixed Swaps	\$1,080.0	1997-2000	5.85%	\$7.4
Caps	250.0	1997	8.55%	0.1
Collars	620.0	1997-1998	6.98%/5.16%	

The notional amounts of interest rate instruments, as presented in the above table, are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The estimated fair value approximates the proceeds (costs) to settle the outstanding contracts. While Swaps, Caps and Collars represent an integral part of the Company's interest rate risk management program, their incremental effect on interest expense for the years ended December 31, 1997, 1996 and 1995 was not significant.

The Company has entered into certain FX Options as a normal part of its foreign currency risk management efforts. During 1995, Comcast UK Cable entered into certain foreign exchange put option contracts ("FX Puts") which may be settled only on November 16, 2000. These FX Puts are used to limit Comcast UK Cable's exposure to the risk that the eventual cash outflows related to net monetary liabilities denominated in currencies other than its functional currency (the UK Pound Sterling or "UK Pound") (principally the 2007 Discount Debentures) are adversely affected by changes in exchange rates. As of December 31, 1997 and 1996, Comcast UK Cable had \$250.0 million notional amount of FX Puts to purchase US dollars at an exchange rate of \$1.35 per £1.00 (the "Ratio"). The FX Puts provide a hedge, to the extent the exchange rate falls below the Ratio, against Comcast UK Cable's net monetary liabilities denominated in US dollars since gains and losses realized on the FX Puts are offset against foreign exchange gains or losses realized on the underlying net liabilities. Premiums paid for the FX Puts, of \$21.4 million, have been recorded as assets in the Company's consolidated balance sheet. These premiums are being amortized over the terms of the related contracts. As of December 31, 1997 and 1996, the FX Puts had carrying values of \$13.1 million and \$18.4 million, respectively, and estimated fair values of \$5.2 million and \$5.5 million, respectively. The difference between the carrying amount and the estimated fair value of the FX Puts was not significant as of December 31, 1995.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

In 1995, in order to reduce hedging costs, Comcast UK Cable sold foreign exchange call option contracts ("FX Calls") to exchange £250.0 million notional amount. Comcast UK Cable received \$5.3 million from the sale of these contracts. These contracts may only be settled on their expiration dates. Of these contracts, £200.0 million notional amount, with an exchange ratio of \$1.70 per £1.00, expired unexercised in November 1996 while the remaining contract, with a £50.0 million notional amount and an exchange ratio of \$1.62 per £1.00, has a settlement date in November 2000. In 1996, in order to continue to reduce hedging costs, Comcast UK Cable sold additional FX Calls, for proceeds of \$3.5 million, to exchange £200.0 million notional amount at an average exchange ratio of \$1.75 per £1.00. These contracts expired unexercised in the fourth quarter of 1997. The FX Calls are marked-to-market on a current basis in the Company's consolidated statement of operations.

As of December 31, 1997 and 1996, the estimated fair value of the liabilities related to the FX Calls, as recorded in the Company's consolidated balance sheet, was \$4.4 million and \$12.2 million, respectively. Changes in fair value between measurement dates relating to the FX Calls resulted in exchange gains of \$7.4 million and exchange losses of \$2.2 million during the years ended December 31, 1997 and 1996, respectively. There were no significant exchange gains or losses relating to these contracts during the year ended December 31, 1995.

Estimated Fair Value

The Company's long-term debt had estimated fair values of \$7.123 billion and \$7.323 billion as of December 31, 1997 and 1996, respectively. The estimated fair value of the Company's publicly traded debt is based on quoted market prices for that debt. Interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value for debt issues for which quoted market prices are not available.

Debt Covenants

Certain of the Company's subsidiaries' loan agreements contain restrictive covenants which limit the subsidiaries' ability to enter into arrangements for the acquisition of property and equipment, investments, mergers and the incurrence of additional debt. Certain of these agreements require that certain ratios and cash flow levels be maintained and contain certain restrictions on dividend payments and advances of funds to the Company. The Company and its subsidiaries were in compliance with such restrictive covenants for all periods presented. In addition, the stock of certain subsidiary companies is pledged as collateral for the notes payable to banks and insurance companies.

As of December 31, 1997, \$251.6 million of the Company's cash, cash equivalents and short-term investments is restricted to use by subsidiaries of the Company under contractual or other arrangements, including \$61.7 million which is restricted to use by Comcast UK Cable.

Restricted net assets of the Company's subsidiaries were approximately \$2.7 billion as of December 31, 1997. The restricted net assets of subsidiaries exceeds the Company's consolidated net assets as certain of the Company's subsidiaries have a stockholders' deficiency.

Lines and Letters of Credit

As of January 30, 1998, certain subsidiaries of the Company had unused lines of credit of \$1.0 billion. The availability and use of these unused lines of credit is restricted by the covenants of the related debt agreements and to subsidiary general purposes and dividend declaration.

As of December 31, 1997, the Company and certain of its subsidiaries had unused irrevocable standby letters of credit totaling \$120.5 million to cover potential fundings associated with several projects.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

6. STOCKHOLDERS' EQUITY (DEFICIENCY)

Preferred Stock

The Company is authorized to issue, in one or more series, up to a maximum of 20.0 million shares of preferred stock. The shares can be issued with such designations, preferences, qualifications, privileges, limitations, restrictions, options, conversion rights and other special or related rights as the Company's Board of Directors (the "Board") shall from time to time fix by resolution.

In June 1997, in connection with Microsoft's investment in the Company (see Note 3), the Company issued the Series B Preferred Stock. The Series B Preferred Stock has a 5.25% pay-in-kind annual dividend. Dividends will be paid quarterly through the issuance of additional shares of Series B Preferred Stock (the "Additional Shares") and will be cumulative from the Issuance Date (except that dividends on the Additional Shares will accrue from the date such Additional Shares are issued). The Series B Preferred Stock, including the Additional Shares, is convertible, at the option of Microsoft, into 21.2 million shares of the Company's Class A Special Common Stock, subject to adjustment in certain limited circumstances, which equals an initial conversion price of \$23.54 per share, increasing as a result of the Additional Shares to \$33.91 per share on June 30, 2004. The Series B Preferred Stock is mandatorily redeemable on June 30, 2017, or, at the option of the Company beginning on June 30, 2004 or at the option of Microsoft on June 30, 2004 or on June 30, 2012. Upon redemption, the Company, at its option, may redeem the Series B Preferred Stock with cash, Class A Special Common Stock or a combination thereof. As the Company currently intends to redeem the Series B Preferred Stock with Class A Special Common Stock upon redemption, the Series B Preferred Stock has been classified as a component of stockholders' equity as of December 31, 1997. The Series B Preferred Stock is generally non-voting.

In July 1996, in connection with the Sports Venture Acquisition (see Note 4), the Company issued 6,370 shares of Series A Preferred Stock. Each holder of shares of the Series A Preferred Stock is entitled to receive cumulative cash dividends at the annual rate of \$250 per share, payable quarterly in arrears. The Series A Preferred Stock is redeemable, at the option of the Company, beginning in July 1999 at a redemption price of \$5,000 per share plus accrued and unpaid dividends, subject to certain conditions and conversion adjustments. The Series A Preferred Stock is convertible, at the option of the holder, into shares of the Company's Class A Special Common Stock at a ratio of 209.1175 shares of Class A Special Common Stock for each share of Series A Preferred Stock, subject to certain conditions. The holders of the Series A Preferred Stock are not entitled to any voting rights except as otherwise provided by the Company's Articles of Incorporation or by applicable law.

Common Stock

The Company's Class A Special Common Stock is generally nonvoting and each share of Class A Common Stock is entitled to one vote. Each share of Class B Common Stock is entitled to fifteen votes and is convertible, share for share, into Class A or Class A Special Common Stock, subject to certain restrictions.

As of December 31, 1997, 10.5 million shares of Class A Special Common Stock were reserved for issuance upon conversion of the Company's 1 1/8% Debentures (see Note 5).

Repurchase Program

Concurrent with the announcement of the Scripps Acquisition in October 1995, the Company announced that its Board authorized a market repurchase program (the "Repurchase Program") pursuant to which the Company could purchase, at such times and on such terms as it deemed appropriate, up to \$500.0 million of its outstanding common equity securities, subject to certain restrictions and market conditions. Based on the trade date for stock repurchases, during the years ended December 31, 1997, 1996 and 1995, the Company repurchased 2.3 million shares, 10.5 million shares and 680,000 shares, respectively, of its common stock for aggregate consideration of \$36.2 million, \$180.0 million and \$12.4 million, respectively, pursuant to the Repurchase Program. During the term of the

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

Repurchase Program, which terminated on May 13, 1997, the Company repurchased a total of 13.5 million shares of its common stock for aggregate consideration of \$228.6 million.

As part of the Repurchase Program, the Company sold put options on shares of its Class A Special Common Stock. Put options on 4.0 million shares, sold by the Company during 1996 and 1995 and outstanding at December 31, 1996, expired unexercised during the first quarter of 1997. Upon expiration, the Company reclassified \$69.6 million, the amount it would have been obligated to pay to repurchase such shares had the put options been exercised, from common equity put options to additional capital in the Company's consolidated balance sheet.

As part of the Repurchase Program, in April 1997, the Company sold put options on 2.0 million shares of its Class A Special Common Stock. The put options gave the holder the right to require the Company to repurchase such shares at \$15.68 per share on specific dates in April and May 1998. The amount the Company would be obligated to pay to repurchase such shares upon exercise of the put options, totaling \$31.4 million, has been reclassified from additional capital to common equity put options in the Company's December 31, 1997 consolidated balance sheet. The difference between the proceeds from the sale of these put options and their estimated fair value was not significant as of December 31, 1997.

Share Exchange

In December 1995, the Company issued 751,000 shares of its Class A Special Common Stock to the Company's Retirement-Investment Plan in exchange for an equivalent number of shares of its Class A Common Stock held as an investment in the Plan. The Class A Common Stock was subsequently retired.

Stock-Based Compensation Plans

As of December 31, 1997, the Company and its subsidiaries have several stock-based compensation plans for certain employees, officers, directors and other persons designated by the applicable compensation committees of the Boards of Directors of the Company and its subsidiaries. These plans are described below.

Comcast Option Plan The Company maintains qualified and nonqualified stock option plans for certain employees, directors and other persons under which fixed stock options are granted and the option price is not less than the fair value of a share of the underlying stock at the date of grant (collectively, the "Comcast Option Plan"). Under the Comcast Option Plan, 33.5 million shares of Class A Special Common Stock and 658,000 shares of Class B Common Stock were reserved as of December 31, 1997. Option terms are generally from five to 10 1/2 years, with options generally becoming exercisable between two and 9 1/2 years from the date of grant.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

A summary of the activity of the Comcast Option Plan as of and for the years ended December 31, 1997, 1996 and 1995 is presented below (options in thousands):

	1997		1996		1995	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Class A Special Common Stock						
Outstanding at beginning of year	14,851	\$14.54	14,208	\$14.25	11,868	\$13.73
Granted	2,599	19.47	1,308	17.41	2,899	15.88
Exercised	(795)	9.95	(199)	8.72	(267)	9.13
Canceled	(545)	16.40	(466)	16.08	(292)	15.42
Outstanding at end of year	<u>16,110</u>	<u>15.50</u>	<u>14,851</u>	<u>14.54</u>	<u>14,208</u>	<u>14.25</u>
Exercisable at end of year	<u>7,693</u>	<u>\$13.91</u>	<u>6,875</u>	<u>\$13.40</u>	<u>5,812</u>	<u>\$13.13</u>
Class A Common Stock						
Outstanding at beginning of year			229	\$4.87	362	\$4.74
Exercised			(229)	4.87	(129)	4.52
Canceled					(4)	4.92
Outstanding at end of year					<u>229</u>	<u>4.87</u>
Exercisable at end of year					<u>226</u>	<u>\$4.86</u>
Class B Common Stock						
Outstanding at beginning of year						
Outstanding at end of year	<u>658</u>	<u>\$5.70</u>	<u>658</u>	<u>\$5.70</u>	<u>658</u>	<u>\$5.70</u>
Exercisable at end of year	<u>658</u>	<u>\$5.70</u>	<u>658</u>	<u>\$5.70</u>	<u>557</u>	<u>\$5.45</u>

The following table summarizes information about the Class A Special Common Stock options outstanding under the Comcast Option Plan as of December 31, 1997 (options in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at 12/31/97	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/97	Weighted-Average Exercise Price	
\$6.22 to \$10.72	2,493	2.0 Years	\$7.30	1,846	\$7.18	
\$10.83 to \$14.63	3,353	4.4 Years	11.78	2,236	11.30	
\$15.00 to \$19.00	4,667	8.3 Years	16.96	428	15.91	
\$19.13 to \$23.81	<u>5,597</u>	<u>4.9 Years</u>	<u>20.16</u>	<u>3,183</u>	<u>19.38</u>	
	<u>16,110</u>			<u>7,693</u>		

The weighted-average fair value at date of grant of a Class A Special Common Stock option granted under the Comcast Option Plan during 1997, 1996 and 1995 was \$10.18, \$9.71 and \$9.67, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of .52%, .53% and .65% for 1997, 1996 and 1995, respectively; expected volatility of 30.1%, 34.9% and 40.7% for 1997, 1996 and 1995, respectively; risk-free interest rate of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

6.5%, 6.8% and 7.6% for 1997, 1996 and 1995, respectively; expected option lives of 9.9 years for 1997 and 1996 and 10.2 years for 1995; and a forfeiture rate of 3.0% for all years.

QVC Tandem Plan. QVC established a qualified and nonqualified combination stock option/Stock Appreciation Rights ("SAR") plan (collectively, the "QVC Tandem Plan") during 1995 for employees, officers, directors and other persons designated by the Compensation Committee of QVC's Board of Directors. Under the QVC Tandem Plan, the option price is generally not less than the fair value, as determined by an independent appraisal, of a share of the underlying common stock of QVC (the "QVC Common Stock") at the date of grant. As of the latest valuation date, the fair value of a share of QVC Common Stock was \$688.14. If the SAR feature of the QVC Tandem Plan is elected by the eligible participant, the participant receives 75% of the excess of the fair value of a share of QVC Common Stock over the exercise price of the option to which it is attached at the exercise date. Option holders have stated an intention not to exercise the SAR feature of the QVC Tandem Plan. Because the exercise of the option component is more likely than the exercise of the SAR feature, compensation expense is measured based on the stock option component. Under the QVC Tandem Plan, option/SAR terms are ten years from the date of grant, with options/SARs generally becoming exercisable over four years from the date of grant. As of December 31, 1997, 236,000 shares of QVC Common Stock were reserved under the plan. Compensation expense of \$3.4 million and \$4.0 million was recorded under the QVC Tandem Plan during the years ended December 31, 1997 and 1996, respectively. No compensation expense was recognized under the QVC Tandem Plan during the year ended December 31, 1995.

A summary of the activity of the QVC Tandem Plan as of and for the years ended December 31, 1997, 1996 and 1995 is presented below (options/SARs in thousands):

	1997		1996		1995	
	Options/SARs	Weighted-Average Exercise Price	Options/SARs	Weighted-Average Exercise Price	Options/SARs	Weighted-Average Exercise Price
Outstanding at beginning of year	164	\$192.16	142	\$177.05		
Granted	74	601.28	26	271.23	142	\$177.05
Exercised	(55)	177.05	(4)	177.05		
Canceled	(3)	262.20				
Outstanding at end of year	<u>180</u>	<u>363.99</u>	<u>164</u>	<u>192.16</u>	<u>142</u>	<u>177.05</u>
Exercisable at end of year	<u>20</u>	<u>\$205.42</u>	<u>36</u>	<u>\$177.05</u>		

The following table summarizes information about the options/SARs outstanding under the QVC Tandem Plan as of December 31, 1997 (options/SARs in thousands):

Exercise Price	Options/SARs Outstanding			Options/SARs Exercisable		
	Number Outstanding at 12/31/97	Weighted-Average Remaining Contractual Life		Number Exercisable at 12/31/97		
\$177.05	105	7.7 Years		18		
\$223.31	3	8.5 Years		1		
\$85.19	5	9.0 Years		1		
\$34.25	66	9.7 Years				
\$68.14	<u>1</u>	<u>9.8 Years</u>		<u>20</u>		
	<u>180</u>					

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

The weighted-average fair value at date of grant of a QVC Common Stock option/SAR granted during 1997, 1996 and 1995 was \$331.93, \$385.13 and \$96.05, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: no dividend yield for all years; expected volatility of 20% for all years; risk-free interest rate of 6.2%, 6.8% and 7.5% for 1997, 1996 and 1995, respectively; expected option lives of 10 years for all years; and a forfeiture rate of 3.0% for all years.

Had compensation expense for the Company's two aforementioned stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans under the provisions of SFAS No. 123, the Company's net loss and net loss per share would have been increased to the pro forma amounts indicated below (dollars in millions, except per share data):

	1997	1996	1995
Net loss - As reported	(\$238.7)	(\$53.5)	(\$43.9)
Net loss - Pro forma	(252.0)	(61.0)	(50.7)
Net loss for common stockholders - As reported	(\$253.5)	(\$54.2)	(\$43.9)
Net loss for common stockholders - Pro forma	(266.7)	(61.7)	(50.7)
Net loss for common stockholders per common share - As reported	(\$.75)	(\$.21)	(\$.18)
Net loss for common stockholders per common share - Pro forma	(.79)	(.24)	(.21)

The pro forma effect on net loss and net loss per share for the years ended December 31, 1997, 1996 and 1995 by applying SFAS No. 123 may not be indicative of the pro forma effect on net income or loss in future years since SFAS No. 123 does not take into consideration pro forma compensation expense related to awards made prior to January 1, 1995 and since additional awards in future years are anticipated.

Other Stock-Based Compensation Plans

The Company maintains a restricted stock program under which management employees may be granted restricted shares of the Company's Class A Special Common Stock. The shares awarded vest annually, generally over a period not to exceed five years from the date of the award, and do not have voting or dividend rights until vesting occurs. At December 31, 1997, there were 1.3 million unvested shares granted under the program, of which 527,000 vested in January 1998. During the years ended December 31, 1997, 1996 and 1995, 208,000, 951,000 and 135,000 shares were granted under the program, respectively, with a weighted-average grant date market value of \$17.36, \$19.16 and \$20.61 per share, respectively. Compensation expense recognized during the years ended December 31, 1997, 1996 and 1995 under this program was \$7.1 million, \$5.5 million, and \$4.6 million, respectively. There was no significant difference between the amount of compensation expense recognized by the Company during the years ended December 31, 1997, 1996 and 1995 and the amount that would have been recognized had compensation expense been determined under the provisions of SFAS No. 123.

The Company and QVC established SAR plans during 1996 and 1995 for certain employees, officers, directors and other persons (the "QVC SAR Plans"). Under the QVC SAR Plans, eligible participants are entitled to receive a cash payment from the Company or QVC equal to 100% of the excess, if any, of the fair value of a share of QVC Common Stock at the exercise date over the fair value of such a share at the grant date. The SARs have a term of ten years from the date of grant and become exercisable over four to five years from the date of grant. During the years ended December 31, 1997, 1996 and 1995, 4,000, 11,000 and 11,000 SARs were awarded, respectively, and 20,000 SARs were outstanding at December 31, 1997, of which 4,000 were exercisable. Compensation expense related to the QVC SAR Plans of \$3.4 million, \$4.5 million and \$1.1 million was recorded during the years ended December 31, 1997, 1996 and 1995, respectively. There was no significant difference between the amount of

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

compensation expense recognized and the amount that would have been recognized had compensation expense been determined under the provisions of SFAS No. 123.

E! Entertainment established a SAR plan in 1995 for certain of its employees and officers (the "E! SAR Plan"). Approximately 7.8 million SAR units were reserved under the E! SAR Plan and were outstanding as of December 31, 1997. SAR units granted under the E! SAR Plan will be 100% vested at December 31, 1998, or earlier upon death or disability or the occurrence of certain transactions or events. The value of a SAR unit granted pursuant to the E! SAR Plan will be based on the appreciation of the value of E! Entertainment, determined by an independent appraisal, between January 1, 1995 and December 31, 1998, or December 31, 1999 should the participants holding the majority of SAR units elect to extend the valuation date. Payments may be deferred by E! Entertainment under certain circumstances and will not begin earlier than 1999. Compensation expense related to the E! SAR Plan was \$7.0 million during the year ended December 31, 1997. There was no significant difference between the amount of compensation expense recognized and the amounts that would have been recognized had compensation expense been determined under the provisions of SFAS No. 123.

7. INCOME TAXES

The Company joins with its 80% or more owned subsidiaries (the "Consolidated Group") in filing consolidated federal income tax returns. Both QVC and Comcast Communications Properties, Inc., an indirect majority owned subsidiary of the Company, file separate consolidated federal income tax returns.

Income tax expense consists of the following components:

	Year Ended December 31,		
	1997	1996	1995
	(Dollars in millions)		
Current expense			
Federal	\$94.4	\$82.0	\$45.2
State	24.9	23.3	14.3
	119.3	105.3	59.5
Deferred expense (benefit)			
Federal	(61.1)	(20.4)	(22.0)
State	(2.6)	(0.5)	4.6
	(63.7)	(20.9)	(17.4)
Income tax expense	\$55.6	\$84.4	\$42.1

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

The effective income tax expense of the Company differs from the statutory amount because of the effect of the following items:

	Year Ended December 31,		
	1997	1996	1995
	(Dollars in millions)		
Federal tax at statutory rate	(\$80.2)	(\$5.6)	(\$15.9)
Non-deductible depreciation and amortization	42.6	32.0	23.7
State income taxes, net of federal benefit	14.5	14.8	12.3
Non-deductible foreign losses and equity in net losses of affiliates	53.1	27.5	17.3
Additions to valuation allowance	16.3	18.3	1.4
Other	9.3	(2.6)	3.3
Income tax expense	<u>\$55.6</u>	<u>\$84.4</u>	<u>\$42.1</u>

Deferred income tax benefit resulted from the following differences between financial and income tax reporting:

	Year Ended December 31,		
	1997	1996	1995
	(Dollars in millions)		
Depreciation and amortization	(\$95.4)	(\$60.2)	(\$68.3)
Accrued expenses not currently deductible	(13.2)	(6.3)	(2.7)
Non-deductible reserves for bad debts, obsolete inventory and sales returns	(10.9)	(11.0)	(14.2)
Non-taxable temporary differences associated with sale or exchange of securities	6.4	30.9	22.7
Losses (income) from affiliated partnerships	45.9	25.6	(2.4)
Utilization of net operating loss carryforwards			41.0
Deferred tax assets arising from current period losses	(16.6)	(23.0)	(10.0)
Change in valuation allowance and other	<u>20.1</u>	<u>23.1</u>	<u>16.5</u>
Deferred income tax benefit	<u>(\$63.7)</u>	<u>(\$20.9)</u>	<u>(\$17.4)</u>

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

Significant components of the Company's net deferred tax liability are as follows:

	December 31,	
	1997	1996
	(Dollars in millions)	
Deferred tax assets:		
Net operating loss carryforwards	\$343.8	\$280.9
Differences between book and tax basis of property and equipment and deferred charges	24.5	24.5
Reserves for bad debts, obsolete inventory and sales returns	84.8	73.9
Other	62.9	49.7
Less: Valuation allowance	<u>(279.5)</u>	<u>(263.2)</u>
	236.5	165.8
Deferred tax liabilities, principally differences between book and tax basis of property and equipment and deferred charges	<u>2,256.2</u>	<u>2,228.3</u>
Net deferred tax liability	<u>\$2,019.7</u>	<u>\$2,062.5</u>

The deferred tax liability is net of deferred tax assets of \$92.5 million and \$78.0 million as of December 31, 1997 and 1996, respectively, which are included in other current assets in the Company's consolidated balance sheet. The Company's valuation allowance against deferred tax assets includes approximately \$120.0 million for which any subsequent tax benefits recognized will be allocated to reduce goodwill and other noncurrent intangible assets. For income tax reporting purposes, the Consolidated Group and Comcast Communications Properties, Inc. have net operating loss carryforwards for which deferred tax assets have been recorded of approximately \$150.0 million and \$30.0 million, respectively, which expire primarily in 2010 and 2011. Remaining net operating loss carryforwards, for which valuation allowances have been established, expire in periods through 2012.

8. STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

The Company made cash payments for interest of \$494.4 million, \$456.8 million and \$459.1 million during the years ended December 31, 1997, 1996 and 1995, respectively.

The Company made cash payments for income taxes of \$114.2 million, \$101.4 million and \$35.4 million during the years ended December 31, 1997, 1996 and 1995, respectively.

9. COMMITMENTS AND CONTINGENCIES

Commitments
Beginning in January 1998, the Company has the right to purchase the minority interests in Comcast-Spectacor from the Minority Group for the Minority Group's pro rata portion of the fair market value (on a going concern basis as determined by an appraisal process) of Comcast-Spectacor. The Minority Group also has the right (together with the Company's right, the "Exit Rights") to require the Company to purchase its interests under the same terms. The Company may pay the Minority Group for such interests in shares of the Company's Class A Special Common Stock, subject to certain restrictions. If the Minority Group exercises its Exit Rights and the Company elects not to purchase their interest, the Company and the Minority Group will use their best efforts to sell Comcast-Spectacor.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

Beginning in October 1998, Disney, in certain circumstances, is entitled to cause the LLC to purchase Disney's entire interest in the LLC at its then fair market value (as determined by an appraisal process). If the LLC elects not to purchase Disney's interests, Disney has the right, at its option, to purchase either the Company's entire interest in the LLC or all of the shares of stock of E! Entertainment held by the LLC, in each case at fair market value. In the event that Disney exercises its rights, as described above, a portion or all of the Disney Notes (see Notes 3 and 5) may be replaced with a three year note due to Disney.

Liberty Media Corporation ("Liberty"), a majority owned subsidiary of TCI, may, at certain times following February 9, 2000, trigger the exercise of certain exit rights with respect to its investment in QVC. If the exit rights are triggered, the Company has first right to purchase Liberty's stock in QVC at Liberty's pro rata portion of the fair market value (on a going concern or liquidation basis, whichever is higher, as determined by an appraisal process) of QVC. The Company may pay Liberty for such stock, subject to certain rights of Liberty to consummate the purchase in the most tax-efficient method available, in cash, the Company's promissory note maturing not more than three years after issuance, the Company's equity securities or any combination thereof. If the Company elects not to purchase the stock of QVC held by Liberty, then Liberty will have a similar right to purchase the stock of QVC held by the Company. If Liberty elects not to purchase the stock of QVC held by the Company, then Liberty and the Company will use their best efforts to sell QVC.

At any time after December 18, 2001, the California Public Employees Retirement System ("CalPERS") may elect to liquidate its interest in MHCP Holdings, L.L.C. ("MHCP Holdings"), a 55% owned indirect subsidiary of the Company (which holds the US cable television operations formerly known as Maclean Hunter Limited) in which CalPERS owns the remaining 45% interest, at a price based upon the fair value of CalPERS' interest in MHCP Holdings, adjusted, under certain circumstances, for certain performance criteria relating to the fair value of MHCP Holdings or to the Company's common stock. Except in certain limited circumstances, the Company, at its option, may satisfy this liquidity arrangement by purchasing CalPERS' interest for cash, through the issuance of the Company's common stock (subject to certain limitations) or by selling MHCP Holdings.

Minimum annual rental commitments for office space, equipment and transponder service agreements under noncancellable operating leases as of December 31, 1997 are as follows:

	(Dollars in millions)
1998	\$58.0
1999	52.4
2000	43.3
2001	37.7
2002	36.4
Thereafter	158.8

Rental expense of \$77.3 million, \$54.7 million and \$44.6 million for 1997, 1996 and 1995, respectively, has been charged to operations.

Contingencies

QVC has an agreement with an unrelated third party (the "Bank") whereby the Bank provides revolving credit directly to QVC customers. The revolving credit card issued by the Bank may be used solely for the purchase of goods and services from QVC. The Bank may advance a portion of the purchase price to QVC. QVC is obligated to purchase from the Bank any uncollected customers' accounts. The uncollected balances of revolving credit extended by the Bank under this agreement are \$340.0 million and \$317.7 million as of December 31, 1997 and 1996, respectively, of which \$309.6 million and \$284.5 million represent interest bearing deposits due from the unrelated third party. The total reserve balances maintained for the purchase of uncollectible accounts are \$76.5 million and \$73.2 million as of December 31, 1997 and 1996, respectively. The Company's potential obligations

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

under the program are considered, for financial reporting purposes, to be financial instruments with off-balance sheet risk. The carrying value of accounts receivable, adjusted for the reserves described above, approximates fair value as of December 31, 1997 and 1996.

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position, results of operations or liquidity of the Company.

10. FINANCIAL DATA BY BUSINESS SEGMENT

The following represents the Company's significant business segments, including: "Domestic Cable Communications," the most significant of the Company's cable communications operations; "Electronic Retailing," the most significant of the Company's content businesses; and "Cellular Communications," the most significant of the Company's cellular/PCS telecommunications operations. The remaining components of the Company's operations are not independently significant to the Company's consolidated financial position or results of operations and are included under the caption "Other" (dollars in millions).

	Domestic Cable Communications	Electronic Retailing	Cellular Communications	Corporate and Other (1)	Total
1997					
Revenues	\$2,073.0	\$2,082.5	\$444.9	\$312.2	\$4,912.6
Depreciation and amortization	626.1	115.0	109.8	85.5	936.4
Operating income (loss)	361.6	222.7	65.6	(117.8)	532.1
Interest expense	227.9	56.3	111.3	169.4	564.9
Assets	6,657.8	2,268.3	1,480.8	2,997.3	12,804.2
Long-term debt	2,554.9	768.8	1,224.5	2,010.4	6,558.6
Capital expenditures	497.8	97.3	130.0	200.4	925.5
Equity in net losses of affiliates				(330.1)	(330.1)
1996					
Revenues	\$1,640.9	\$1,835.8	\$426.1	\$135.6	\$4,038.4
Depreciation and amortization	416.2	107.7	117.2	57.2	698.3
Operating income (loss)	393.8	192.6	43.0	(120.5)	508.9
Interest expense	228.3	65.2	92.4	154.9	540.8
Assets	6,318.3	2,162.7	1,368.3	1,619.3	12,088.6
Long-term debt	3,078.1	842.6	1,104.4	2,077.6	7,102.7
Capital expenditures	290.9	63.6	116.0	199.9	670.4
Equity in net (losses) income of affiliates	(22.1)	0.2		(122.9)	(144.8)
1995					
Revenues	\$1,454.9	\$1,487.7	\$374.9	\$45.4	\$3,362.9
Depreciation and amortization	372.5	86.1	205.7	24.7	689.0
Operating income (loss)	346.0	145.8	(67.9)	(94.1)	329.8
Interest expense	245.6	75.3	74.7	129.1	524.7
Assets	4,531.1	2,096.4	1,349.4	1,603.4	9,580.3
Long-term debt	2,984.2	911.3	928.9	2,119.4	6,943.8
Capital expenditures	237.8	28.1	228.7	128.4	623.0
Equity in net (losses) income of affiliates	(17.6)	0.3		(69.3)	(86.6)

(1) Other includes certain operating businesses, including E! Entertainment (beginning on March 31, 1997), the Company's consolidated UK cable and telecommunications operations, the Company's DBS operations and elimination entries related to the segments presented.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997, 1996 and 1995 (Concluded)

11. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter (4)	Third Quarter	Fourth Quarter (5)	Total Year
	(Dollars in millions, except per share data)				
1997					
Revenues	\$1,130.8	\$1,184.5	\$1,204.2	\$1,393.1	\$4,912.6
Operating income before depreciation and amortization (1)	333.7	367.4	365.0	402.4	1,468.5
Operating income	121.3	117.4	123.7	169.7	532.1
Loss before extraordinary items (2)	(64.7)	(14.6)	(52.1)	(77.1)	(208.5)
Extraordinary items (6)		(22.8)	(3.1)	(4.3)	(30.2)
Net loss (2)	(64.7)	(37.4)	(55.2)	(81.4)	(238.7)
Loss per share before extraordinary items	(.20)	(.05)	(.17)	(.24)	(.66)
Extraordinary items per share		(.07)	(.01)	(.01)	(.09)
Net loss per share	(.20)	(.12)	(.18)	(.25)	(.75)
Cash dividends per common share	.0233	.0233	.0233	.0233	.0933
1996					
Revenues	\$950.7	\$945.6	\$974.6	\$1,167.5	\$4,038.4
Operating income before depreciation and amortization (1)	270.1	296.1	295.8	345.2	1,207.2
Operating income	113.3	128.7	129.1	137.8	508.9
(Loss) income before extraordinary item (3)	(34.6)	17.8	(10.0)	(25.7)	(52.5)
Extraordinary item		(1.0)			(1.0)
Net (loss) income (3)	(34.6)	16.8	(10.0)	(25.7)	(53.5)
(Loss) income per share before extraordinary item	(.14)	.07	(.04)	(.09)	(.21)
Extraordinary item per share			(.04)	(.09)	(.21)
Net (loss) income per share	(.14)	.07	(.04)	(.09)	(.21)
Cash dividends per common share	.0233	.0233	.0233	.0233	.0933

- (1) Operating income before depreciation and amortization is commonly referred to in the Company'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 the Company'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 the Company's industries, although the Company's measure of operating cash flow may not be comparable to similarly titled measures of other companies. 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 such measurements as an indicator of the Company's performance.
- (2) Results of operations were affected by the gain on the sale of TCGI Class A stock in the second quarter of 1997 and the gain on the sale of Nextel common stock in the third quarter of 1997 (see Note 4).
- (3) Results of operations were affected by the TCGI IPO Gain and the sale of Nextel shares in the second quarter of 1996 (see Note 4).
- (4) Results of operations for the second quarter of 1997 include the results of E! Entertainment, which have been consolidated effective March 31, 1997 (see Note 3).
- (5) Results of operations for the fourth quarter of 1996 include the results of operations of Scripps Cable, which have been consolidated effective November 1, 1996, and the gain on the Exchange (see Notes 3 and 4). The Company's consolidated results of operations for the fourth quarter of 1997 and 1996 are also affected by the seasonality of the Company's electronic retailing operations.
- (6) Extraordinary items consist of unamortized debt acquisition and debt extinguishment costs expensed in connection with the Cable Refinancing, the Cellular Refinancing and the redemption of the 10% debentures in the second quarter of 1997, the redemption of the Step Up Debentures in the third quarter of 1997 and the repayments made with the proceeds from the New Bank Facility in the fourth quarter of 1997 (see Note 5).

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

The information called for by Item 10, Directors and Executive Officers of the Registrant (except for the information regarding executive officers called for by Item 401 of Regulation S-K which is included in Part I hereof as Item 4A in accordance with General Instruction G(3)), Item 11, Executive Compensation, Item 12, Security Ownership of Certain Beneficial Owners and Management, and Item 13, Certain Relationships and Related Transactions, is hereby incorporated by reference to the Registrant's definitive Proxy Statement for its Annual Meeting of Shareholders presently scheduled to be held in June 1998, which shall be filed with the Securities and Exchange Commission within 120 days of the end of the Registrant's latest fiscal year.

PART IV

ITEM 14 EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following consolidated financial statements of the Company are included in Part II, Item 8:

Independent Auditors' Report	42
Consolidated Balance Sheet—December 31, 1997 and 1996	43
Consolidated Statement of Operations—Years Ended December 31, 1997, 1996 and 1995	44
Consolidated Statement of Cash Flows—Years Ended December 31, 1997, 1996 and 1995	45
Consolidated Statement of Stockholders' Equity (Deficiency)—Years Ended December 31, 1997, 1996 and 1995	46
Notes to Consolidated Financial Statements	47

(b) (i) The following financial statement schedules required to be filed by Items 8 and 14(d) of Form 10-K are included in Part IV:

Schedule I — Condensed Financial Information of Registrant Unconsolidated (Parent Only)
Schedule II — Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable, not required or the required information is included in the consolidated financial statements or notes thereto.

(c) Reports on Form 8-K

(i) Comcast Corporation filed a Current Report on Form 8-K under Item 1 on October 27, 1997 relating to the change in control of the Registrant.

(d) Exhibits required to be filed by Item 601 of Regulation S-K:

- 3.1(a) Amended and Restated Articles of Incorporation filed on July 24, 1990 (incorporated by reference to Exhibit 3.1(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995).
- 3.1(b) Amendment to Restated Articles of Incorporation filed on July 14, 1994 (incorporated by reference to Exhibit 3.1(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995).
- 3.1(c) Amendment to Restated Articles of Incorporation filed on July 12, 1995 (incorporated by reference to Exhibit 3.1(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995).
- 3.1(d) Amendment to Restated Articles of Incorporation filed on June 24, 1996 (incorporated by reference to Exhibit 4.1(d) to the Company's Registration Statement on Form S-3, as amended, filed on July 16, 1996).
- 3.1(e) Form of Statement of Designations, Preferences and Rights of 5% Series A Convertible Preferred Stock of the Company (incorporated by reference to Exhibit 4.1(e) to the Company's Registration Statement on Form S-3 filed on July 16, 1996).
- 3.1(f) Form of Statement of Designations, Preferences and Rights of Series B Convertible Preferred Stock of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
- 3.2 Amended and Restated By-Laws (incorporated by reference to Exhibit 3(ii) to the Company's Annual Report on Form 10-K for the year ended December 31, 1993).
- 4.1 Specimen Class A Common Stock Certificate (incorporated by reference to Exhibit 2(a) to the Company's Registration Statement on Form S-7 filed on September 17, 1980, File No. 2-69178).

4.2 Specimen Class A Special Common Stock Certificate (incorporated by reference to Exhibit 4(2) to the Company's Annual Report on Form 10-K for the year ended December 31, 1986).

4.3 Indenture, dated as of October 17, 1991, between the Company and Bank of Montreal/Harris Trust (successor to Morgan Guaranty Trust Company of New York), as Trustee (incorporated by reference to Exhibit 2 to the Company's Current Report on Form 8-K filed on October 31, 1991).

4.4 Form of Debenture relating to the Company's 10-1/4% Senior Subordinated Debentures due 2001 (incorporated by reference to Exhibit 4(19) to the Company's Annual Report on Form 10-K for the year ended December 31, 1991).

4.5 Form of Debenture relating to the Company's \$300,000,000 10-5/8% Senior Subordinated Debentures due 2012 (incorporated by reference to Exhibit 4(17) to the Company's Annual Report on Form 10-K for the year ended December 31, 1992).

4.6 Form of Debenture relating to the Company's \$200,000,000 9-1/2% Senior Subordinated Debentures due 2008 (incorporated by reference to Exhibit 4(18) to the Company's Annual Report on Form 10-K for the year ended December 31, 1992).

4.7 Indenture, dated as of February 20, 1991, between the Company and Bankers Trust Company, as Trustee (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3 (File No. 33-32830), filed on January 11, 1990).

4.8 Form of Debenture relating to the Company's 1-1/8% Discount Convertible Subordinated Debentures due 2007 (incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K filed on November 15, 1993).

4.9 Form of Debenture relating to the Company's \$250.0 million 9-3/8% Senior Subordinated Debentures due 2005 (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).

4.10 Form of Debenture relating to the Company's \$250.0 million 9-1/8% Senior Subordinated Debentures due 2006 (incorporated by reference to Exhibit 4.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995).

4.11 Indenture dated as of November 15, 1995, between Comcast UK Cable Partners Limited and Bank of Montreal Trust Company, as Trustee, in respect of Comcast UK Cable Partners Limited's 11.20% Senior Discount Debentures due 2007 (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (File No. 33-96932) of Comcast UK Cable Partners Limited).

4.11(a) Form of Debenture relating to Comcast UK Cable Partners Limited's 11.20% Senior Discount Debentures due 2007 (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1 (File No. 33-96932) of Comcast UK Cable Partners Limited).

10.1* Comcast Corporation 1986 Non-Qualified Stock Option Plan, as amended and restated, effective December 10, 1996 (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996).

10.2* Comcast Corporation 1987 Stock Option Plan, as amended and restated, effective December 10, 1996 (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996).

10.3* Comcast Corporation 1996 Stock Option Plan, as amended and restated, effective May 1, 1997 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

* Constitutes a management contract or compensatory plan or arrangement.

- 10.4* Comcast Corporation 1996 Deferred Compensation Plan, as amended and restated, effective January 9, 1998.
- 10.5* Comcast Corporation 1990 Restricted Stock Plan, as amended and restated, effective September 16, 1997 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
- 10.6* 1992 Executive Split Dollar Insurance Plan (incorporated by reference to Exhibit 10(12) to the Company's Annual Report on Form 10-K for the year ended December 31, 1992).
- 10.7* Comcast Corporation 1996 Cash Bonus Plan, as amended and restated, effective May 30, 1997 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
- 10.8* Comcast Corporation 1996 Executive Cash Bonus Plan, dated August 15, 1996 (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996).
- 10.9* Compensation and Deferred Compensation Agreement by and between Comcast Corporation and Ralph J. Roberts, dated December 16, 1997.
- 10.10 The Comcast Corporation Retirement-Investment Plan, as amended and restated effective January 1, 1993 (revised through September 30, 1995) (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 filed on October 5, 1995).
- 10.11 Defined Contribution Plans Master Trust Agreement, between Comcast Corporation and State Street Bank and Trust Company (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-8 filed on October 5, 1995).
- 10.12 Tax Sharing Agreement, dated as of December 2, 1992, among Storer Communications, Inc., TKR Cable I, Inc., TKR Cable II, Inc., TKR Cable III, Inc., Tele-Communications, Inc., the Company and each of the Departing Subsidiaries that are signatories thereto (incorporated by reference to Exhibit 4 to the Company's Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).
- 10.13* Comcast Corporation 1997 Deferred Stock Option Plan, as amended and restated, effective December 18, 1997.
- 10.14 Note Purchase Agreement, dated as of November 15, 1992, among Comcast Storer, Inc., Storer Communications, Inc., Comcast Storer Finance Sub, Inc. and each of the respective purchasers named therein (incorporated by reference to Exhibit 6 to the Company's Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).
- 10.15 Payment Agreement, dated December 2, 1992, among the Company, Comcast Storer, Inc., SCI Holdings, Inc., Storer Communications, Inc. and each of the Remaining Subsidiaries that are signatories thereto (incorporated by reference to Exhibit 7 to the Company's Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).
- 10.16 Intercreditor and Collateral Agency Agreement, dated as of December 2, 1992, among Comcast Storer, Inc., Comcast Cable Communications, Inc., Storer Communications, Inc., the banks party to the Credit Agreement dated as of December 2, 1992, the purchasers of the Senior Notes under the separate Note Purchase Agreements each dated as of November 15, 1992, the Senior Lenders (as defined therein) and The Bank of New York as collateral agent for the Senior Lenders (incorporated by reference to Exhibit 8 to the Company's Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).

* Constitutes a management contract or compensatory plan or arrangement.

- 10.17 Tax Sharing Agreement, dated December 2, 1992, between the Company and Comcast Storer, Inc. (incorporated by reference to Exhibit 9 to the Company's Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).
- 10.18 Pledge Agreement, dated as of December 2, 1992, between Comcast Cable Communications, Inc. and The Bank of New York (incorporated by reference to Exhibit 10 to the Company's Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).
- 10.19 Pledge Agreement, dated as of December 2, 1992, between Comcast Storer, Inc. and The Bank of New York (incorporated by reference to Exhibit 11 to the Company's Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).
- 10.20 Pledge Agreement, dated as of December 2, 1992, between Storer Communications, Inc. and The Bank of New York (incorporated by reference to Exhibit 12 to the Company's Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).
- 10.21 Note Pledge Agreement, dated as of December 2, 1992, between Comcast Storer, Inc. and The Bank of New York (incorporated by reference to Exhibit 13 to the Company's Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).
- 10.22 Guaranty Agreement, dated as of December 2, 1992, between Storer Communications, Inc. and The Bank of New York (incorporated by reference to Exhibit 14 to the Company's Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).
- 10.23 Guaranty Agreement, dated as of December 2, 1992, between Comcast Storer Finance Sub, Inc. and The Bank of New York (incorporated by reference to Exhibit 15 to the Company's Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).
- 10.24 Amended and Restated Stockholders Agreement, dated as of February 9, 1995, among Comcast Corporation, Comcast QVC, Inc., QVC Programming Holdings, Inc., Liberty Media Corporation, QVC Investment, Inc. and Liberty QVC, Inc. (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995).
- 10.25(a) Credit Agreement, dated as of February 15, 1995, among QVC, Inc. and the Banks listed therein (incorporated by reference to Exhibit (b)(6) to Amendment No. 21 to the Tender Offer Statement on Schedule 14D-1 filed on February 17, 1995 by QVC Programming Holdings, Inc., Comcast Corporation and Tele-Communications, Inc. with respect to the tender offer for all outstanding shares of QVC, Inc.).
- 10.25(b)(v) Amendment No. 3, dated as of July 19, 1996, to the Credit Agreement, dated as of February 15, 1995, among QVC, Inc. and the Banks listed therein.
- 10.26 Comcast MHCP Holdings, L.L.C. Amended and Restated Limited Liability Company Agreement, dated as of December 18, 1994, among Comcast Cable Communications, Inc., The California Public Employees' Retirement System and, for certain limited purposes, Comcast Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 6, 1995).
- 10.27 Credit Agreement, dated as of December 22, 1994, among Comcast MH Holdings, Inc., the banks listed therein, The Chase Manhattan Bank (National Association), NationsBank of Texas, N.A. and the Toronto-Dominion Bank, as Arranging Agents, The Bank of New York, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce and Morgan Guaranty Trust Company of New York, as Managing Agents and NationsBank of Texas, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 6, 1995).

^(v) Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant agrees to furnish a copy of the referenced agreement to the Commission upon request.

- 10.28 Pledge Agreement, dated as of December 22, 1994, between Comcast MH Holdings, Inc. and NationsBank of Texas, N.A., as the secured party (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on January 6, 1995).
- 10.29 Pledge Agreement, dated as of December 22, 1994, between Comcast Communications Properties, Inc. and NationsBank of Texas, N.A., as the Secured Party (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on January 6, 1995).
- 10.30 Affiliate Subordination Agreement (as the same may be amended, modified, supplemented, waived, extended or restated from time to time, this "Agreement"), dated as of December 22, 1994, among Comcast Corporation, Comcast MH Holdings, Inc. (the "Borrower"), any affiliate of the Borrower that shall have become a party thereto and NationsBank of Texas, N.A., as Administrative Agent under the Credit Agreement dated as of December 22, 1994, among the Borrower, the Banks listed therein, The Chase Manhattan Bank (National Association), NationsBank of Texas, N.A. and The Toronto-Dominion Bank, as Arranging Agents, The Bank of New York, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce and Morgan Guaranty Trust Company of New York, as Managing Agents, and the Administrative Agent (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on January 6, 1995).
- 10.31 Registration Rights and Price Protection Agreement, dated as of December 22, 1994, by and between Comcast Corporation and The California Public Employees' Retirement System (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed on January 6, 1995).
- 10.32 Amended and Restated Agreement of Limited Partnership of MajorCo, L.P., a Delaware Limited Partnership, dated as of January 31, 1996, among Sprint Spectrum, L.P., TCI Network Services, Comcast Telephony Services and Cox Telephony Partnership (incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K filed on February 12, 1996).
- 10.33 Parents Agreement, dated as of January 31, 1996, between Comcast Corporation and Sprint Corporation (incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K filed on February 12, 1996).
- 10.34 Voting Agreement by and among Comcast Corporation, The E.W. Scripps Company, Sural Corporation and The Edward W. Scripps Trust, dated as of October 28, 1995 (incorporated by reference to Exhibit 2.2 to the Company's Registration Statement on Form S-4 filed, as amended, on November 13, 1996).
- 10.35[/] Credit Agreement, dated as of November 15, 1996, among Comcast SCH Holdings, Inc., the banks listed therein, NationsBank of Texas, N.A., as Documentation Agent, The Chase Manhattan Bank, as Syndication Agent, The Bank of New York, The Chase Manhattan Bank and NationsBank of Texas, N.A., as Managing Agents, and The Bank of New York, as Administrative Agent.
- 10.36 Indenture dated as of May 1, 1997, between Comcast Cable Communications, Inc. and Bank of Montreal Trust Company, as Trustee, in respect of Comcast Cable Communications, Inc.'s 8-1/8% Notes due 2004, 8-3/8% Notes due 2007, 8-7/8% Notes due 2017 and 8-1/2% Notes due 2027 (incorporated by reference to Exhibit 4.1(a) to the Registration Statement on Form S-4 (File No. 333-30745) of Comcast Cable Communications, Inc.).
- 10.37 Indenture dated as of May 8, 1997, between Comcast Cellular Corporation (formerly Comcast Cellular Holdings, Inc.) and The Bank of New York, as Trustee, in respect of Comcast Cellular Holdings, Inc.'s 9-1/2% Senior Notes due 2007 (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 (File No. 333-31009) of Comcast Cellular Holdings, Inc.).

[/] Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant agrees to furnish a copy of the referenced agreement to the Commission upon request.

21 List of Subsidiaries.

- 23.1(a) Consent of Deloitte & Touche LLP.
- 23.1(b) Consent of Deloitte & Touche LLP.
- 23.2 Consent of KPMG Peat Marwick LLP.
- 27.1 Financial Data Schedule.
- 99.1 Report of Independent Public Accountants to QVC, Inc., as of and for the years ended December 31, 1997 and 1996 and for the eleven-month period ended December 31, 1995.
- 99.2 Consolidated financial statements of Sprint Spectrum Holdings Company, L.P. and subsidiaries for each of the three years in the period ended December 31, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in Philadelphia, Pennsylvania on March 3, 1998.

Comcast Corporation

By: /s/ Brian L. Roberts
Brian L. Roberts
President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
<u>/s/ Ralph J. Roberts</u> Ralph J. Roberts	Chairman of the Board of Directors; Director	March 3, 1998
<u>/s/ Julian A. Brodsky</u> Julian A. Brodsky	Vice Chairman of the Board of Directors; Director	March 3, 1998
<u>/s/ Brian L. Roberts</u> Brian L. Roberts	President; Director (Principal Executive Officer)	March 3, 1998
<u>/s/ Lawrence S. Smith</u> Lawrence S. Smith	Executive Vice President (Principal Accounting Officer)	March 3, 1998
<u>/s/ John R. Alchin</u> John R. Alchin	Senior Vice President, Treasurer (Principal Financial Officer)	March 3, 1998
<u>/s/ Daniel Aaron</u> Daniel Aaron	Director	March 3, 1998
<u>/s/ Gustave G. Amsterdam</u> Gustave G. Amsterdam	Director	March 3, 1998
<u>/s/ Sheldon M. Bonovitz</u> Sheldon M. Bonovitz	Director	March 3, 1998
<u>/s/ Joseph L. Castle II</u> Joseph L. Castle II	Director	March 3, 1998

SIGNATURE

TITLE

DATE

<u>/s/ Bernard C. Watson</u> Bernard C. Watson	Director	March 3, 1998
<u>/s/ Irving A. Wechsler</u> Irving A. Wechsler	Director	March 3, 1998
<u>/s/ Anne Wexler</u> Anne Wexler	Director	March 3, 1998

PART I

ITEM 1 BUSINESS

Comcast Corporation and its subsidiaries (the "Company") is principally engaged in the development, management and operation of hybrid fiber-coaxial broadband cable networks, cellular and personal communications systems and the provision of content.

The Company's consolidated domestic cable operations served approximately 4.4 million subscribers and passed more than 7.1 million homes as of December 31, 1997. The Company owns a 50% interest in Garden State Cablevision L.P. ("Garden State"), a cable communications company serving more than 208,000 subscribers and passing more than 297,000 homes in the State of New Jersey. Satellite delivered video service is provided through the Company's equity interest in and distribution arrangements with Primestar Partners, L.P. ("Primestar") (see "Description of the Company's Businesses - Cable Communications - Direct Broadcast Satellite Operations"). In the United Kingdom ("UK"), Comcast Businesses - UK Cable Partners Limited ("Comcast UK Cable"), holds ownership interests in four cable and telephony businesses that collectively have the potential to serve over 1.6 million homes (see "General Developments of Business - Sale of Comcast UK Cable").

The Company provides cellular telephone communications services pursuant to licenses granted by the Federal Communications Commission ("FCC") in markets with a population ("Pops") of more than 8.2 million, including the Communications Commission of Philadelphia, Pennsylvania, the State of Delaware and a significant portion of the State area in and around the City of Philadelphia, Pennsylvania, the State of Delaware and a significant portion of the State area in and around the City of Philadelphia, Pennsylvania. Personal communications services ("PCS") are provided through the Company's investment in Sprint Spectrum Holdings Company, L.P. ("Sprint Spectrum" or "Sprint PCS").

Content is provided through the Company's majority-owned subsidiaries, QVC, Inc. ("QVC"), an electronic retailer and E! Entertainment Television, Inc. ("E! Entertainment"), and other investments, including Comcast SportsNet, The Golf Channel, The Speedvision Network ("Speedvision") and The Outdoor Life Network ("Outdoor Life"). Through QVC, the Company markets a wide variety of products and is available, on a full and part-time basis, to over 68 million homes in the United States ("US"), over 6.5 million homes in the UK and over 9.5 million homes in Germany (see "Description of the Company's Businesses - Content - Electronic Retailing - Distribution Channels").

The Company was organized in 1969 under the laws of the Commonwealth of Pennsylvania and has its principal executive offices at 1500 Market Street, Philadelphia, Pennsylvania, 19102-2148, (215) 665-1700.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

See Note 10 to the Company's consolidated financial statements in Item 8 for information about the Company's operations by industry segment.

GENERAL DEVELOPMENTS OF BUSINESS

The Company entered into a number of significant transactions in 1997 and subsequent to December 31, 1997. These transactions are summarized below and are more fully described in Note 3 to the Company's consolidated financial statements in Item 8.

Sale of Comcast UK Cable
On February 4, 1998, Comcast UK Cable, a consolidated subsidiary of the Company, entered into a definitive agreement to be acquired by NTL Incorporated ("NTL"), an alternative telecommunications company in the UK. Pursuant to certain conditions, the Company is expected to receive 4.8 million shares of NTL common stock in exchange for all of the shares of Comcast UK Cable held by the Company (the "NTL Transaction"). Based on the closing price of the NTL common stock on February 4, 1998 of \$32.00 per share, the Company is expected to recognize a pre-tax gain of \$81.4 million upon closing of the NTL Transaction. The NTL Transaction is expected to close in 1998, subject to the receipt of necessary regulatory and shareholder approvals, the consent of the bondholders of Comcast UK Cable and NTL, as well as the consent of certain NTL bank lenders.

AT&T Acquisition of TCGI

On January 8, 1998, AT&T Corporation ("AT&T") entered into a definitive merger agreement with Teleport Communications Group, Inc. ("TCGI"). Upon closing of the merger (the "AT&T Transaction"), the Company is expected to receive 24.2 million shares of AT&T common stock in exchange for all of the shares of TCGI held by the Company. Based on the closing price of the AT&T common stock on January 30, 1998 of \$62.625 per share, the Company is expected to recognize a pre-tax gain of approximately \$1,390 billion upon closing of the AT&T Transaction. The AT&T Transaction is expected to close in 1998, subject to receipt of necessary regulatory and shareholder approvals.

E! Entertainment

On March 31, 1997, the Company, through Comcast Entertainment Holdings LLC (the "LLC"), which is owned 50.1% by the Company and 49.9% by The Walt Disney Company ("Disney"), purchased a 58.4% interest in E! Entertainment from Time Warner, Inc. ("Time Warner") for \$321.9 million (the "E! Acquisition"). In connection with the E! Acquisition, the Company contributed its 10.4% interest in E! Entertainment to the LLC. In December 1997, the LLC acquired the 10.4% interest in E! Entertainment held by Cox Communications, Inc. ("Cox") for \$57.1 million. Following these transactions, the LLC owns a 79.2% interest in E! Entertainment.

Microsoft Investment

On June 30, 1997, the Company and Microsoft Corporation ("Microsoft") completed a Stock Purchase Agreement. Microsoft purchased and the Company issued 24.6 million shares of the Company's Class A Special Common Stock, par value \$1.00 per share, at \$20.29 per share, for \$500.0 million and 500,000 shares of the Company's newly issued 5.25% Series B Mandatorily Redeemable Convertible Preferred Stock, par value \$1,000 per share, for \$500.0 million.

Offerings of Subsidiary Debt

In May 1997, Comcast Cable Communications, Inc. ("Comcast Cable") and Comcast Cellular Corporation (formerly Comcast Cellular Holdings, Inc.) ("Comcast Cellular"), both wholly owned subsidiaries of the Company, sold a total of \$2.7 billion of nonrecourse public debt with interest rates ranging from 8 1/8% to 9 1/2% and maturity dates from 2004 to 2027. Comcast Cable and Comcast Cellular used the net proceeds from the offerings to repay existing borrowings by their subsidiaries.

DESCRIPTION OF THE COMPANY'S BUSINESSES

CABLE COMMUNICATIONS

Technology and Capital Improvements

Comcast Cable's broadband networks, which receive signals by means of special antennae, microwave relay systems, earth stations and fiber optic cable lines, distribute a variety of video, telecommunications and data services to consumers and businesses.

The Company is continuing to upgrade most of its cable systems, deploying fiber optic cable and upgrading the technical quality of its broadband network. The result is an increase in channel capacity and system reliability, facilitating the delivery of additional video programming and other services such as enhanced video, high-speed Internet access and telephony. The Company's cable communications systems have bandwidth capacities ranging from 300-MHz to 860-MHz, which permits carriage of 37 to 112 analog channels. As of December 31, 1997, approximately 45% of the Company's broadband network had at least a 62-channel capacity. During 1997, the Company began field testing its digital converter cable service in Southern California. Digital compression will enable the Company to increase the channel capacity of its cable communications systems to more than 100 channels, as well as to improve picture quality. The Company has entered into agreements with suppliers of digital converters for delivery commencing in 1998.

In October 1997, the Company entered into a "social contract" with the FCC (see "Legislation and Regulation"). Pursuant to this agreement, the Company has committed that by March 31, 1999, 8 1/2% of the Company's cable subscribers will be served by a system with a capacity of at least 550-MHz and at least 60% of the Company's cable subscribers will be served by a system with a capacity of at least 750-MHz. In addition, the Company has agreed to provide free cable service connections, modems and modem service to schools and to 250 public libraries in communities where the Company commercially deploys cable modem service to residential customers.

Franchises

Cable communications systems are constructed and operated under non-exclusive franchises granted by state or local governmental authorities. Franchises typically contain many conditions, such as time limitations on commencement or completion of construction; conditions of service, including number of channels, types of programming and provision of free services to schools and other public institutions; and the maintenance of insurance and indemnity bonds. Cable of free services to schools and other public institutions; and the maintenance of insurance and indemnity bonds. Cable franchises are subject to the Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act," and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), as well as FCC, state and local regulations (see "Legislation and Regulation").

The Company's franchises typically provide for periodic payment of fees to franchising authorities of up to 5% of "revenues" (as defined by each franchise agreement), which fees may generally be passed on to subscribers. Franchises are generally non-transferable without the consent of the governmental authority. Many of the Company's franchises were granted for an initial term of 15 years. Although franchises historically have been renewed and, under the Cable Acts, should continue to be renewed for companies that have provided adequate service and have complied generally with franchise terms, renewals may include less favorable terms and conditions. Furthermore, the governmental authority may choose to award additional franchises to competing companies at any time. In addition, under the 1996 Telecom Act, certain providers of programming services may be exempt from local franchising requirements (see "Competition and Legislation and Regulation").

Revenue Sources

The Company's cable communications systems offer varying levels of service for a monthly fee. These fees may be for a grouping (i.e. "package") of channels (i.e. "product tier"), equipment rentals, modem services and for other products and services. Packages of channels may consist of television signals of all national television networks; local and distant independent, specialty and educational television stations; satellite-delivered non-broadcast channels; locally originated programs; educational programs; audio programming; electronic retailing and public service announcements. The Company also offers and may receive an additional monthly fee for one or more premium services ("Pay Cable"), such as Home Box Office®, Cinemax®, Showtime®, The Movie Channel™ and Encore®, which generally offer, without commercial interruption, feature motion pictures, live and taped sporting events, concerts and other special features. The charge for Pay Cable services varies with the type and level of service selected by the subscriber. Monthly service and equipment rates and related charges vary in accordance with the type of service selected by the subscriber. Subscribers typically pay on a monthly basis and generally may discontinue services at any time (see "Legislation and Regulation").

In addition to recurring monthly subscription fees, the Company also generates revenues from advertising sales, pay-per-view services, installation services, commissions from electronic retailing (see "Description of the Company's Businesses - Content - Electronic Retailing") and other services. The Company derives revenues from the sale of advertising time to local, regional and national advertisers on networks such as ESPN, MTV and USA. Pay-per-view services permit a subscriber to order, for a separate fee, individual feature motion pictures and special event programs.

In December 1996, the Company began marketing At Home Corporation's ("At Home") high-speed cable modem services in areas served by certain of its cable systems. The At Home service allows residential subscribers to connect their personal computers via cable modems to a new high-speed national network developed and managed by At Home. This service enables subscribers to receive access to online information, including the Internet, at faster speeds than that of conventional or Integrated Service Digital Network ("ISDN") modems. For businesses, the Company, through At Home, provides a platform for Internet, intranet and extranet connectivity solutions and networked business applications. At Home and the Company aggregate content, sell advertising to businesses and provide services to At Home subscribers. As of December 31, 1997, the Comcast At Home service was available to be marketed to over 865,000 homes in six markets and had more than 9,700 customers (see "Description of the Company's Businesses - Content - Cable Television Programming Investments").

The Company's sales efforts are primarily directed toward increasing penetration and incremental revenues in its franchise areas. The Company sells its cable communications services through telemarketing, direct mail advertising, promotional campaigns, door-to-door selling, local media and newspaper advertising.

Programming

The Company generally pays either a monthly fee per subscriber per channel or a percentage of certain revenues for programming. Programming costs increase in the ordinary course of the Company's business as a result of increases in the number of subscribers, expansion of the number of channels provided to customers and contractual rate increases from programming suppliers. The Company seeks and secures long-term programming contracts with suppliers, some of which provide volume discount pricing structures and/or offer marketing support and incentives to the Company. The Company's programming contracts are generally for a fixed period of time and are subject to negotiated renewal. The Company anticipates that future contract renewals will result in programming costs exceeding current levels, particularly for sports programming.

Customer Service

The Company is currently consolidating the majority of its local customer service call centers into large regional operations, consistent with its focus on clustering of operations. These regional call centers have technologically advanced telephone systems that provide the capability of 24-hour per day call answering, telemarketing and other services. These centers will allow the Company to better serve its customer base, as well as to cross-market new products and services to subscribers. As of December 31, 1997, eight of these call centers were in operation, serving approximately 2.1 million subscribers. The Company intends to expand the number of call centers in operation to 10 in 1998, bringing the total number of subscribers served by a call center to approximately 2.6 million by December 31, 1998. Customer service is provided to subscribers in the remaining cable systems primarily through local system-based representatives.

Company's Systems

The table below sets forth a summary of Homes Passed, Cable Subscribers and Cable Penetration information for the Company's domestic cable communications systems as of December 31 (homes and subscribers in thousands):

	1997	1996 (5)	1995	1994 (6)	1993
Homes Passed (1)(4)	7,138	6,975	5,570	5,491	4,211
Cable Subscribers (2)(4)	4,366	4,280	3,407	3,307	2,648
Cable Penetration (3)(4)	61.2%	61.4%	61.2%	60.2%	62.9%

- (1) A home is deemed "passed" if it can be connected to the distribution system without further extension of the transmission lines.
- (2) A dwelling with one or more television sets connected to a system is counted as one Cable Subscriber.
- (3) Cable Subscribers as a percentage of Homes Passed.
- (4) Consists of systems whose financial results are consolidated with those of the Company. Amounts do not include information for the Company's 50% investment in Garden State or the Hattiesburg, Mississippi system managed by the Company in which the Company has less than a 50% interest. As of December 31, 1997, total Homes Passed and Cable Subscribers for such entities were 336,000 and 233,000, respectively.
- (5) In November 1996, the Company acquired the cable television operations of The E.W. Scripps Company.
- (6) In December 1994, the Company acquired the US cable television operations of Maclean Hunter Limited.

System Clusters

The Company manages the majority of its systems in geographic clusters to increase operating efficiencies. Clustering permits an increased emphasis by the Company upon more uniform, efficient and cost effective delivery of customer service and support. The following table is a summary of Homes Passed, Cable Subscribers and Cable Penetration for the Company's ten largest regional cable television clusters as of December 31, 1997 (homes and subscribers in thousands):

Geographic Cluster	Homes Passed	Cable Subscribers	Cable Penetration
New Jersey	940.0	596.6	63.5%
Florida	912.9	553.0	60.6%
Michigan	964.9	492.3	51.0%
Baltimore Area	661.7	453.2	68.5%
Philadelphia Area	499.7	302.9	60.6%
Southern California	508.6	271.9	53.5%
Tennessee	426.7	262.1	61.4%
Sacramento	458.2	236.1	51.5%
Indianapolis	365.8	227.7	62.2%
Alabama	315.8	210.5	66.7%
Other Systems	6,054.3	3,606.3	59.6%
Total	1,083.8	759.9	70.1%
	7,138.1	4,366.2	61.2%

Direct Broadcast Satellite ("DBS") Operations

The Company holds a 10.4% general and limited partnership interest in Primestar, which is principally engaged in the business of acquiring, originating and/or providing television programming services delivered by satellite through a network of distributors, including the Company, throughout the US. Primestar is the oldest Ku-band satellite service in the US with the second largest subscriber base of any US digital satellite television service. Primestar currently offers over 160 channels of entertainment programming for distribution via medium-power satellite to subscribers' home satellite dishes ("HSDs") of approximately 27 to 36 inches in diameter.

The Company, through a wholly owned subsidiary, distributes the Primestar DBS service (the "Primestar Service") (see "Competition") to subscribers within specified areas of 19 states in the US. The Company uses independent sales agents, national retailers (e.g. Radio Shack) and localized advertising campaigns to promote demand for the Primestar Service. As of December 31, 1997, the Company provided the Primestar Service to more than 181,000 subscribers.

Restructuring of Primestar Operations

On February 6, 1998, the Company entered into a Merger and Contribution Agreement (the "Merger and Contribution Agreement") with Primestar and the affiliates of each of the other partners of Primestar, including TCI Satellite Entertainment, Inc. ("TSAT"), a publicly-traded company, pursuant to which the Company's DBS operations, the Company's partnership interests in Primestar and the Primestar partnership interests and the DBS operations of the other partners of Primestar will be consolidated into a newly formed company ("New Primestar"). Under the terms of the Merger and Contribution Agreement, upon closing of the transactions, it is expected that New Primestar, through a series of transactions, will pay the Company approximately \$83 million (based upon the number of the Company's subscribers to the Primestar Service as of December 31, 1997), and that the Company would own approximately 10% of New Primestar. Subject to adjustment based on the number of the Company's subscribers to the Primestar Service, inventory amounts and other factors as of the closing of the transactions, TSAT will merge with and into New Primestar. Subject to other conditions, after the closing of the transactions, TSAT will be converted into common shares of New Primestar. A transaction in which TSAT's outstanding common shares will be converted into common shares of New Primestar. As of December 31, 1997 and for the year then ended, the assets and revenues of the Company's DBS operations totaled \$162.8 million and \$114.1 million, respectively.

In June 1997, Primestar entered into an agreement with The News Corporation Limited, MCI Telecommunications Corporation and American Sky Broadcasting LLC ("ASkyB"), pursuant to which Primestar (or, under certain conditions, New Primestar) will acquire certain assets relating to a high-power DBS business (the "ASkyB Transaction"). In

exchange for such assets, ASkyB will receive non-voting securities of New Primestar that will be convertible into non-voting common stock of New Primestar, and, accordingly, will reduce the Company's common equity interest in New Primestar to approximately 7% on a fully diluted basis, subject to adjustment.

The Merger and Contribution Agreement and the ASkyB Transaction are not conditioned on each other and may close independently. The Merger and Contribution Agreement is expected to close in 1998, subject to receipt of TSAT shareholder approval. The ASkyB Transaction is expected to close in 1998, subject to receipt of all necessary governmental and regulatory approvals, including the approval of the FCC. There can be no assurance that such approvals will be obtained.

Competition

Cable communications systems face competition from alternative methods of receiving and distributing television signals and from other sources of news, information and entertainment such as off-air television broadcast programming, newspapers, movie theaters, live sporting events, interactive online computer services and home video products, including videotape cassette recorders. The extent to which a cable communications system is competitive depends, in part, upon the cable system's ability to provide, at a reasonable price to consumers, a greater variety of programming and other communications services than are available off-air or through other alternative delivery sources and upon superior technical performance and customer service.

The 1996 Telecom Act makes it easier for local exchange carriers ("LECs") and others to provide to subscribers a wide variety of video services competitive with services provided by cable systems. Various LECs currently are providing video services within and outside their telephone service areas through a variety of distribution methods, including both the deployment of broadband cable networks and the use of wireless transmission facilities. LECs in various states either have announced plans, obtained local franchise authorizations or are currently competing with certain of the Company's cable communications systems. An affiliate of Ameritech Corporation ("Ameritech") has obtained approximately 12 cable franchises in its telephone service areas that are currently served by the Company and competes directly with the Company to provide video and other broadband services to subscribers. LECs and other companies also provide facilities for the transmission and distribution to homes and businesses of interactive computer-based services, including the Internet, as well as data and other non-video services. Cable systems could be placed at a competitive disadvantage if the delivery of video and interactive online computer services by LECs becomes widespread since LECs are not required, under certain circumstances, to obtain local franchises to deliver such video services or to comply with the variety of obligations imposed upon cable systems under such franchises. Issues of cross-subsidization by LECs of video, data and telephony services also pose strategic disadvantages for cable operators seeking to compete with LECs which provide such services. The Company cannot predict the likelihood of success of such video or broadband service ventures by LECs or the impact on the Company of such competitive ventures (see "Legislation and Regulation").

Cable communications systems operate pursuant to franchises granted on a non-exclusive basis. The 1992 Cable Act prohibits franchising authorities from unreasonably denying requests for additional franchises and permits franchising authorities to operate cable systems. Well-financed businesses from outside the cable industry (such as public utilities that own certain of the poles to which cable is attached) may become competitors for franchises or providers of competing services (see "Legislation and Regulation").

Congress has enacted legislation and the FCC has adopted regulatory policies providing a more favorable operating environment for new and existing technologies that provide, or have the potential to provide, substantial competition to cable systems. These technologies include, among others, DBS service whereby signals are transmitted by satellite to receiving facilities located on customer premises. Programming is currently available to individual households, condominiums, apartment and office complexes through conventional, medium and high-power satellites. DBS providers can offer more than 100 channels to their subscribers. Several major companies are offering or are currently developing nationwide high-power DBS services, including DirecTV, EchoStar Communications Corporation and ASkyB. Additionally, Primestar offers video programming from a medium-power DBS satellite system (see "DBS Operations"). DBS systems use video compression technology to increase the channel capacity of their systems to provide movies, broadcast stations and other program services comparable to those of cable systems. Digital satellite service ("DSS") offered by DBS systems currently has certain advantages over cable systems with respect to programming capacity and digital quality, as well as certain current disadvantages that include high up-front customer equipment and installation costs and a lack of local programming and service. The FCC and Congress are presently considering proposals to

enhance the ability of DBS providers to gain access to additional programming and to authorize DBS carriers to transmit local signals to local markets.

The availability of reasonably-priced HSDs also enables individual households to receive many of the satellite-delivered program services formerly available only to cable subscribers. Furthermore, the 1992 Cable Act contains provisions, which the FCC has implemented with regulations, to enhance the ability of cable competitors to purchase and make available to HSD owners certain satellite-delivered cable programming at competitive costs. The 1996 Telecom Act and FCC regulations implementing that law preempt certain local restrictions on the use of HSDs and roof-top antennas to receive satellite programming and over-the-air broadcasting services (see "Legislation and Regulation").

Cable operators face additional competition from private satellite master antenna television ("SMATV") systems that serve condominiums, apartment and office complexes and private residential developments. The 1996 Telecom Act broadens the definition of SMATV systems not subject to regulation as a franchised cable communications service. SMATV systems offer both improved reception of local television stations and many of the same satellite-delivered programming services offered by franchised cable communications systems. SMATV operators often enter into exclusive agreements with building owners or homeowners' associations, although some states have enacted laws to provide franchised cable systems access to such private complexes. The 1984 Cable Act also gives a franchised cable operator the right to use existing compatible easements within its franchise area under certain circumstances. These laws have been challenged in the courts with varying results. In addition, some companies are developing and/or offering packages of telephony, data and video services to private residential and commercial developments. The ability of the Company to compete for subscribers in residential and commercial developments served by SMATV operators is uncertain. The Company is developing competitive packages of services (video, data and telephony) to offer to such developments.

Cable communications systems also compete with wireless program distribution services such as multichannel, multipoint distribution services ("MMDS") which use low-power microwave frequencies to transmit video programming over-the-air to subscribers. There are MMDS operators which are authorized to provide or are providing broadcast and satellite programming to subscribers in areas served by the Company's cable systems. Additionally, the FCC adopted regulations allocating frequencies in the 28-GHz band for a new multichannel wireless video service called Local Multipoint Distribution Service ("LMDS") that is similar to MMDS. The FCC initiated spectrum auctions for LMDS licenses in February 1998. The Company is unable to predict whether wireless video services will have a material impact on its operations.

Competition in the online services area is significant. Recently, a number of large corporations in the telecommunications and technology industries, including the Regional Bell Operating Companies ("RBOCs"), GTE Corporation, Microsoft, Compaq Computer Corporation and Intel Corporation, announced the formation of a working group to accelerate the deployment of Asymmetric Digital Subscriber Line ("ADSL") technology. It is anticipated that ADSL technology will allow Internet access at peak data transmission speeds equal to or greater than that of modems over conventional telephone lines. Bell Atlantic Corporation ("Bell Atlantic") recently requested the FCC to fully deregulate packet-switched networks to allow it to provide high-speed broadband services, including online services, without regard to present Local Access Transport Area ("LATA") boundaries and other regulatory restrictions. Competitors in the online services area include existing Internet service providers, LECs, long distance carriers and others, many of whom have more substantial resources than the Company. The Company cannot predict the likelihood of success of the online services offered by the Company's competitors or the impact on the Company of such competitive ventures.

Other new technologies may become competitive with services that cable communications systems can offer. The FCC has authorized television broadcast stations to transmit textual and graphic information useful both to consumers and businesses. The FCC also permits commercial and non-commercial FM stations to use their subcarrier frequencies to provide non-broadcast services including data transmissions. The FCC established an over-the-air Interactive Video and Data Service that will permit two-way interaction with commercial and educational programming along with informational and data services. PCS license holders, including cable operators, are able to provide competitive voice and data services (see "Cellular Telephone Communications - Competition").

Advances in communications technology as well as changes in the marketplace and the regulatory and legislative environment are constantly occurring. Thus, it is not possible to predict the effect that ongoing or future developments might have on the cable communications industry or on the operations of the Company.

CELLULAR TELEPHONE COMMUNICATIONS

Company's Systems

The Company is engaged in the development, management and operation of cellular telephone communications systems in various service areas pursuant to licenses granted by the FCC. As of December 31, 1997, the Company's consolidated systems covered a total population of over 8.2 million and served more than 783,000 customers, representing a penetration rate of 9.5%.

Revenue Sources

The Company provides services to its cellular telephone subscribers similar to those provided by conventional landline telephone systems, including custom calling features such as call forwarding, call waiting, conference calling, directory assistance and voice mail. The Company is responsible for the quality, pricing and packaging of cellular telephone service for each of the systems it owns or controls. The Company charges its customers for service activation, monthly access, per-minute airtime and custom calling features, and generally offers a variety of pricing options, most of which combine a fixed monthly access fee and per-minute charges. The Company pays the local telephone service company directly for interconnection of cellular networks with the wireline telephone network.

The Company offers products and services to increase the value to the customer of the basic telephone service and to increase airtime revenues. Such products include paging services, enhanced directory assistance and concierge services, voice activated dialing, enhanced voice mail and prepaid calling. The deployment of digital technology (see "Technology and Capital Improvements") has allowed the Company to offer additional services such as caller identification, short messaging, message waiting indicators and enhanced call privacy through encryption. In addition, the Company offers data transmission over its existing cellular network, which allows the rapid transfer of data to and from personal computers, personal digital assistants and other devices.

The Company currently markets its services under the Comcast MetrophoneSM brand name in the Philadelphia, PA metropolitan statistical area ("MSA") and under the Comcast CELLULARONE[®] brand name in its other markets in New Jersey and Delaware. The Company markets its products and services through multiple distribution channels throughout its contiguous markets. These channels include direct channels, such as its direct sales force, retail stores and telemarketing, and indirect channels, such as national and local retailers and automotive dealers. The Company's long-term emphasis is on the development of its direct distribution channels, particularly its own retail outlets and telemarketing, as a means to reduce the cost to acquire subscribers and improve the quality of new subscribers. The Company operates 54 retail outlets in its markets and anticipates building additional retail outlets, as well as upgrading its existing retail outlets in the future.

The Company sells cellular telephone equipment to its customers in order to encourage use of its services. The Company's practice, as is typical in the industry, is to sell telephones at or below cost in response to competitive pressures.

Technology and Capital Improvements

Each of the Company's service areas is divided into segments referred to as "cells" equipped with a receiver, signaling equipment and a low-power transmitter. The use of low-power transmitters and the placement of cells close to one another permits re-use of frequencies, thus substantially increasing the volume of calls capable of being handled simultaneously over the number handled by prior generation systems. Each cell has a coverage area generally ranging from one to more than 300 square miles. A cellular telephone system includes one or more computerized central switching facilities known as mobile switching centers ("MSC") which control the automatic transfer of calls, coordinate calls to and from cellular telephones and connect calls to the LEC or to an interexchange carrier. An MSC also records information on system usage and subscriber statistics.

Each cell's facilities monitor the strength of the signal received from the subscriber's cellular telephone. When the signal strength declines to a predetermined level and the transmission strength is greater at another cell in or interconnected with the system, the MSC automatically and instantaneously passes the mobile user's call in progress to the other cell without disconnecting the call ("hand off"). Interconnection agreements between cellular telephone system operators and various LECs and interexchange carriers establish the manner in which the cellular telephone system integrates with other telecommunications systems.

As required by the FCC, all cellular telephones are designed so that a cellular telephone may be used wherever cellular service is available within the US. Each cellular telephone system in the US uses one of two groups of channels, termed "Block A" and "Block B," which the FCC has allotted for cellular service. Minor adjustments to cellular telephones may be required to enable the subscriber to change from a cellular system on one frequency block to a cellular system on the other frequency block.

While most MSCs process information digitally, most radio transmission of cellular telephone calls historically has been done on an analog basis. Digital transmission of cellular telephone calls offers advantages, including larger system capacity and the potential for lower incremental costs for additional subscribers. The FCC allows carriers to provide digital service and requires cellular carriers to provide analog service.

The Company's significant investment in switching and cell site equipment manufactured by Lucent Technologies, Inc. enabled it to deploy Time Division Multiple Access ("TDMA") digital cellular technology throughout its fourth Pennsylvania/New Jersey and Delaware network. This technology was implemented at the beginning of the fourth quarter of 1997. The deployment of this technology permits the Company's subscribers and roamers to use both analog and TDMA services throughout the Company's coverage area. The Company believes that it will have sufficient capacity to accommodate both continued subscriber growth and growth in subscriber minutes for the foreseeable future.

Roaming and Interconnection

Reciprocal agreements among cellular telephone system operators allow their respective subscribers ("roamers") to place and receive calls in most service areas throughout the country. Roamers are charged rates which are generally at a premium to the regular service rate. The Company also offers various service plans which allow customers who roam out of the Company's service area to pay the same rates charged for local service in the Company's service area, rather than passing through higher roaming rates customarily charged by many cellular carriers. This billing practice provides the customer, in effect, with a broader local service area but results in increased costs for the Company. The Company has been reducing these costs through the continued negotiation of more favorable roaming agreements with cellular service providers in relevant markets.

In recent years, cellular carriers have experienced increased fraud associated with roamer service, including Electronic Serial Number ("ESN") cloning. The Company and other carriers have implemented a number of features which have decreased the incidents of fraudulent use of their systems. Among these are Personal Identification Numbers ("PINs"), which are required to be used by a majority of the Company's customers, and the Company's Security Zone feature which restricts customer usage outside of the Company's service areas. In addition, the Company has implemented authentication and radiofrequency ("RF") fingerprinting technologies which associate ESN/mobile number combinations with particular cellular telephone units. While the use of digital radio technology is expected to make it more difficult to commit cellular fraud, fraudulent use of the Company's systems remains a significant concern.

Customer Service

In 1997 and 1996, the Company consolidated its New Jersey and Delaware operations, respectively, including customer care operations, into the operations of the Philadelphia market. The Company's sales and marketing presence (including through the Company's direct sales group and retail stores) and customer and dealer support will be maintained throughout the systems. In addition to overall reductions in operating costs and increases in operational efficiencies, such consolidation permits an increased emphasis by the Company upon more uniform, efficient and cost effective delivery of customer service and support.

The Company utilizes the MacroCell® billing and customer care platform developed and licensed by Cincinnati Bell Information Systems, Inc. ("CBIS"). Customer service representatives are able to access current billing information in order to respond to customer inquiries. To supplement the Company's customer service operations, Company telemarketers contact customers periodically to determine their satisfaction with the Company's service and to identify problems that can lead to subscriber cancellations.

Licensing

The FCC generally grants two licenses to operate cellular telephone systems in each market. The other cellular licensee in the Company's principal markets is Bell Atlantic Mobile Systems, Inc. ("BAMS"). In addition to BAMS, the Company competes for wireless customers with affiliates of AT&T, the Sprint Corporation ("Sprint"), Omnipoint

Communications, Inc. ("Omnipoint") (which operate PCS networks) and Nextel Communications, Inc. ("Nextel") (which operates Specialized Mobile Radio ("SMR") networks).

Competition

In recent years, new mobile telecommunications service providers have entered the market and have created additional competition in the cellular/PCS telecommunications industry. Many of such providers have access to substantial capital resources and operate, or through affiliates operate, cellular telephone systems, bringing significant wireless experience to the new marketplace. Accordingly, while there are only two cellular providers licensed in a given area, new competitors continue to emerge utilizing different frequencies and new technologies. Competition between wireless operators in each market is principally on the basis of services and enhancements offered, technical-quality of the system, quality and responsiveness of customer service, price and coverage area.

The most prominent new providers are the PCS operators. PCS is used to describe a variety of digital, wireless communications systems which are currently best suited for use in densely populated areas. Broadband PCS service is a direct competitor to cellular service. In the Company's Philadelphia market, AT&T Wireless Services, Inc., Omnipoint and PhillieCo, L.P., an affiliate of Sprint PCS, have authorizations for broadband PCS systems. The FCC recently modified the rules applicable to "C Block" broadband PCS licenses held by small businesses, minorities and women (known as "designated entities") to reduce the government debt now owed by these entities. "Designated entities," such as Omnipoint in the Philadelphia market, compete with the Company.

Cellular telephone systems, including the Company's systems, also face actual or potential competition from other current and developing technologies. In addition to SMR systems, one-way paging or pager services that feature voice message, data services and tones are also available in the Company's markets. These services may provide adequate capacity and sufficient mobile capabilities for some potential cellular subscribers, thus providing additional competition to the Company's systems. Nextel uses its available SMR spectrum in markets where the Company provides wireless service.

The FCC requires cellular licensees to provide service to resellers who purchase cellular service from licensees, usually in the form of blocks of numbers, then resell the service to the public. Thus, a reseller may be both a customer and a competitor of a licensed cellular operator. The FCC currently is seeking comment on whether resellers should be permitted to install separate switching facilities in cellular systems, although it has tentatively concluded not to require such interconnections. The FCC is also considering whether resellers should receive direct assignments of telephone numbers from LEAs.

It is likely that the FCC will offer additional spectrum for wireless mobile licenses in the future. Applicants also have received and others are seeking FCC authorization to construct and operate global satellite networks to provide domestic and international mobile communications services from geostationary and low earth orbit satellites. In addition, the Omnibus Budget Reconciliation Act of 1993 (the "1993 Budget Act") provided, among other things, for the release of 200-MHz of Federal government spectrum for commercial use over a fifteen year period. Also, the World Trade Organization ("WTO") agreement with respect to telecommunications, which became effective on February 5, 1998, is intended to increase competition and reduce barriers to entry by telecommunications firms in foreign and domestic markets, and may lead to greater foreign investment and participation in the US cellular/PCS telecommunications industry. These developments and further technological advances and regulatory changes may make available other alternatives to cellular service, thereby creating additional sources of competition.

OTHER SERVICES

The Company currently holds twelve 10-MHz PCS licenses and seventeen Wireless Communication Service ("WCS") licenses. The PCS licenses cover the Philadelphia and Allentown, PA markets, while the WCS licenses cover the majority of the US. In addition, the Company, through a majority owned and consolidated subsidiary, provides directory assistance and other information services to users of wireless telephones in a number of domestic markets. Further, during 1997 the Company acquired a reseller of long distance services and is currently offering such services to businesses in the Philadelphia market and plans to offer such services nationwide to consumers.

SPRINT PCS

The Company holds a 15% interest in Sprint PCS. Sprint PCS, a limited partnership owned by the Company, Tele-Communications, Inc. ("TCI"), Cox and Sprint, has obtained licenses to offer a full range of cellular/PCS telecommunications services to areas in the US with an aggregate population of approximately 250 million and is in the process of building a seamless integrated digital nationwide wireless communications network. As of December 31, 1997, Sprint PCS had launched its service in over 130 metropolitan markets. The proposed budget for 1998 for Sprint PCS has not yet been approved by the partnership board, which has resulted in the occurrence of a "Deadlock Event" as of January 1, 1998 under the partnership agreement. If the 1998 proposed budget is not approved through resolution as of January 1, 1998 under the partnership agreement, certain specified buy/sell procedures may be triggered, which may result in a restructuring of the partners' interests, the sale of the Company's interest, or, in limited circumstances, the sale of Sprint PCS.

CONTENT

Content consists primarily of the Company's 57% ownership interest in QVC, which is consolidated with and managed by the Company. In addition, the Company owns a controlling interest in E! Entertainment (see "General Developments of Business - E! Entertainment") and maintains strategic investments in other programming ventures, including Comcast SportsNet, The Golf Channel, Speedvision and Outdoor Life.

ELECTRONIC RETAILING

The Company provides electronic retailing services through QVC, a domestic and international general merchandise retailer. Through its merchandise-focused television programs, QVC sells a wide variety of products directly to consumers. The products are described and demonstrated by program hosts and orders are placed directly with QVC by its viewers. QVC television programming is produced at its facilities and is distributed via satellite to affiliated cable system operators and other multichannel video programming providers (the "Program Carriers") who have entered into carriage agreements (the "Affiliation Agreements") with QVC and who retransmit QVC programming to their subscribers.

Revenue Sources

QVC sells a variety of consumer products and accessories including jewelry, housewares, electronics, apparel and accessories, collectibles, toys and cosmetics. QVC purchases products from domestic and foreign manufacturers and wholesalers, often on favorable terms based on the volume of the transactions. QVC intends to continue introducing new products and product lines. QVC is not dependent upon any one particular supplier for any significant portion of its inventory.

Viewers place orders to purchase merchandise by calling a toll-free telephone number. QVC uses automatic call distributing equipment to distribute calls to its operators. The majority of all payments for purchases are made with a major credit card or QVC's private label credit card. QVC's private label credit card program is serviced by an unrelated third party. QVC's policy is to ship merchandise promptly from its distribution centers, typically within 24 hours after receipt of an order. QVC offers a return policy which permits customers to return, within 30 days, any merchandise purchased from QVC for a full refund of the purchase price and original shipping charges.

Distribution Channels

In the US, QVC is transmitted live 24 hours a day, 7 days a week, to approximately 57 million cable television homes and on a part-time basis to approximately 1.6 million additional cable television homes. In addition, transmission can be received by approximately 9.7 million HSD users. The QVC program schedule consists of one-hour and multi-hour program segments. Each program segment has a theme devoted to a particular category of product or lifestyle. From time to time, QVC features special program segments devoted to merchandise associated with a particular celebrity, event, geographical region or seasonal interest.

In December 1996, QVC launched an electronic retailing programming service in Germany. The service currently is available to over 9.5 million cable television and HSD-served homes in Germany. However, the Company estimates that only 3.0 million cable television homes have programmed their television sets to receive this service.

In December 1995, QVC launched its interactive shopping service ("iQVC") which is available through the Internet. The iQVC service offers a diverse array of merchandise, available on-line, 24 hours a day, 7 days a week.

In October 1993, QVC launched an electronic retailing program service in the UK ("QVC-The Shopping Channel") through a joint venture agreement with British Sky Broadcasting Limited. This service currently reaches over 6.5 million cable television and HSD-served homes in the UK and Ireland.

QVC Transmission

The QVC domestic signal is transmitted via two exclusive, protected, non-preemptible transponders on communications satellites. Each communications satellite has a number of separate transponders. "Protected" status means that, in the event of transponder failure, QVC's signal will be transferred to a spare transponder or, if none is available, to a preemptible transponder located on the same satellite or, in certain cases, to a transponder on another satellite owned by the same lessor if one is available at the time of the failure. "Non-preemptible" status means that the transponder cannot be preempted in favor of a user of a "protected" transponder that has failed. QVC has never had an interruption in programming due to transponder failure and believes that because it has the exclusive use of two protected, non-preemptible transponders, such interruption is unlikely to occur. There can be no assurance, however, that there will not be an interruption or termination of satellite transmission due to transponder failure. Such interruption or termination could have a material adverse effect on QVC. QVC subleases transponders for the transmission of its signals to the UK and Germany.

Program Carriers

QVC has entered into Affiliation Agreements with Program Carriers in the US to carry its programming. Generally, there are no additional charges to the subscribers for distribution of QVC. In return for carrying QVC, each Program Carrier receives an allocated portion, based upon market share, of five percent of the net sales of merchandise sold to customers located in the Program Carrier's service area. The terms of most Affiliation Agreements are automatically renewable for one-year terms unless terminated by either party on at least 90 days notice prior to the end of the term. Affiliation Agreements covering most of QVC's cable television homes can be terminated in the sixth year of their respective terms by the Program Carrier unless the Program Carrier earns a specified minimum level of sales commissions. QVC's sales are currently at levels that meet such minimum requirements. The Affiliation Agreements provide for the Program Carrier to broadcast commercials regarding QVC on other channels and to distribute QVC's advertising material to subscribers. As of December 31, 1997, approximately 31.1% of the total homes reached by QVC were attributable to QVC's Affiliation Agreements with the Company and TCI, the indirect owner of the minority interest in QVC, and their respective subsidiaries.

Renewal of these Affiliation Agreements on favorable terms is dependent upon QVC's ability to negotiate successfully with Program Carriers. QVC competes for cable channels with competitive programming, as well as with alternative programming supplied by a variety of other well-established sources, including news, public affairs, entertainment and sports programmers. QVC's business is highly dependent on its affiliation with Program Carriers for the transmission of QVC programming. The loss of a significant number of cable television homes because of termination or non-renewal of Affiliation Agreements would have a material adverse effect on QVC. To induce Program Carriers to enter into or extend Affiliation Agreements or to increase the number of cable television homes under existing Affiliation Agreements, QVC has developed other incentive programs, including various forms of marketing, launch and equipment purchase support. QVC will continue to recruit additional Program Carriers and seek to enlarge its audience.

Competition

QVC operates in a highly competitive environment. As a general merchandise retailer, QVC competes for consumer expenditures and interest with the entire retail industry, including department, discount, warehouse and specialty stores, mail order and other direct sellers, shopping center and mall tenants and conventional free-standing stores, many of which are connected in chain or franchise systems. On television, it is also in competition with other satellite-transmitted programs for channel space and viewer loyalty. QVC believes that, at the present time, most Program Carriers are not willing to devote more than two channels to televised shopping and may allocate only one until digital compression is utilized on a large-scale basis several years in the future. Many systems have limited channel capacity and may be precluded from adding any new programs at the present time. The development and utilization of digital compression is expected to provide Program Carriers with greater channel capacity thereby increasing the opportunity for QVC, in addition to other home shopping programs, to be distributed on additional channels.

CABLE TELEVISION PROGRAMMING INVESTMENTS

The Company has made investments in cable television networks and other programming related enterprises as a means of generating additional interest among consumers in cable television. The Company's programming investments as of December 31, 1997 include:

Investment	Description	Ownership Percentage
@Home	Internet Services over Cable Television	12.3%
CN8-The Comcast Network	Regional and Local Programming	100.0%
Comcast SportsNet	Regional Sports Programming and Events	46.4% (A)
E! Entertainment	Entertainment-related News and Original Programming	39.7% (B)
The Golf Channel	Golf-related Programming	14.4%
Outdoor Life Network	Outdoor Activities	24.7%
Speedvision Network	Automotive, Marine and Aviation	20.2%
Sunshine Network	Regional Sports, Public Affairs and General Entertainment	16.1%
Viewer's Choice	Pay-per-view Programming	10.0%

(A) Represents the Company's 66.3% ownership of Comcast Spectacor, L.P., which holds a 70.0% ownership interest in Comcast SportsNet.

(B) Represents the Company's 50.1% ownership of Comcast Entertainment Holdings LLC, which holds a 79.2% ownership interest in E! Entertainment.

@Home

In 1996, the Company, along with TCI, Cox and Kleiner Perkins Caufield & Byers, invested in @Home, a provider of Internet services via the cable modem over the cable television infrastructure to consumers and businesses.

CN8-The Comcast Network

CN8-The Comcast Network, the Company's local and regional programming service, was created in late 1996 and presently serves more than 1.5 million of the Company's cable subscribers in Pennsylvania, New Jersey and Maryland. CN8 provides original programming, including local and regional news and public affairs, regional sports, health and cooking and family-oriented programming.

Comcast SportsNet

In July 1996, the Company acquired a 66.3% interest in Comcast Spectacor, L.P. ("Comcast-Spectacor"), a partnership that owns the Philadelphia Flyers NHL hockey team (the "Flyers"), the Philadelphia 76ers NBA basketball team (the "Sixers"), and their arenas. Comcast-Spectacor and the owner of the Philadelphia Phillies major league baseball team (the "Phillies") have formed a partnership, Philadelphia Sports Media, L.P. d/b/a Comcast SportsNet ("CSN"), which in October 1997 launched a 24-hour regional sports programming network ("Comcast SportsNet") in the Philadelphia television market. Comcast SportsNet telecasts Flyers, Sixers and Phillies games and other sports-related programming to approximately 2.5 million viewers in the Philadelphia region. CSN has entered into Affiliation Agreements to permit carriage of Comcast SportsNet with multichannel video programming distributors in the Philadelphia television market. Comcast SportsNet is delivered to affiliates by microwave, a terrestrial means of delivery. The Company and Comcast-Spectacor are currently parties to a proceeding at the FCC filed by a DBS provider seeking access to Comcast SportsNet programming.

E! Entertainment

E! Entertainment is an entertainment-related news and information service with distribution to approximately 46 million customers as of December 31, 1997. E! Entertainment seeks to attract viewers based on international interest in Hollywood and entertainment industry news, information and features. The Company obtained a controlling interest in E! Entertainment in March 1997 (see "General Developments of Business - E! Entertainment").

The Golf Channel

The Golf Channel is a 24-hour network devoted exclusively to golf programming. The programming schedule includes live golf coverage, golf instruction programs and golf news. In addition to the Company, the other partners in The Golf Channel include an affiliate of Fox, Inc., Times Mirror Corporation and other private investors. In January and February

1998, the Company entered into agreements to acquire an additional 28.9% interest in The Golf Channel for \$76.2 million. These transactions are expected to close in the first quarter of 1998. After completion of these transactions, the Company's ownership interest in The Golf Channel will be 43.3%.

The Outdoor Life Network and The Speedvision Network

Outdoor Life, which was launched in July 1995, presents programming consisting primarily of outdoor life themes. Speedvision, which was launched in January 1996, presents a variety of programming of interest to automobile, boat and airplane enthusiasts including news, historical and other information and event coverage. The other partners in Outdoor Life and Speedvision include Cox and MediaOne Group ("MediaOne").

The Sunshine Network

The Sunshine Network is a regional sports and public affairs network, providing programming emphasizing Florida's local teams and events to more than 4.3 million homes in Florida. Programming rights on the network include eight professional teams, including the Orlando Magic and Miami Heat NBA basketball teams and the Tampa Bay Lightning NHL hockey team.

Viewer's Choice

Viewer's Choice, which is the brand-name operated by PPVN Holding Co. ("PPVN"), is a cable operator-controlled buying cooperative for pay-per-view programming. Viewer's Choice serves 925 affiliated systems with approximately 18 million addressable households. The other owners of PPVN include Time Warner, Cox, Disney, MediaOne and TCI.

LEGISLATION AND REGULATION

CABLE COMMUNICATIONS

The Cable Acts and the 1996 Telecom Act amended the Communications Act of 1934 (as amended, the "Communications Act") and established a national policy to guide the development and regulation of cable systems. The 1996 Telecom Act is the most comprehensive reform of the nation's telecommunications laws since the Communications Act. Although the long-term goal of the 1996 Telecom Act is to promote competition and decrease regulation of various communications industries, in the short-term the law delegates to the FCC (and in some cases to the states) broad new rulemaking authority. Principal responsibility for implementing the policies of the Cable Acts and the 1996 Telecom Act is allocated between the FCC and state or local franchising authorities. The FCC and state regulatory agencies are required to conduct numerous rulemaking and regulatory proceedings to implement the 1996 Telecom Act, and such proceedings may materially affect the cable communications industry. The following is a summary of federal laws and regulations materially affecting the growth and operation of the cable communications industry and a description of certain state and local laws.

Rate Regulation

The 1992 Cable Act authorized rate regulation for cable communications services and equipment in communities that are not subject to "effective competition," as defined by federal law. Most cable communications systems are now subject to rate regulation for basic cable service and equipment by local officials under the oversight of the FCC, which has prescribed detailed criteria for such rate regulation. The 1992 Cable Act also requires the FCC to resolve complaints about rates for cable programming service tiers ("CPSTs") (other than programming offered on a per channel or per program basis, which programming is not subject to rate regulation) and to reduce any such rates found to be unreasonable. The 1996 Telecom Act eliminates the right of individuals to file CPST rate complaints with the FCC and requires the FCC to issue a final order within 90 days after receipt of CPST rate complaints filed by any franchising authority. The 1992 Cable Act limits the ability of cable television systems to raise rates for basic and certain cable programming services (collectively, the "Regulated Services").

FCC regulations govern rates that may be charged to subscribers for Regulated Services. The FCC uses a benchmark methodology as the principal method of regulating rates for Regulated Services. Cable operators are also permitted to justify rates using a cost-of-service methodology, which contains a rebuttable presumption of an industry-wide 11.25% after tax rate of return on an operator's allowable rate base. Franchising authorities are empowered to regulate the rates charged for monthly basic service, for additional outlets and for the installation, lease and sale of equipment used by subscribers to receive the basic cable service tier, such as converter boxes and remote control units. The FCC's rules require franchising authorities to regulate these rates on the basis of actual cost plus a reasonable profit, as defined by

In December 1995, the FCC adopted an order approving a negotiated settlement of rate complaints pending against the Company for CPST's which provided \$6.6 million in refunds, plus interest, given in the form of bill credits during 1996. The Company for CPST's has approximately 500,000 active subscribers. The FCC and the Company recently negotiated a "social contract" to 1.3 million of the Company's cable subscribers. The FCC and the Company agreed upon improvements by March 1999 in return in which the Company has committed to complete certain system upgradings services in certain cable systems to a single tier which it may move a limited number of currently regulated programming services in certain cable systems after December 1997 (see migrated product tier on each system that may become an upgraded new product tier after December 1997) (see migrated product tier on each system that may become an upgraded new product tier after December 1997). The "Description of the Company's Businesses - Cable Communications - Technology and Capital Improvements". The Company is also currently in negotiations to settle pending proceedings involving the Company's basic service rates. The Company believes that the outcome of this action will be favorable to the Company. While the Company cannot predict the outcome of this action, the Company believes that the ultimate resolution of this proceeding will not have a material adverse impact on the Company's financial position, results of operations or liquidity.

"4-til-Bio Through" Provisions

a rulemaking or the impact of new carriage requirements on the Company or its customers.

The Communications Act permits franchising authorities to require cable operators to set aside certain channels for public, educational and governmental access programming. The 1984 Cable Act also requires a cable system with 36 or more channels to designate a portion of its channel capacity for commercial leased access by third parties to provide programming that may compete with services offered by the cable operator. The FCC has adopted rules regulating: (i) the maximum reasonable rate a cable operator may charge for commercial use of the designated channel capacity; (ii) the terms and conditions for commercial use of such channels; and (iii) the procedures for the expedited resolution of disputes concerning rates or commercial use of the designated channel capacity.

The 1984 Cable Act affirms the right of franchising authorities (state or local, depending on the practice in individual states) to award one or more franchises within their jurisdictions and prohibits non-franchised cable systems from operating without a franchise in such jurisdictions. The 1992 Cable Act encourages competition with existing cable systems by (i) allowing municipalities to operate their own cable systems without franchises, (ii) preventing franchising authorities from awarding franchises to a cable operator who is not the owner of the system, (iii) requiring an existing cable system's service area, and (iii) prohibiting (with limited exceptions) the common ownership of cable systems and co-located MMDs or SMATV systems. The FCC has relaxed its restrictions on ownership of SMATV systems to permit a cable operator to acquire SMATV systems in the operator's existing franchise area so long as the programming services provided through the SMATV system are offered according to the terms and conditions of the cable operator's local franchise agreement. The 1996 Telecom Act provides that the cable/SMATV and cable/MMDs ownership rules do not apply in any franchise area where the operator faces "effective competition" as defined by federal law.

The 1984 Cable Act contains renewal procedures designed to protect incumbent franchisees against arbitrary denial of renewal. The 1992 Cable Act made several changes to the renewal process which could make it easier for a franchising authority to deny renewal. Moreover, even if the franchise is renewed, the franchising authority may seek to impose new conditions on renewal. For example, the franchising authority may require the franchisee to meet certain performance conditions of renewal. Similarly, if a franchising authority's consent is required for the purchase or sale of a cable system or franchise, such authority may attempt to impose more burdensome or onerous franchise requirements in connection with a request for such consent. Historically, franchisees have been renewed for cable operators that have provided satisfactory services and have complied with the terms of their franchises. The Company believes that it has generally met the requirements of the Cable Act and that the high quality levels of service. The company anticipates that its future franchise renewal prospects generally will be favorable.

Various courts have considered whether franchising authorities have the legal right to limit the number of franchises awarded within a community and to impose certain substantive franchising requirements (e.g. access channels, universal service and other technical requirements). These decisions have been inconsistent and, until the US Supreme Court rules definitively on the scope of cable operators' First Amendment protections, the legality of the franchising process generally and of various specific franchising requirements is likely to be in a state of flux.

Ownership Limitations

Pursuant to the 1992 Cable Act, the FCC adopted rules prescribing national subscriber limits and limits on the number of channels that can be occupied on a cable system by a video programmer in which the operator has an attributable interest. The effectiveness of these FCC horizontal ownership limits has been stayed because a federal district court found the statutory limitation to be unconstitutional. An appeal of that decision has been consolidated with appeals challenging the FCC's regulatory ownership restrictions and is pending. The 1996 Telecomm Act eliminates the statutory prohibition on the common ownership, operation or control of a cable system and a television broadcast station in the same service area and directs the FCC to review its broadcast-cable ownership restrictions. Pursuant to the mandate of the 1996 Telecomm Act, the FCC eliminated its regulatory restriction on cross-ownership of cable systems and national broadcasting networks.

LEC Ownership of Cable Systems

The 1996 Telecomm Act made far-reaching changes in the regulation of LECs that provide cable services. The 1996 Telecomm Act eliminated federal legal barriers to competition in the local telephone and cable communications businesses, preempted legal barriers to competition that previously existed in state and local laws and regulations, and set basic standards for relationships between telecommunications providers. The 1996 Telecomm Act eliminated the statutory telephone company/cable television cross-ownership prohibition, thereby allowing LECs to offer video services in their telephone service areas. LECs may provide service as traditional cable operators with local franchises or they may opt to provide their programming over unfranchised "open video systems," subject to certain conditions, including, but not limited to, setting aside a portion of their channel capacity for use by unaffiliated program distributors on a non-discriminatory basis. The 1996 Telecomm Act generally limits acquisitions and prohibits certain joint ventures between LECs and cable operators in the same market.

Pole Attachment

The Communications Act requires the FCC to regulate the rates, terms and conditions imposed by public utilities for cable systems' use of utility pole and conduit space unless state authorities can demonstrate that they adequately regulate pole attachment rates, as is the case in certain states in which the Company operates. In the absence of state regulation, the FCC administers pole attachment rates on a formula basis. In some cases, utility companies have increased pole attachment fees for cable systems that have installed fiber optic cables and that are using such cables for the distribution of non-video services. The FCC has concluded that, in the absence of state regulation, it has jurisdiction to determine whether utility companies have justified their demand for additional rental fees and that the Communications Act does not permit disparate rates based on the type of service provided over the equipment attached to the utility's pole. The FCC's existing pole attachment rate formula, which may be modified by a pending rulemaking, governs charges for utilities for attachments by cable operators providing only cable services. The 1996 Telecomm Act and the FCC's implementing regulations modify the current pole attachment provisions of the Communications Act by immediately permitting certain providers of telecommunications services to rely upon the protections of the current law and by requiring that utilities provide cable systems and telecommunications carriers with nondiscriminatory access to any pole, conduit or right-of-way controlled by the utility. The FCC recently adopted new regulations to govern the charges for pole attachments used by companies providing telecommunications services, including cable operators. These new pole attachment rate regulations will become effective in February 2001. Any resulting increase in attachment rates will be phased in equal annual increments over a period of five years, beginning in February 2001. The ultimate impact of any revised FCC rate formula or of any new pole attachment rate regulations on the Company or its businesses cannot be determined at this time.

Other Statutory Provisions

The 1992 Cable Act, the 1996 Telecomm Act and FCC regulations preclude any satellite video programmer affiliated with a cable company, or with a common carrier providing video programming directly to its subscribers, from favoring an affiliated company over competitors and requires such programmers to sell their programming to other multichannel video distributors. These provisions limit the ability of program suppliers affiliated with cable companies or with common carriers providing satellite-delivered video programming directly to their subscribers to offer exclusive programming arrangements to their affiliates. In December 1997, the FCC initiated a rulemaking to address a number of possible changes to its program access rules. Among the issues on which the FCC has sought comment is whether the FCC has jurisdiction to extend its program access rules to terrestrially-delivered programming, such as Comcast SportsNet, and if it does have such jurisdiction, whether it should expand the rules in this fashion. This rulemaking is pending at the FCC and the Company cannot predict the ultimate outcome of this proceeding.

The 1992 Cable Act requires cable operators to block fully both the video and audio portion of sexually explicit or indecent programming on channels that are primarily dedicated to sexually oriented programming or alternatively to carry such programming only at "safe harbor" time periods currently defined by the FCC as the hours between 10 p.m. to 6 a.m. The Communications Act also includes provisions, among others, concerning horizontal and vertical ownership of cable systems, customer service, subscriber privacy, marketing practices, equal employment opportunity, obscene or indecent programming, regulation of technical standards and equipment compatibility.

Other FCC Regulations

The FCC recently revised its cable inside wiring rules to provide a more specific procedure for the disposition of internal cable wiring that belongs to an incumbent cable operator that is forced to terminate its cable services in a multiple dwelling unit ("MDU") building by the building owner. The FCC is also considering additional rules relating to MDU inside wiring that, if adopted, may disadvantage incumbent cable operators. The FCC has various rulemaking proceedings pending that will implement the 1996 Telecomm Act; it also has adopted regulations implementing various provisions of the 1992 Cable Act and the 1996 Telecomm Act that are the subject of petitions requesting reconsideration of various aspects of its rulemaking proceedings. Other FCC regulations covering such areas as equal employment opportunity, syndicated program exclusivity, network program non-duplication, closed captioning of video programming, registration of cable systems, maintenance of various records and public inspection files, microwave frequency usage, origination cablecasting and sponsorship identification, antenna structure notification, marking and lighting, carriage of local sports broadcast programming, application of rules governing political broadcasts, limitations on advertising contained in non-broadcast children's programming, consumer protection and customer service, indecent programming, programmer access to cable systems, programming agreements, technical standards, consumer electronics equipment compatibility and DBS implementation. The FCC has the authority to enforce its regulations through the imposition of substantial fines, the issuance of cease and desist orders and/or the imposition of other administrative sanctions, such as the revocation of FCC licenses needed to operate certain transmission facilities often used in connection with cable operations.

Other bills and administrative proposals pertaining to cable communications have previously been introduced in Congress or considered by other governmental bodies over the past several years. It is probable that further attempts will be made by Congress and other governmental bodies relating to the regulation of communications services.

Copyright

Cable communications systems are subject to federal copyright licensing covering carriage of television and radio broadcast signals. In exchange for filing certain reports and contributing a percentage of their revenues to a federal copyright royalty pool, cable operators can obtain blanket permission to retransmit copyrighted material on broadcast signals. The nature and amount of future payments for broadcast signal carriage cannot be predicted at this time. In a report to Congress, the Copyright Office recommended that Congress make major revisions of both the cable television and satellite compulsory licenses to make them as simple as possible to administer, to provide copyright owners with full compensation for the use of their works, and to treat every multichannel video delivery system the same, except to the extent that technological differences or differences in the regulatory burdens placed upon the delivery system justify different copyright treatment. The possible simplification, modification or elimination of the compulsory copyright license is the subject of continuing legislative review. The elimination or substantial modification of the cable compulsory license could adversely affect the Company's ability to obtain suitable programming and could substantially increase the cost of programming that remains available for distribution to the Company's subscribers. The Company cannot predict the outcome of this legislative activity.

Cable operators distribute programming and advertising that use music controlled by the two principal major music performing rights organizations, the Association of Songwriters, Composers, Artists and Producers ("ASCAP") and Broadcast Music, Inc. ("BMI"). In October 1989, the special rate court of the US District Court for the Southern District of New York imposed interim rates on the cable industry's use of ASCAP-controlled music. The same federal district court established a special rate court for BMI. BMI and cable industry representatives concluded negotiations for a standard licensing agreement covering the performance of BMI music contained in advertising and other information inserted by operators into cable programming and on certain local access and origination channels carried on cable systems. The Company's settlement with BMI did not have a significant impact on the Company's financial position, results of operations or liquidity. ASCAP and cable industry representatives have met to discuss the development of a standard licensing agreement covering ASCAP-controlled music in local origination and access channels and pay-per-view programming. Although the Company cannot predict the ultimate outcome of these industry negotiations or the

amount of any license fees it may be required to pay for past and future use of ASCAP-controlled music, it does not believe such license fees will be significant to the Company's financial position, results of operations or liquidity.

State and Local Regulation

Because a cable communications system uses local streets and rights-of-way, cable systems are subject to state and local regulation, typically imposed through the franchising process. Cable communications systems generally are operated pursuant to non-exclusive franchises, permits or licenses granted by a municipality or other state or local government entity. Franchises generally are granted for fixed terms and in many cases are terminable if the franchisee fails to comply with material provisions. The terms and conditions of franchises vary materially from jurisdiction to jurisdiction. Each franchise generally contains provisions governing cable service rates, franchise fees, franchise term, system construction and maintenance obligations, system channel capacity, design and technical performance, customer service standards, and franchise renewal, sale or transfer of the franchise, territory of the franchisee, indemnification of the franchising authority, use and occupancy of public streets and types of cable services provided. A number of states subject cable communications systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. Attempts in other states to regulate cable communications systems are continuing and can be expected to increase. To date, those states in which the Company operates that have enacted such state level regulation are Connecticut, New Jersey and Delaware. State and local franchising jurisdiction is not unlimited, however, and must be exercised consistently with federal law. The 1992 Cable Act imposes franchising authorities from monetary damage awards arising from regulation of cable communications systems or decisions made on franchise grants, renewals, transfers and amendments.

The foregoing does not purport to describe all present and proposed federal, state, and local regulations and legislation affecting the cable industry. Other existing federal regulations, copyright licensing, and, in many jurisdictions, state and local franchise requirements, are currently the subject of judicial proceedings, legislative hearings and administrative proposals which could change, in varying degrees, the manner in which cable communications systems operate. Neither the outcome of these proceedings nor their impact upon the cable communications industry or the Company can be predicted at this time.

UK Regulation

The operation of a cable television/telephony system in the UK is regulated under both the Broadcasting Act 1990 (the "Broadcasting Act") (which replaced the Cable and Broadcasting Act 1984 (the "UK Cable Act")) and the Telecommunications Act 1984 (the "Telecommunications Act"). The operator of a cable/telephony franchise covering over 1,000 homes must hold two principal licenses: (i) a license (a "cable television license") issued in the past under the UK Cable Act or since 1990 under the Broadcasting Act, which allows the operator to provide cable television services in the franchise area, and (ii) a telecommunications license issued under the Telecommunications Act, which allows the operator to operate and use the physical network necessary to provide cable television and telecommunications services. The Independent Television Commission ("ITC") is responsible for the licensing and regulation of cable services. The Department of Trade and Industry ("DTI") is responsible for issuing, and the Office of Telecommunications ("OFTEL") is responsible for regulating the holders of, the telecommunications licenses. In addition, an operator is required to hold a license under the Wireless Telegraphy Acts of 1949-67 for the use of microwave distribution systems. Any system covering 1,000 homes or less requires a telecommunications license but not a cable television license, and a system that covers only one building or two adjacent buildings can operate pursuant to an existing general telecommunications license.

The 1996 Broadcasting Act (the "1996 Act") became law in July 1996. The 1996 Act amends the Broadcasting Act and makes provision for the broadcasting in digital form of television and sound program services and broadcasting in digital form on television. The 1996 Act also addresses rights to televise sporting or other events of national interest. In addition, cable operators must comply with and are entitled to the benefits of the New Roads and Street Works Act 1991, the principal benefit of which is to allow cable operators to "piggy back" their construction on that of local utilities. However, the aggressive build schedules followed by the Company's four cable and telephony businesses in the UK (the "UK Operating Companies") make waiting for local utilities to undertake construction impractical.

The cable television licenses held by the relevant subsidiaries of the UK Operating Companies were issued under the UK Cable Act for 15-year periods. The majority of the UK Operating Companies' cable television licenses have been extended to run for 23 years and are scheduled to expire beginning in late 2012. The telecommunications licenses held

by these subsidiaries of the UK Operating Companies are for 23-year periods and are scheduled to expire beginning in late 2012.

CELLULAR/PCS TELECOMMUNICATIONS

FCC Regulation

The FCC regulates the licensing, construction, operation and acquisition of wireless telephone systems, including the Company's cellular systems, pursuant to the Communications Act.

Under the Communications Act, no party may transfer control of or assign a cellular license without first obtaining FCC consent. FCC rules (i) prohibit an entity controlling one system in a market from holding any interest in the competing cellular system in the market, (ii) prohibit an entity from holding non-controlling interests in more than one system in any market, if the common ownership interests present anti-competitive concerns under FCC policies, and (iii) restrict the amount of commercial mobile radio spectrum that a single entity may hold in any particular area. Cellular radio licenses generally expire ten years following grant of the license in the particular market and are renewable for periods of ten years upon application to the FCC. Licenses may be revoked for cause and license renewal applications denied if the FCC determines that a renewal would not serve the public interest. FCC rules provide that competing renewal applications for cellular licenses will be considered in comparative hearings, and establish the qualifications for competing applications and the standards to be applied in such hearings. Under current policies, the FCC will grant incumbent cellular licensees a "renewal expectancy" if the licensee has provided substantial service to the public, substantially complied with applicable FCC rules and policies and the Communications Act and is otherwise qualified to hold an FCC license. The FCC has granted renewal of the Company's licenses for the Philadelphia, PA, Wilmington, DE and New Brunswick, Long Branch and Trenton, NJ. The licenses for the Aurora/Elgin, IL, Joliet, IL, Vineland, NJ and Atlantic City, NJ expire in 1998. The balance of the Company's licenses expire from 1999 through 2006.

The FCC regulates the ability of cellular operators to bundle the provision of service with hardware, the resale of cellular service by third parties and the coordination of frequency usage with other cellular licensees. The FCC also regulates the height and power of base station transmitting facilities and signal emissions in the cellular system. Cellular systems also are subject to Federal Aviation Administration and FCC regulations concerning the siting, construction, marking and lighting of cellular transmitter towers and antennae. In addition, the FCC also regulates the employment practices of cellular operators.

Allegations of harmful effects from the use of hand-held cellular phones have caused the cellular industry to fund additional research to review and update previous studies concerning the safety of the emissions of electromagnetic energy from cellular phones. The FCC also has adopted standards for limiting human exposure to RF energy from cellular/PCS telecommunications facilities. The FCC has determined that these standards preempt state and local regulation of RF exposure.

The FCC also requires LECs in each market to offer reasonable terms and facilities for the interconnection of wireless telephone systems in that market to the LECs' landline network. In June 1996, the FCC adopted a national regulatory framework for implementing the local competition provision of the 1996 Telecomm Act, including adoption of rules delineating interconnection obligations of incumbent LECs, unbundling requirements for incumbent LECs, network elements, requirements for access to local rights of way, dialing parity and telephone numbering and number portability, and requirements for resale of and nondiscriminatory access to incumbent LEC services. The FCC established a national regulatory framework that sets pricing standards and negotiations and arbitration guidelines. However, the US Court of Appeals for the Eighth Circuit vacated certain of these standards and guidelines, on the grounds that the FCC lacked the authority to bind state regulators on the matter of local pricing of interconnection. As a result, local interconnection pricing will be left to state-by-state determinations. The Eighth Circuit also determined that the FCC has special authority over Commercial Mobile Radio Services ("CMRS") carriers, which include the Company's wireless operations and their interconnection to incumbent LECs. Accordingly, national interconnection rules will be maintained for the Company's CMRS operations. In January 1998, the US Supreme Court agreed to review the Eighth Circuit decision. The Company cannot predict the outcome of this litigation or the FCC rulemaking, and the ultimate impact of any final FCC regulations on the Company or its businesses cannot be determined at this time.

Notwithstanding the federal court stay of certain FCC interconnection regulations, a subsidiary of the Company has renegotiated its interconnection contracts with Bell Atlantic pursuant to the 1996 Telecomm Act. The agreements, covering

Pennsylvania, New Jersey, Delaware and Maryland, provide for the reciprocal transport and termination of CMRS traffic by Bell Atlantic and the Company at substantially reduced rates.

The FCC changes its regulations from time to time in response to competitive developments in the telecommunications marketplace or new federal legislation. For instance, the FCC is considering whether all CMRS providers should provide interconnection to all other CMRS providers. In its implementation of the 1996 Telecom Act, the FCC recently established new federal universal service rules, under which wireless service providers are eligible to receive universal service subsidies for the first time, but also are required to contribute to both federal and state universal service funds. The Company began making its contributions to the federal universal service programs in February 1998. For the first quarter of 1998, the FCC's universal service assessments amount to 0.72% of telecommunications revenues and an additional 3.19% of all telecommunications revenues. Various parties have challenged the FCC's universal service rules and the cases have been consolidated in the US Court of Appeals for the Fifth Circuit. The Company cannot predict the outcome of this proceeding.

Finally, the 1996 Telecom Act relieves RBOC-affiliated cellular providers of their obligations to provide equal access to long distance carriers. RBOC-affiliated carriers are now afforded greater flexibility in contracting with interexchange carriers for the provision of long distance services. Nevertheless, the FCC retains authority to require all CMRS operators to provide unblocked access through the use of other mechanisms if customers are being denied access to the telephone toll service providers of their choice, and if such denial is contrary to the public interest. In October 1997, the FCC released an order establishing uniform rules governing incumbent LEC participation in broadband CMRS within each LEC's landline telephone region. These rules will expire in January 2002, unless extended by the FCC. While the FCC eliminated the requirements in its cellular rules for full structural separation of the incumbent LEC cellular affiliate from the LEC landline affiliate, the FCC adopted new rules designed to address incentives incumbent LECs may have to engage in anti-competitive practices against CMRS providers, such as discriminatory interconnection, cost-shifting and anti-competitive pricing. Specifically, the FCC will require incumbent LECs to create separate corporations for their in-region broadband CMRS operation (whether cellular, PCS or other) and to apply existing FCC rules on affiliate transactions and use of customer proprietary network information to LEC-CMRS operations. Additionally, the order addressed provisions of the 1996 Telecom Act that govern incumbent LEC joint marketing of CMRS and landline services, as well as LEC obligations to disclose material changes in their networks. The FCC also recently released a notice of inquiry on calling party pays, a mechanism that would allow CMRS providers to offer service plans under which callers to CMRS customers would pay for the calls that they make.

State Regulation and Local Approvals

Except for the State of Illinois, the states in which the Company presently operates currently do not regulate cellular telephone service. In the 1993 Budget Act, Congress gave the FCC the authority to preempt states from regulating rates or entry into CMRS, including cellular. In the CMRS order described above, the FCC preempted the states and established a procedure for states to petition the FCC for authority to regulate rates and entry into CMRS. The FCC, to date, has denied all state petitions to regulate the rates charged by CMRS providers.

The scope of the allowable level of state regulation of CMRS, however, remains unclear. The 1993 Budget Act does not identify the "other terms and conditions" of CMRS service that can be regulated by the states. Moreover, the extent to which states may regulate intrastate LEC-CMRS interconnection remains unresolved. The resolution of this issue will determine the extent to which cellular providers will be subject to state regulation of CMRS interconnection to the LECs. The siting of cells also remains subject to state and local jurisdiction although petitions seeking clarification of states' siting authority are currently pending at the FCC.

CONTENT

The FCC does not directly regulate the content or transmission of programming services like those offered by QVC and EI Entertainment. The FCC does, however, exercise regulatory authority over the satellites and uplink facilities which transmit programming services such as those provided by QVC and EI Entertainment. The FCC has granted, subject to periodic reviews, permanent licenses to QVC for its uplink facilities (and for backup equipment of certain of these facilities) at sufficient power levels for transmission of the QVC service. Regarding the satellites from which QVC and EI Entertainment obtain transponder capacity, the FCC presently exercises licensing authority but does not regulate the rates, terms or conditions of service provided by these facilities. Pursuant to its residual statutory authority, the FCC

could, however, alter the regulatory obligations applicable to satellite service providers. The QVC programming services offered in the UK and Germany are regulated by the media authorities in those countries.

EMPLOYEES

As of December 31, 1997, the Company had 17,600 employees, excluding employees in managed operations. Of these employees, 8,200 were associated with domestic cable communications, 1,600 were associated with cellular telephone communications, 5,500 were associated with electronic retailing and 2,300 were associated with other divisions. The Company believes that its relationships with its employees are good.

ITEM 2 PROPERTIES

Domestic Cable Communications

The principal physical assets of a cable communications system consist of a central receiving apparatus, distribution cables, converters, regional customer service call centers and local business offices. The Company owns or leases the receiving and distribution equipment of each system and owns or leases parcels of real property for the receiving sites, regional customer service call centers and local business offices. The physical components of cable communications systems require maintenance and periodic upgrading and rebuilding to keep pace with technological advances.

Cellular Communications

The principal physical assets of a cellular telephone communications system include cell sites and central switching equipment. The Company primarily leases its sites used for its transmission facilities, retail stores and its administrative offices. The physical components of a cellular telephone communications system require maintenance and upgrading to keep pace with technological advances. During 1997, the Company's systems, including its cell sites and switching equipment were upgraded with TDMA digital cellular technology, permitting its subscribers and roamers to use both analog and TDMA services throughout the Company's coverage area.

Electronic Retailing

The principal physical assets of the Company's electronic retailing operations consist of television studios, telecommunications centers, local business offices and various product warehouses and distribution centers. These assets include QVC's recently constructed studios and offices, Studio Park, located in West Chester, Pennsylvania. The Company, through QVC, owns the majority of these assets. The physical components of electronic retailing operations require maintenance and periodic upgrading and rebuilding to keep pace with technological advances. QVC's warehousing and distribution facilities will continue to be upgraded over the next several years.

The Company's management believes that substantially all of its physical assets are in good operating condition.

ITEM 3 LEGAL PROCEEDINGS

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position, results of operations or liquidity of the Company.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 4A EXECUTIVE OFFICERS OF THE REGISTRANT

The current term of office of each of the officers expires at the first meeting of the Board of Directors of the Company following the next Annual Meeting of Shareholders, presently scheduled to be held in June 1998, or as soon thereafter as each of their successors is duly elected and qualified.

The following table sets forth certain information concerning the principal executive officers of the Company, including their ages, positions and tenure as of January 30, 1998:

Name	Age	Officer Since	Position with the Company
Ralph J. Roberts	77	1969	Chairman of the Board of Directors; Director
Julian A. Brodsky	64	1969	Vice Chairman of the Board of Directors; Director
Brian L. Roberts	38	1986	President; Director
Lawrence S. Smith	50	1988	Executive Vice President
John R. Alchin	49	1990	Senior Vice President; Treasurer
Stanley L. Wang	57	1981	Senior Vice President; General Counsel; Secretary

Ralph J. Roberts has served as a Director and Chairman of the Board of Directors of the Company for more than five years. Mr. Roberts devotes a major portion of his time to the business and affairs of the Company. Mr. Roberts has been the President and a Director of Sural Corporation, a privately-held investment company ("Sural"), the Company's largest shareholder, for more than five years. Mr. Roberts is also a Director of Comcast UK Cable Partners Limited. Mr. Roberts is the father of Brian L. Roberts.

Julian A. Brodsky has served as a Director and Vice Chairman of the Board of Directors of the Company for more than five years. Mr. Brodsky devotes a major portion of his time to the business and affairs of the Company. Mr. Brodsky presently serves as the Treasurer and a Director of Sural. Mr. Brodsky is also a Director of Comcast UK Cable Partners Limited and RBB Fund, Inc.

Brian L. Roberts has served as President of the Company and as a Director for more than five years. Mr. Roberts devotes a major portion of his time to the business and affairs of the Company. Mr. Roberts presently serves as Vice President and a Director of Sural. As of December 31, 1997, the shares of the Company owned by Sural constituted approximately 82% of the voting power of the two classes of the Company's voting common stock combined. Mr. Roberts has sole voting power over stock representing a majority of voting power of all Sural stock and, therefore, effectively controls the Company and its subsidiaries. Mr. Roberts is also a Director of Comcast UK Cable Partners Limited and At Home Corporation. Mr. Roberts is a son of Ralph J. Roberts.

Lawrence S. Smith was named Executive Vice President of the Company in December 1995. Prior to that time, Mr. Smith served as Senior Vice President of the Company for more than five years. Mr. Smith is the Principal Accounting Officer of the Company. Mr. Smith is also a Director of Teleport Communications Group, Inc. and Comcast UK Cable Partners Limited and is a Partnership Board Representative of Sprint Spectrum Holding Company, L.P.

John R. Alchin has served as Treasurer and Senior Vice President of the Company for more than five years. Mr. Alchin is the Principal Financial Officer of the Company. Mr. Alchin is also a Director of Comcast UK Cable Partners Limited and Teleport Communications Group, Inc.

Stanley L. Wang has served as Senior Vice President, Secretary and General Counsel of the Company for more than five years.

PART II

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Class A Special Common Stock and Class A Common Stock of the Company are traded in the over-the-counter market and are included on Nasdaq under the symbols CMCSK and CMCSA, respectively. There is no established public trading market for the Class B Common Stock of the Company. The Class B Common Stock is convertible, on a share for share basis, into Class A Special or Class A Common Stock. The following table sets forth, for the indicated periods, the closing price range of the Class A Special and Class A Common Stock as furnished by Nasdaq.

	Class A Special		Class A	
	High	Low	High	Low
1997				
First Quarter	\$19 3/8	\$16 7/8	\$18 15/16	\$16 3/8
Second Quarter	22 1/4	14 5/8	22 3/16	14 1/2
Third Quarter	25 3/4	19 3/4	25 5/8	19 13/16
Fourth Quarter	32 9/16	25 19/32	32 3/4	25 11/16
1996				
First Quarter	\$21 1/16	\$17 1/2	\$20 5/8	\$17 1/4
Second Quarter	18 3/4	16 1/4	18 7/8	16 5/16
Third Quarter	18 3/8	13 7/8	18 1/4	13 7/8
Fourth Quarter	17 7/8	14 5/8	17 3/4	14 1/4

The Company began paying quarterly cash dividends on its Class A Common Stock in 1977. Since 1978, the Company has paid equal dividends on shares of both the Class A Common Stock and the Class B Common Stock. Since December 1986, when the Class A Special Common Stock was issued, the Company has paid equal dividends on shares of the Class A Special, Class A and Class B Common Stock. The Company declared dividends of \$ 0.933 for each of the years ended December 31, 1997 and 1996 on shares of Class A Special, Class A and Class B Common Stock. The declaration and payment of future dividends and their amount depend upon the results of operations, financial condition and capital needs of the Company, contractual restrictions of the Company and its subsidiaries and other factors.

The holders of the Class A Special Common Stock are not entitled to vote in the election of directors or otherwise, except where class voting is required by applicable law, in which case, each holder of Class A Special Common Stock shall be entitled to one vote per share. Each holder of Class A Common Stock has one vote per share and each holder of Class B Common Stock has 15 votes per share. Under applicable law, holders of Class A Special Common Stock have voting rights in the event of certain amendments to the Articles of Incorporation and certain mergers and other fundamental corporate changes. In all other instances, including the election of directors, the Class A Common Stock and the Class B Common Stock vote as one class. Neither the holders of Class A Common Stock nor the holders of Class B Common Stock have cumulative voting rights.

As of January 30, 1998, there were 2,568 record holders of the Company's Class A Special Common Stock and 1,880 record holders of the Company's Class A Common Stock. Sural Corporation is the sole record holder of the Company's Class B Common Stock.

ITEM 6 SELECTED FINANCIAL DATA

	1997 (1)	1996 (1)	1995 (1)	1994
		Year Ended December 31, 1994		
		(Dollars in millions, except per share data)		
Statement of Operations Data:				
Revenues	\$4,912.6	\$4,038.4	\$3,362.9	\$1,375.3
Operating income	532.1	508.9	329.8	239.8
Equity in net losses of affiliates	330.1	144.8	86.6	40.9
Loss before extraordinary items				
and cumulative effect of accounting changes	(208.5)	(52.5)	(37.8)	(75.3)
Extraordinary items	(30.2)	(1.0)	(6.1)	(11.7)
Cumulative effect of accounting changes (2)	(238.7)	(53.5)	(43.9)	(87.0)
Net loss				
per common stockholders				
extraordinary items and cumulative effect of accounting changes (3)	(.66)	(.21)	(.16)	(.32)
Extraordinary items per share (3)	(.09)		(.02)	(.05)
Cumulative effect of accounting changes per share (3)			(.18)	(.37)
Net loss for common stockholders per common share (3)	(.75)	(.21)		
Cash dividends declared per common share (3)	.0933	.0933	.0933	.0933
Balance Sheet Data (at year end):				
Total assets	12,804.2	12,088.6	9,580.3	6,763.0
Working capital (deficiency)	141.7	7,102.7	531.6	(52.1)
Long-term debt	6,558.6	551.6	6,943.8	4,810.5
Stockholders' equity (deficiency)	1,646.5		(827.7)	(726.8)
Supplementary Financial Data:				
Operating income before depreciation and amortization (4)	1,468.5	1,207.2	1,018.8	576.3
Net cash provided by operating activities (5)	916.0	799.6	520.7	369.1

- for a discussion of events which affect the comparability of the information reflected in the above selected financial data.
- (1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of events which affect the comparability of the information reflected in the above selected financial data.
 - (2) Primarily represents the cumulative effect of the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," effective January 1, 1993.
 - (3) As adjusted for the Company's three-for-two stock split effective February 2, 1994.
 - (4) Operating income before depreciation and amortization is commonly referred to in the Company'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 operating cash flow of the Company'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 the Company's industries, although the Company's measure of operating cash flow may not be comparable to similarly titled measures of other companies. 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 such measurements as an indicator of the Company's performance.
 - (5) Represents net cash provided by operating activities as presented in the Company's consolidated statement of cash flows.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The Company has experienced significant growth in recent years through both strategic acquisitions and growth in its existing businesses. The Company has historically met its cash needs for operations through its cash flows from operating activities. Cash requirements for acquisitions and capital expenditures have been provided through the Company's financing activities and sales of long-term investments, as well as its existing cash, cash equivalents and short-term investments.

General Developments of Business

See "General Developments of Business" in Part I and Note 3 to the Company's consolidated financial statements in Item 8.

Liquidity and Capital Resources

Cash, Cash Equivalents and Short-term Investments

The Company has traditionally maintained significant levels of cash, cash equivalents and short-term investments to meet its short-term liquidity requirements. Cash, cash equivalents and short-term investments as of December 31, 1997 and 1996 were \$577.6 million and \$539.6 million, respectively. As of December 31, 1997, \$251.6 million of the Company's cash, cash equivalents and short-term investments is restricted to use by subsidiaries of the Company under contractual or other arrangements, including \$61.7 million which is restricted to use by Comcast UK Cable Partners Limited ("Comcast UK Cable"), a consolidated subsidiary of the Company.

The Company's cash equivalents and short-term investments are recorded at cost which approximates their fair value. As of December 31, 1997, short-term investments have a weighted average maturity of approximately four months.

Accounts Receivable - Electronic Retailing

QVC, Inc. ("QVC"), an electronic retailer and majority-owned subsidiary of the Company, has an agreement with an unrelated third party (the "Bank") whereby the Bank provides revolving credit directly to QVC customers. The revolving credit card issued by the Bank may be used solely for the purchase of goods and services from QVC. The Bank may advance a portion of the purchase price to QVC. QVC is obligated to purchase from the Bank any uncollected customers' accounts. The uncollected balances of revolving credit extended by the Bank under this agreement are \$340.0 million and \$317.7 million as of December 31, 1997 and 1996, respectively, of which \$309.6 million and \$284.5 million represent interest bearing deposits due from the unrelated third party. The total reserve balances maintained for the purchase of uncollectible accounts are \$76.5 million and \$73.2 million as of December 31, 1997 and 1996, respectively. The Company's potential obligations under the program are considered, for financial reporting purposes, to be financial instruments with off-balance sheet risk. The carrying value of accounts receivable, adjusted for the reserves described above, approximates fair value as of December 31, 1997 and 1996.

Investments

Sprint PCS. The Company, Tele-Communications, Inc. ("TCI"), Cox Communications, Inc. ("Cox") and Sprint Corporation ("Sprint," and together with the Company, TCI and Cox, the "Parents"), and certain subsidiaries of the Parents (the "Partner Subsidiaries") engage in the wireless communications business through a limited partnership known as "Sprint Spectrum" or "Sprint PCS." The Partner Subsidiaries have committed to contribute \$4.2 billion in cash to Sprint PCS through 1999, of which the Company's share is \$630.0 million. Of this funding requirement, the Company has made total cash contributions to Sprint PCS of \$602.0 million through January 30, 1998. The Company anticipates that Sprint PCS' capital requirements over the next several years will be significant. Requirements in excess of committed capital are planned to be funded by Sprint PCS through external financing, including, but not limited to, vendor financing, bank financing and securities offered to the public.

The proposed budget for 1998 for Sprint PCS has not yet been approved by the partnership board, which has resulted in the occurrence of a "Deadlock Event" as of January 1, 1998 under the partnership agreement. If the 1998 proposed budget is not approved through resolution procedures set forth in the partnership agreement, certain specified buy/sell procedures may be triggered which may result in a restructuring of the partners' interests, the sale of the Company's interest, or, in limited circumstances, the sale of Sprint PCS.

TCGI. On January 8, 1998, AT&T Corporation ("AT&T") entered into a definitive merger agreement with Teleport Communications Group, Inc. ("TCGI"). Upon closing of the merger (the "AT&T Transaction"), the Company is expected to receive 24.2 million shares of AT&T common stock in exchange for all of the shares of TCGI held by the Company. Based on the closing price of the AT&T common stock on January 30, 1998 of \$62.625 per share, the Company is expected to recognize a pre-tax gain of approximately \$1.390 billion upon closing of the AT&T Transaction. Certain conditions agreed to in the AT&T Transaction restrict the Company's ability to sell the AT&T common stock to be received for a period of between 45 to 135 days after the closing date of the AT&T Transaction. The AT&T Transaction is expected to close in 1998, subject to receipt of necessary regulatory and shareholder approvals.

In November 1997, TCGI filed a registration statement with the United States ("US") Securities and Exchange Commission to sell 7.3 million shares of TCGI Class A Stock (the "TCGI Offering"). As a result of the TCGI Offering, the Company will recognize a \$59.6 million increase in its proportionate share of TCGI's net assets as a gain from equity offering of affiliate. Such gain will be recorded in the Company's March 31, 1998 condensed consolidated statement of operations and accumulated deficit as the Company records its proportionate share of TCGI's net losses one quarter in arrears.

Comcast UK Cable. On February 4, 1998, Comcast UK Cable entered into a definitive agreement to be acquired by NTL Incorporated ("NTL"), an alternative telecommunications company in the United Kingdom ("UK"). Pursuant to certain conditions, the Company is expected to receive 4.8 million shares of NTL common stock in exchange for all of the shares of Comcast UK Cable held by the Company (the "NTL Transaction"). Based on the closing price of NTL common stock on February 4, 1998 of \$32.00 per share, the Company is expected to recognize a pre-tax gain of \$81.4 million upon closing of the NTL Transaction. Certain conditions agreed to in the NTL Transaction restrict the Company's ability to sell the NTL common stock to be received for a period of 180 days after the closing date of the NTL Transaction. The NTL Transaction is expected to close in 1998, subject to receipt of necessary regulatory and shareholder approvals. As of December 31, 1997 and for the year then ended, the assets and revenues of Comcast UK Cable totaled \$736.0 million and \$93.3 million, respectively.

Primestar. The Company holds a 10.4% general and limited partnership interest in Primestar Partners, L.P. ("Primestar"), which is principally engaged in the business of acquiring, originating and/or providing television programming services delivered by satellite through a network of distributors, including the Company, throughout the US. The Company, through a wholly owned subsidiary, distributes the Primestar Direct Broadcast Satellite ("DBS") service (the "Primestar Service") to subscribers within specified areas of 19 states in the US. As of December 31, 1997, the Company provided the Primestar Service to more than 181,000 subscribers.

On February 6, 1998, the Company entered into a Merger and Contribution Agreement (the "Merger and Contribution Agreement") with Primestar and the affiliates of each of the other partners of Primestar, including TCI Satellite Entertainment, Inc. ("TSAT"), a publicly-traded company, pursuant to which the Company's DBS operations, the Company's partnership interests in Primestar and the Primestar partnership interests and the DBS operations of the other partners of Primestar will be consolidated into a newly formed company ("New Primestar"). Under the terms of the Merger and Contribution Agreement, upon closing of the transactions, it is expected that New Primestar, through a series of transactions, will pay the Company approximately \$83 million (based upon the number of the Company's subscribers of New Primestar Service as of December 31, 1997) and that the Company would own approximately 10% of New Primestar common equity, both subject to adjustment based on the number of the Company's subscribers to the Primestar Service, inventory amounts and other factors as of the closing of the transactions. Subject to receipt of regulatory approval and other conditions, after the closing of the transactions, TSAT will merge with and into New Primestar in a transaction in which TSAT's outstanding common shares will be converted into common shares of New Primestar. As of December 31, 1997 and for the year then ended, the assets and revenues of the Company's DBS operations totaled \$162.8 million and \$114.1 million, respectively.

In June 1997, Primestar entered into an agreement with The News Corporation Limited, MCI Telecommunications Corporation and American Sky Broadcasting LLC ("ASKyE"), pursuant to which Primestar (or, under certain conditions, New Primestar) will acquire certain assets relating to a high-power DBS business (the "ASKyB Transaction"). In exchange for such assets, ASkyE will receive non-voting securities of New Primestar that will be convertible into non-voting common stock of New Primestar, and, accordingly, will reduce the Company's common equity interest in New Primestar to approximately 7% on a fully diluted basis, subject to adjustment.

The Merger and Contribution Agreement and the ASkyB Transaction are not conditioned on each other and may close independently. The Merger and Contribution Agreement is expected to close in 1998, subject to receipt of TSAT shareholder approval. The ASkyB Transaction is expected to close in 1998, subject to receipt of all necessary governmental and regulatory approvals, including the approval of the Federal Communications Commission ("FCC"). There can be no assurance that such approvals will be obtained.

@Home. In July 1997, At Home Corporation ("@Home") completed an initial public offering of its Series A Common Stock (the "@Home IPO"). @Home provides Internet services to customers and businesses via the cable modem over the cable television infrastructure in a limited number of cities in the US. As of December 31, 1997, the Company holds 8.0 million contractually restricted shares (the "Restricted Shares") and 6.6 million unrestricted shares (the "Unrestricted Shares") of @Home Series A Common Stock (the "@Home Series A Stock"), representing a 12.3% and a 5.7% equity and voting interest, respectively. The Company has recorded the Restricted Shares at their historical cost of \$1.1 million and the Unrestricted Shares, which are classified as available for sale, at their estimated fair value of \$164.6 million, based on the quoted market price of the @Home Series A Stock as of December 31, 1997.

The Golf Channel. The Golf Channel is a 24-hour network devoted exclusively to golf programming. The programming schedule includes live golf coverage, golf instruction programs and golf news. In addition to the Company, the other partners in The Golf Channel include an affiliate of Fox, Inc., Times Mirror Corporation and other private investors. In January and February 1998, the Company entered into agreements to acquire an additional 28.9% interest in The Golf Channel for \$76.2 million. These transactions are expected to close in the first quarter of 1998. After completion of these transactions, the Company's ownership interest in The Golf Channel will be 43.3%.

The Company does not have any additional significant contractual commitments with respect to any of its investments. However, to the extent the Company does not fund its investors' capital calls, it exposes itself to dilution of its ownership interests. The Company continually evaluates its existing investments as well as new investment opportunities.

Investment Rights

In July 1996, the Company acquired a 66% interest in Comcast Spectacor, L.P. ("Comcast-Spectacor"), the owner of two professional sports teams and two arenas in Philadelphia, PA. Beginning in January 1998, the Company has the right to purchase the remaining 34% minority interest in Comcast-Spectacor from the minority partner for the minority partner's pro rata portion of the fair market value (on a going concern basis as determined by an appraisal process) of Comcast-Spectacor. The minority partner also has the right (together with the Company's right, the "Exit Rights") to require the Company to purchase its interests under the same terms. The Company may pay the minority partner for such interests in shares of the Company's Class A Special Common Stock, subject to certain restrictions. If the minority partner exercises its Exit Rights and the Company elects not to purchase their interest, the Company and the minority partner will use their best efforts to sell Comcast-Spectacor.

Beginning in October 1998, the Walt Disney Company ("Disney"), in certain circumstances, is entitled to cause Comcast Entertainment Holdings LLC (the "LLC"), which is owned 50.1% by the Company and 49.9% by Disney, to purchase Disney's entire interest in the LLC at its then fair market value (as determined by an appraisal process). If the LLC elects not to purchase Disney's interests, Disney has the right, at its option, to purchase either the Company's entire interest in the LLC or all of the shares of stock of EI Entertainment Television, Inc. ("EI Entertainment") held by the LLC, in each case at fair market value. In the event that Disney exercises its rights, as described above, a portion or all of the \$132.8 million aggregate principal amount ten-year, 7% notes payable to DLney (the "Disney Notes") may be replaced with a three year note due to Disney.

In February 1995, the Company and TCI acquired (the "QVC Acquisition") all of the outstanding stock of QVC not previously owned by them (approximately 65% of such shares on a fully diluted basis) for \$1.4 billion. Following the

At the time after December 18, 2001, the California Public Employees Retirement System ("CalPERS") may elect to acquire an ownership interest in the Company. On December 18, 2001, CalPERS, a 55% owned indirect subsidiary of the Company liquidated its interest in MHCP Holdings, L.L.C. ("MHCP Holdings"), a 55% owned indirect subsidiary of the Company liquidate its interest in MHCP Holdings, L.L.C. ("MHCP Holdings") in which CalPERS owns a 55% interest (which holds the US cable television operations formerly known as Maclean Hunter Limited) in which CalPERS owns the remaining 45% interest, at a price equal to the fair value of CalPERS' interest in MHCP Holdings, adjusted under certain circumstances, for certain performance related criteria to the fair value of MHCP Holdings or to the Company's common stock. In certain performance related circumstances, the Company, at its option, may satisfy its liquidity arrangement by purchasing CalPERS' interest for cash, through the issuance of the Company's common stock (subject to certain restrictions) or by selling MHCP Holdings.

Year 2000 Issue

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Certain of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000 (the "Year 2000 Issue"). If this situation occurs, the potential exists for computer system failure or miscalculations by computer programs, which could cause disruption of operations.

The Company has initiated communications with all of its significant software suppliers and service bureaus to determine their plans for remediated the Year 2000 issue in their software which the Company uses or relies upon. The Company's estimate to complete the remediation plan includes the estimated time associated with mitigating the Year 2000 issue for third party software. However, there can be no guarantee that the systems of other companies on which the Company relies will be converted on a timely basis, or that a failure to convert by another company would not have material adverse effect on the Company.

The costs of the project and the date on which the Company plans to complete the Year 2000 modifications and replacements are based on management's best estimates, which were derived using assumptions of future events including the continued availability of resources and the reliability of third party modification plans. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel with appropriate necessary skills, the ability to locate and correct all relevant computer code and similar uncertainties on the Company's results or operations.

with appropriate necessary skills, the ability to locate and

It is anticipated that, during 1998, the Company will incur approximately \$1.1 billion of capital expenditures, including \$700 million for the upgrading and rebuilding of certain of the Company's cable communications systems, \$100 million for the upgrading of QVC's warehousing and distribution facilities, \$100 million for the upgrading of the Company's cellular communications systems and \$150 million for the build-out of the Company's consolidated UHF affiliates' systems (subject to the timing of the closing of the NTL Transaction). The amount of such capital expenditures for years subsequent to 1998 will depend on numerous factors, many of which are beyond the Company's control. These factors include whether competition in a particular market necessitates a cable system upgrade, whether a particular cable system has sufficient capacity to handle new product offerings including the offering of cable modem, cable telephone and telecommunications services, whether and to what extent the Company will be able to recover its investment under FCC rate guidelines and other factors, and whether the Company acquires additional cable systems in need of upgrading or rebuilding. National manufacturers are the primary sources of supplies, equipment and materials utilized in the years and are expected to continue to increase their sales to the Company as it continues to expand its operations and demand for labor and other factors. Future increases in costs of supplies and materials may be significant to the Company's financial position, results of operations and liquidity. The Company anticipates capital expenditures for years subsequent to 1998 will continue to be significant. As of December 31, 1997, the Company does not have any significant contractual obligations for capital expenditures.

Other than the acquisition of the cable television operations ("Scripps Cable") of the E.W. Scripps Company in November 1996 (the "Scripps Acquisition"), the Company has historically utilized a strategy of financing its acquisitions through senior debt at the acquired operating subsidiary level. Additional financing has also been obtained by the Company through the issuance of subordinated debt at the intermediate holding company and parent company levels and through public offerings of subsidiary stock and debt instruments. As of December 31, 1997 and 1996, the Company's long-term debt, including current portion, was \$6.691 billion and \$7.332 billion, respectively, of which 17.1% and 45.2%, respectively, was at variable rates. As of January 30, 1998, certain subsidiaries of the Company had unused lines of credit of \$1.0 billion. The availability and use of these unused lines of credit is restricted by the covenants of the Company's debt agreements. The Company's general purposes and dividend declaration. The Company's long-term debt had estimated fair values of \$7.123 billion and \$7.316 billion as of December 31, 1997 and 1996, respectively. The Company's weighted average interest rate was 8.36% 7.90% and 8.32% during the years ended December 31, 1997, 1996 and 1995, respectively. The Company continually evaluates its debt structure with the intention of reducing its debt service requirements when desirable.

In December 1997, Comcast UK Holdings Ltd. ("UK Holdings"), a wholly owned subsidiary of Comcast Cable, entered into a loan agreement with a consortium of banks to provide financing under a revolving credit facility (the "UK Holdings Credit Facility") up to a maximum of £200.0 million. There were no borrowings under the UK Holdings Credit Facility at December 31, 1997. In January 1998, UK Holdings borrowed £75.0 million under the UK Holdings Credit Facility. The UK Holdings Credit Facility bears interest at a rate per annum equal to the London Interbank Offered Rate ("LIBOR") plus 1/2 of 2.00%. Amounts available under the UK Holdings Credit Facility will be reduced each quarter in varying amounts depending on the amount of borrowings outstanding through December 31, 2000. Final maturity of the UK Holdings Credit Facility is January 31, 2001. Borrowings under the UK Holdings Credit Facility are guaranteed by certain of Comcast UK Cable's wholly owned subsidiaries.

In October 1997, the Company completed the redemption of its \$250.0 million principal amount 3 3/8% / 5 1/2% step up convertible subordinated debentures due 2005 (the "Step Up Debentures"). The Company issued 8.4 million shares

of its Class A Special Common Stock upon conversion of \$206.4 million principal amount of Step Up Debentures while \$43.6 million principal amount of Step Up Debentures was redeemed for cash at a redemption price of 105.58% of the principal amount, together with accrued interest thereon. Stockholders' equity was increased by the full amount of Step Up Debentures converted plus accrued interest, less unamortized debt acquisition costs. The issuance of the Company's Class A Special Common Stock upon conversion of the Step Up Debentures had no impact on the Company's consolidated statement of cash flows due to its noncash nature.

In October 1997, Comcast Cellular (see below) refinanced its existing revolving credit facility with the proceeds from borrowings under a new \$400.0 million credit agreement (the "New Bank Facility") with certain banks. Initial borrowings under the New Bank Facility were used principally to repay existing debt.

In June 1997, the Company redeemed for cash all of its outstanding 10% Subordinated Debentures, due 2003 (the "10% Debentures"). An aggregate principal amount of \$139.3 million of the 10% Debentures was redeemed at a redemption price of 100% of the principal amount thereof, together with accrued interest thereon. On the date of redemption, the 10% Debentures had an accreted value of \$127.7 million.

In May 1997, Comcast Cable Communications, Inc. ("Comcast Cable"), a wholly owned subsidiary of the Company, completed the sale of \$1.7 billion principal amount of notes (the "Cable Notes") through a private offering with registration rights. The Cable Notes were issued in four tranches: \$300.0 million principal amount of 8 1/8% Notes due 2004, \$600.0 million principal amount of 8 3/8% Notes due 2007, \$550.0 million principal amount of 8 7/8% Notes due 2017 and \$250.0 million principal amount of 8 1/2% Notes due 2027. Comcast Cable used substantially all of the net proceeds from the offering of the Cable Notes to repay certain of its subsidiaries' notes payable to banks with the balance used for subsidiary general purposes. Collectively, the offering of the Cable Notes and the repayment of the aforementioned notes payable with the net proceeds from the offering of the Cable Notes are referred to herein as the "Cable Refinancing."

In May 1997, Comcast Cellular Corporation (formerly Comcast Cellular Holdings, Inc.) ("Comcast Cellular"), a wholly owned subsidiary of the Company, completed the sale of \$1.0 billion principal amount of 9 1/2% Senior Notes due 2007 (the "Cellular Notes") through a private offering with registration rights. Comcast Cellular used the net proceeds from the offering to redeem its senior participating redeemable zero coupon notes and repay existing subsidiary indebtedness. Collectively, the offering of the Cellular Notes and the redemption and the repayments of the aforementioned notes with the net proceeds from the offering of the Cellular Notes are referred to herein as the "Cellular Refinancing."

In October 1997, Comcast Cable and Comcast Cellular completed the exchange of the Cable Notes and the Cellular Notes for new notes (with the same terms) which were registered under the Securities Act of 1933, as amended.

In November 1995, Comcast UK Cable received net proceeds of \$291.1 million from the sale of \$517.3 million principal amount at maturity of its 11.20% senior discount debentures due 2007 (the "2007 Discount Debentures"). Interest accretes on the 2007 Discount Debentures at 11.20% per annum, compounded semi-annually from November 15, 1995 to November 15, 2000, after which date interest will be paid in cash on each May 15 and November 15, through November 15, 2007. The net proceeds from the offering were utilized by Comcast UK Cable for advances and capital contributions to its equity investees and subsidiaries primarily for the build-out of their telecommunications networks in the UK.

Concurrent with the announcement of the Scripps Acquisition in October 1995, the Company announced that its Board of Directors authorized a market repurchase program (the "Repurchase Program") pursuant to which the Company could purchase, at such times and on such terms as it deemed appropriate, up to \$500.0 million of its outstanding common equity securities, subject to certain restrictions and market conditions. Based on the trade date for stock repurchases, during the years ended December 31, 1997, 1996 and 1995, the Company repurchased 2.3 million shares, 10.5 million shares and 680,000 shares, respectively, of its common stock for aggregate consideration of \$362.2 million, \$180.0 million and \$12.4 million, respectively, pursuant to the Repurchase Program. During the term of the Repurchase Program, which terminated on May 13, 1997, the Company repurchased a total of 13.5 million shares of its common stock for aggregate consideration of \$228.6 million.

Interest Rate and Foreign Currency Exchange Rate Risk Management

The Company is exposed to market risk including changes in interest rates and foreign currency exchange rates. To manage the volatility relating to these exposures, the Company enters into various derivative transactions pursuant to the Company's policies in areas such as counterparty exposure and hedging practices. Positions are monitored using the Company's policies for market value and sensitivity analyses. The Company does not hold or issue any derivative financial techniques including market value and sensitivity analyses. The Company does not hold or issue any derivative financial instruments for trading purposes and is not a party to leveraged instruments. The credit risks associated with the Company's derivative financial instruments are controlled through the evaluation and monitoring of the creditworthiness of the counterparties. Although the Company may be exposed to losses in the event of nonperformance by the counterparties, the Company does not expect such losses, if any, to be significant.

Interest Rate Risk

The use of interest rate risk management instruments, such as interest rate exchange agreements ("Swaps"), interest rate cap agreements ("Caps") and interest rate collar agreements ("Collars"), is required under the terms of certain of the Company's outstanding debt agreements. The Company's policy is to manage interest costs using a mix of fixed and variable rate debt. Using Swaps, the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Caps are used to lock in a maximum interest rate should variable rates rise, but enable the Company to otherwise pay lower market rates. Collars limit the Company's exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates.

The table set forth below summarizes the fair values and contract terms of financial instruments subject to interest rate risk maintained by the Company as of December 31, 1997 (dollars in millions):

	Expected Maturity Date					Fair Value at	
	1998	1999	2000	2001	2002	Thereafter	12/31/97
Debt							
Fixed Rate	\$43.9	\$9.1	\$19.7	\$226.2	\$101.2	\$4,548.7	\$5,380.0
Average Interest Rate	10.4%	8.9%	8.2%	9.5%	8.6%	9.0%	9.0%
Variable Rate	\$88.8	\$198.8	\$282.1	\$347.4	\$389.3	\$436.1	\$1,742.5
Average Interest Rate	6.5%	6.8%	6.8%	6.9%	6.9%	6.8%	6.8%
Interest Rate Instruments							
Variable to Fixed Swaps	\$100.0	\$50.0	\$450.0				\$600.0
Average Pay Rate	5.7%	5.7%	5.5%				5.6%
Average Receive Rate	5.9%	6.0%	6.1%				6.1%
Caps	\$150.0						\$150.0
Average Cap Rate	6.7%						6.7%
Collar	\$50.0						\$50.0
Average Cap Rate	7.0%						7.0%
Average Floor Rate	4.9%						4.9%

The notional amounts of interest rate instruments, as presented in the above table, are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The estimated fair value approximates the proceeds (costs) to settle the outstanding contracts. Interest rates on variable debt are estimated by the Company using the average implied forward LIBOR rates for the year of maturity based on the yield curve in effect at December 31, 1997 plus the borrowing margin in effect for each credit facility at December 31, 1997. Average receive rates on the Variable to Fixed Swaps are estimated by the Company using the average implied forward LIBOR rates for the year of maturity based on the yield curve in effect at December 31, 1997. Whth. Swaps, Caps and Collars represent an integral part of the Company's interest rate risk management program, their incremental effect on interest expense for the years ended December 31, 1997, 1996 and 1995 was not significant.

Foreign Currency Exchange Rate Risk

The Company has entered into certain foreign exchange option contracts ("FX Options") as a normal part of its foreign currency risk management efforts. These FX Options are used to limit Comcast UK Cable's exposure to the risk that the eventual cash outflows related to net monetary liabilities denominated in currencies other than its functional currency (the UK Pound Sterling or "UK Pound") (principally the 2007 Discount Debentures) are adversely affected by changes in exchange rates. During 1995, Comcast UK Cable entered into certain foreign exchange put option contracts ("FX Puts") which may be settled only on November 16, 2000. As of December 31, 1997 and 1996, Comcast UK Cable had Puts" with a notional amount of \$250.0 million to purchase US dollars at an exchange rate of \$1.35 per £1.00 (the "Ratio"). The FX Puts provide a hedge, to the extent the exchange rate falls below the Ratio, against Comcast UK Cable's net exchange gains or losses realized on the underlying net liabilities. Premiums paid for the FX Puts, of \$21.4 million, have been recorded as assets in the Company's consolidated balance sheet. These premiums are being amortized over the terms of the related contracts. As of December 31, 1997 and 1996, the FX Puts had carrying values of \$13.1 million and \$18.4 million, respectively, and estimated fair values of \$5.2 million and \$5.5 million, respectively. The difference between the carrying amount and the estimated fair value of the FX Puts was not significant as of December 31, 1995.

In 1995, in order to reduce hedging costs, Comcast UK Cable sold foreign exchange call option contracts ("FX Calls") to exchange £250.0 million notional amount. Comcast UK Cable received \$5.3 million from the sale of these contracts. These contracts may only be settled on their expiration dates. Of these contracts, £200.0 million notional amount, with an exchange ratio of \$1.70 per £1.00, expired unexercised in November 1996 while the remaining contract, with a £50.0 million notional amount and an exchange ratio of \$1.62 per £1.00, has a settlement date in November 2000. In 1996, in order to continue to reduce hedging costs, Comcast UK Cable sold additional FX Calls, for proceeds of \$3.5 million, to exchange £200.0 million notional amount at an average exchange ratio of \$1.75 per £1.00. These contracts expired unexercised in the fourth quarter of 1997. The FX Calls are marked-to-market on a current basis in the Company's consolidated statement of operations.

As of December 31, 1997 and 1996, the estimated fair value of the liabilities related to the FX Calls, as recorded in the Company's consolidated balance sheet, was \$4.4 million and \$12.2 million, respectively. Changes in fair value between measurement dates relating to the FX Calls resulted in exchange gains of \$7.4 million and exchange losses of \$2.2 million during the years ended December 31, 1997 and 1996, respectively. There were no significant exchange gains or losses relating to these contracts during the year ended December 31, 1995.

The table set forth below summarizes the fair values and contract terms of financial instruments, subject to foreign currency exchange rate risk, maintained by the Company (dollars in millions):

	Expected Maturity 2007	Fair Value at 12/31/97
<i>On Balance Sheet Financial Instruments</i>		
<i>EUR Functional Currency:</i>		
Long-term debt (\$US) at accreted value	\$378.3	\$417.7
Average interest rate	11.20%	
	Expected Maturity 2000	Fair Value at 12/31/97 (1)
<i>Foreign Exchange Rate Derivatives</i>		
<i>EUR Functional Currency:</i>		
<i>FX Puts</i>		
Contract amount	\$337.5	\$5.2
Exchange rate (\$US/EUR)	1.35	
<i>FX Calls</i>		
Contract amount	\$81.0	(\$4.4)
Exchange rate (\$US/EUR)	1.62	

(1) The estimated fair value approximates the proceeds (costs) to settle the outstanding contracts.

Equity Price Risk

As part of the Repurchase Program, the Company sold put options on shares of its Class A Special Common Stock. Put options on 4.0 million shares, sold by the Company during 1996 and 1995 and outstanding at December 31, 1996, expired unexercised during the first quarter of 1997. Upon expiration, the Company reclassified \$69.6 million, the amount it would have been obligated to pay to repurchase such shares had the put options been exercised, from common equity put options to additional capital in the Company's consolidated balance sheet.

As part of the Repurchase Program, in April 1997, the Company sold put options on 2.0 million shares of its Class A Special Common Stock. The put options give the holder the right to require the Company to repurchase such shares at \$15.68 per share on specific dates in April and May 1998. The amount the Company would be obligated to pay to repurchase such shares upon exercise of the put options, totaling \$31.4 million, has been reclassified from additional capital to common equity put options in the Company's December 31, 1997 consolidated balance sheet. The difference between the proceeds from the sale of these put options and their estimated fair value was not significant as of December 31, 1997.

The telecommunications industry, including cable and cellular communications, and the electronic retailing industry are experiencing increasing competition and rapid technological changes. The Company's future results of operations will be affected by its ability to react to changes in the competitive environment and by its ability to implement new technologies. However, the Company believes that competition, technological changes and its significant losses will not significantly affect its ability to obtain financing.

The Company believes that it will be able to meet its current and long-term liquidity and capital requirements, including fixed charges, through its cash flows from operating activities, existing cash, cash equivalents, short-term investments and lines of credit and other external financing.

Statement of Cash Flows

Cash and cash equivalents increased \$82.4 million as of December 31, 1997 from December 31, 1996 and decreased \$207.8 million as of December 31, 1996 from December 31, 1995. Changes in cash and cash equivalents resulted from cash flows from operating, financing and investing activities as explained below.

Net cash provided by operating activities amounted to \$916.0 million, \$799.6 million and \$520.7 million for the years ended December 31, 1997, 1996 and 1995, respectively. The increases of \$116.4 million and \$278.9 million from 1996 to 1997 and 1995 to 1996 were principally due to the increase in the Company's operating income before depreciation and amortization (see "Results of Operations"), including the effects of the Scripps Acquisition and changes in working capital as a result of the timing of receipts and disbursements.

Net cash provided by (used in) financing activities, which includes the issuances and repurchases of securities as well as borrowings and repayments of debt, was \$355.6 million, (\$81.2) million and \$2.036 billion for the years ended December 31, 1997, 1996 and 1995, respectively. During 1997, the Company borrowed \$3.045 billion, including the Cable Notes of \$1.691 billion, the Cellular Notes of \$998.4 million, the Disney Notes of \$132.8 million and borrowings under its existing lines of credit, and repaid \$3.580 billion of its long-term debt, including \$1.665 billion relating to the Cable Refinancing, \$981.8 million relating to the Cellular Refinancing, \$43.6 million relating to the redemption of the Step Up Debentures and \$139.3 million relating to the redemption of the 10% Debentures. Deferred financing costs of \$44.9 million were incurred during 1997 related principally to the issuance of the Cable Notes and the Cellular Notes. In addition, during 1997, the Company received \$1.0 billion from Microsoft Corporation for the issuance of its Class A Special Common Stock and Series B Preferred Stock, repurchased \$33.6 million of its common stock and paid cash dividends on its common stock and Series A Preferred Stock of \$34.0 million. During 1996, the Company borrowed \$839.5 million under new and existing lines of credit and repaid \$734.4 million, including \$257.4 million in connection with the refinancing of certain indebtedness and \$123.7 million of repayments under a vendor financing arrangement. Net repurchases of the Company's common stock in 1996 were \$175.9 million and cash dividends paid on its common stock and Series A Preferred Stock totaled \$26.8 million. During 1995, the Company borrowed \$3.728 billion including \$1.1 billion in connection with the QVC Acquisition, \$1.085 billion in connection with the refinancing of certain indebtedness, \$300.9 million associated with the funding of Sprint PCS, \$100.0 million of the 2007 Discount Debentures,

\$250.0 million of the Company's 9-1/8% senior subordinated debentures due 2005 and \$250.0 million of the Company's 9-1/8% senior subordinated debentures due 2006. During 1995, the Company retired and repaid \$1,620 billion of its 9-1/8% senior subordinated debentures due 2005 and \$175.0 million of its 9-1/8% senior subordinated debentures due 2006. The proceeds from the refinancing of certain debt incurred during 1995 related long-term debt, including \$186 billion credit facility. Deferred financing costs of \$43.5 million were incurred during 1995 related to optional repayments on QVC's credit facility. Borrowings of the 2007 Discount Debentures. In addition, during 1995, the Company paid cash dividends on its common stock of \$22.4 million.

Net cash used in investing activities was \$1.189 billion, \$926.2 million and \$2.353 billion for the years ended December 31, 1997, 1996 and 1995, respectively. During 1997, net cash used in investing activities includes acquisitions, principally the refinancing of debt of the Company's subsidiaries, the acquisition of ETEC Systems, investments in affiliates and the sale of certain assets. During 1996, net cash used in investing activities includes the acquisition of ETEC Systems, investments in affiliates and the sale of certain assets. During 1995, the Company paid cash dividends on its common stock of \$222.5 million. Net cash used in investing activities was \$1.189 billion, \$926.2 million and \$2.353 billion for the years ended December 31, 1997, 1996 and 1995, respectively. During 1997, net cash used in investing activities includes acquisitions, principally the refinancing of debt of the Company's subsidiaries, the acquisition of ETEC Systems, investments in affiliates and the sale of certain assets. During 1996, net cash used in investing activities includes the acquisition of ETEC Systems, investments in affiliates and the sale of certain assets. During 1995, the Company paid cash dividends on its common stock of \$222.5 million. Net cash used in investing activities was \$1.189 billion, \$926.2 million and \$2.353 billion for the years ended December 31, 1997, 1996 and 1995, respectively. During 1997, net cash used in investing activities includes acquisitions, principally the refinancing of debt of the Company's subsidiaries, the acquisition of ETEC Systems, investments in affiliates and the sale of certain assets. During 1996, net cash used in investing activities includes the acquisition of ETEC Systems, investments in affiliates and the sale of certain assets. During 1995, the Company paid cash dividends on its common stock of \$222.5 million.

Results of Operations

Results of Operations

The effects of the Company's recent acquisitions, as well as increased levels of capital expenditures, were to increase the Company's revenues and expenses, resulting in substantial increases in its operating income before depreciation and amortization expense and interest expensing. In addition, the significantly the Company's revenues and expenses, amortization expense and interest expensing. In addition, the depreciation and amortization, depreciation expense, amortization expense and interest expensing. In addition, the Company's equity in net losses of affiliates has increased principally as a result of the start-up nature of certain of the Company's equity investees (see "Operating Results by Business Segment" and "Consolidated Analysis").

Summarized consolidated financial information for the Company for the three years ended December 31, 1997 is as follows (dollars in millions, "NM" denotes percentage is not meaningful):

	Year Ended		Increase/(Decrease)	
	December 31,			%
Revenues	1997	1996		
Cost of goods sold from electronic retailing	\$4,912.6	\$4,038.4	\$874.2	21.6%
Operating, selling, general and administrative expenses	1,270.2	1,114.2	156.0	14.0
Operating income before depreciation and amortization (1)	2,173.9	1,712.0	456.9	26.6
Depreciation	1,468.5	1,207.2	261.3	21.6
Amortization	474.3	314.6	159.7	50.8
Operating income	462.1	383.7	78.4	20.4
Interest expense	532.1	508.9	23.2	4.6
Investment income	564.9	540.8	24.1	4.5
Equity in net losses of affiliates	(137.1)	(122.6)	14.5	11.8
Gain from equity offering of affiliate	330.1	144.8	185.3	NM
Other	(7.7)	(40.6)	(32.9)	(81.0)
Income tax expense	55.0	2.6	8.4	NM
Minority interest	11.6	84.4	(72.8)	(34.1)
Extraordinary items	(76.2)	(48.0)	28.2	58.8
Net loss	(30.2)	(1.0)	29.2	NM
	<u>(\$238.7)</u>	<u>(\$53.5)</u>	<u>\$185.2</u>	<u>NM</u>

	Year Ended		Increase/(Decrease)	
	December 31,	December 31,	\$	%
Revenues	1996	1995		
Cost of goods sold from electronic retailing	\$4,038.4	\$3,362.9	\$675.5	20.1%
Operating, selling, general and administrative expenses	1,114.2	900.8	213.4	23.7
Operating income before depreciation and amortization (1)	<u>1,717.0</u>	<u>1,441.3</u>	273.7	19.0
Depreciation	1,207.2	1,018.8	188.4	18.5
Amortization	314.6	339.9	(25.3)	(7.4)
Operating income	<u>383.7</u>	<u>349.1</u>	34.6	9.9
Interest expense	<u>508.9</u>	<u>329.8</u>	179.1	54.3
Investment income	540.8	524.7	16.1	3.1
Equity in net losses of affiliates	(122.6)	(229.8)	(107.2)	(46.6)
Gain from equity offering of affiliate	144.8	86.6	58.2	67.2
Other	(40.6)		40.6	NM
Income tax expense	2.4	(6.3)	(8.9)	NM
Minority interest	84.4	42.1	42.3	NM
Extraordinary items	(48.0)	(49.7)	(1.7)	(3.4)
	<u>(1.0)</u>	<u>(6.1)</u>	(5.1)	(83.6)
Net loss	<u>(\$53.5)</u>	<u>(\$43.9)</u>	\$9.6	21.9%

(1) Operating income before depreciation and amortization is commonly referred to as the Company'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 the Company's business, 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 the Company's industries, although the Company's measure of operating cash flow may not be comparable to similarly provided by operating companies. Operating cash flow does not purport to represent net income or net cash should not be considered as an alternative to such measurements as an indicator of the Company's performance. See "Statement of Cash Flows" above for a discussion of net cash provided by operating activities.

Operating Results by Business Segment

The following represent the operating results of the Company's significant business segments, including: "Domestic Cable Communications," the most significant of the Company's cable communications operations; "Electronic Retailing," the most significant of the Company's content businesses; and "Cellular Communications," the most significant of the Company's cellular/personal communications services telecommunications operations. The remaining components of the Company's operations are not independently significant to the Company's consolidated financial position or results of operations (see Note 10 to the Company's consolidated financial statements).

Domestic Cable Communications

As a result of the Scripps Acquisition, the Company commenced consolidating the financial results of Scripps Cable as of November 1, 1996. The following table presents actual financial information for the year ended December 31, 1996 and pro forma financial information for the years ended December 31, 1996 and 1995 as if the Scripps Acquisition occurred on January 1, 1995. Pro forma financial information is presented herein for purposes of analysis and may not reflect what actual operating results would have been had the Company owned Scripps Cable since January 1, 1995 (dollars in millions).

	Year Ended December 31,		Increase	
	1997	Pro Forma 1996	\$	%
Service income	\$2,073.0	\$1,893.8	\$179.2	9.5%
Operating, selling, general and administrative expenses	1,085.3	979.1	106.2	10.8
Operating income before depreciation and amortization (a)	\$987.7	\$914.7	\$73.0	8.0%

	Year Ended December 31,		Increase	
	Pro Forma 1996	Pro Forma 1995	\$	%
Service income	\$1,893.8	\$1,729.7	\$164.1	9.5%
Operating, selling, general and administrative expenses	979.1	892.6	86.5	9.7
Operating income before depreciation and amortization (a)	\$914.7	\$837.1	\$77.6	9.3%

(a) See footnote (1) on page 36.

Of the respective \$179.2 million and \$164.1 million increases in service income for the years ended December 31, 1997 and 1996, \$38.1 million and \$45.8 million are attributable to subscriber growth, \$122.8 million and \$101.0 million relate to changes in rates, \$11.0 million and \$5.5 million are attributable to growth in cable advertising sales and \$7.3 million and \$11.8 million relate to other product offerings.

Of the respective \$106.2 million and \$86.5 million increases in operating, selling, general and administrative expenses for the years ended December 31, 1997 and 1996, \$27.9 million and \$34.7 million are attributable to increases in rates, \$19.2 costs of cable programming as a result of subscriber growth, additional channel offerings and changes in rates, \$19.2 million and \$13.5 million are attributable to increases in costs associated with customer service, \$7.7 million and \$4.5 million are attributable to growth in cable advertising sales and \$31.4 million and \$33.8 million result from increases in the costs of labor, other volume related expenses and costs associated with new product offerings. It is anticipated that the Company's cost of cable programming will increase in the future as cable programming rates increase and additional sources of cable programming become available.

Electronic Retailing

As a result of the QVC Acquisition, the Company commenced consolidating the financial results of QVC effective February 1, 1995. The following table presents actual financial information for the years ended December 31, 1997 and 1996 and pro forma financial information for the year ended December 31, 1995 as if the QVC Acquisition occurred on January 1, 1995. Pro forma financial information is presented herein for purposes of analysis and may not reflect what actual operating results would have been had the Company owned QVC since January 1, 1995 (dollars in millions).

	Year Ended December 31,		Increase	
	1997	1996	\$	%
Net sales from electronic retailing	\$2,082.5	\$1,835.8	\$246.7	13.4%
Cost of goods sold from electronic retailing	1,270.2	1,114.2	156.0	14.0
Operating, selling, general and administrative expenses	474.6	421.3	53.3	12.7
Operating income before depreciation and amortization (a)	\$337.7	\$300.3	\$37.4	12.5%
Gross margin	39.0%	39.3%		

	Year Ended December 31,		Increase	
	1996	1995	\$	%
Net sales from electronic retailing	\$1,835.8	\$1,619.2	\$216.6	13.4%
Cost of goods sold from electronic retailing	1,114.2	978.8	135.4	13.8
Operating, selling, general and administrative expenses	421.3	385.0	36.3	9.4
Operating income before depreciation and amortization (a)	\$300.3	\$255.4	\$44.9	17.6%
Gross margin	39.3%	39.6%		

(a) See footnote (1) on page 36.

The respective increases in net sales from electronic retailing of \$246.7 million and \$216.6 million for the years ended December 31, 1997 and 1996 are primarily attributable to the effects of 7.4% and 7.2% increases, respectively, in the average number of homes receiving QVC services in the US and 13.7% and 36.5% increases, respectively, in the average number of homes receiving QVC services in the UK.

An allowance for returned merchandise is provided as a percentage of sales based on historical experience. The return provision was approximately 21% of gross sales for each of the years ended December 31, 1997, 1996 and 1995.

The increases in cost of goods sold from electronic retailing are primarily related to the growth in net sales. The changes in gross margin between these periods are primarily due to slight changes in product mix from year to year.

Of the respective increases in operating, selling, general and administrative expenses of \$53.3 million and \$36.3 million for the years ended December 31, 1997 and 1996, \$25.5 million and \$6.0 million are attributable to start-up costs incurred by QVC in Germany, which began operations in the fourth quarter of 1996, and the remaining increases are primarily attributable to higher sales volume, increases in advertising costs and additional costs associated with new businesses, offset, in part, by the reduction in expenses realized upon consolidation of QVC's multichannel operations in 1996.

Cellular Communications

The following table sets forth the operating results for the Company's cellular communications segment (dollars in millions):

	Year Ended December 31,		Increase	
	1997	1996	\$	%
Service income	\$444.9	\$426.1	\$18.8	4.4%
Operating, selling, general and administrative expenses	269.5	265.9	3.6	1.4
Operating income before depreciation and amortization (a)	<u>\$175.4</u>	<u>\$160.2</u>	<u>\$15.2</u>	9.5%

	Year Ended December 31,		Increase	
	1996	1995	\$	%
Service income	\$426.1	\$374.9	\$51.2	13.7%
Operating, selling, general and administrative expenses	265.9	237.1	28.8	12.1
Operating income before depreciation and amortization (a)	<u>\$160.2</u>	<u>\$137.8</u>	<u>\$22.4</u>	16.3%

(a) See footnote (1) on page 36.

Of the respective \$18.8 million and \$51.2 million increases in service income for the years ended December 31, 1997 and 1996, \$18.2 million and \$69.6 million, respectively, are attributable to the Company's subscriber growth and \$15.4 million and \$500,000, respectively, are attributable to roamer growth. Offsetting the increases are decreases of \$14.8 million and \$18.9 million, respectively, resulting primarily from a reduction in the average rate per minute of use as a result of promotional and free minutes provided to customers.

The \$3.6 million increase in operating, selling, general and administrative expenses from 1996 to 1997 is primarily attributable to a \$10.5 million increase in fixed costs related to retail centers. Offsetting this increase is a decrease of \$6.9 million primarily attributable to expense reductions achieved through implementation of fraud management programs, improved bad debt experience as a result of stronger credit procedures and a reduction in commission costs resulting from fewer gross subscriber additions in 1997. The \$28.8 million increase in operating, selling, general and administrative expenses from 1995 to 1996 is primarily attributable to a \$24.3 million increase related to subscriber growth, including the costs to acquire and service subscribers. The remaining increase of \$4.5 million is primarily due to increases in customer service and administrative costs, partially offset by expense reductions achieved through implementation of fraud management programs.

Consolidated Analysis

The \$159.7 million increase in depreciation expense from 1996 to 1997 is primarily attributable to the effects of capital expenditures during 1996 and 1997 and the effects of the Scripps Acquisition. The \$25.3 million decrease in depreciation expense from 1995 to 1996 is primarily attributable to the effects of the rebuild of certain of the Company's cellular equipment in 1995 (see below), offset in part by the effects of capital expenditures during 1995 and 1996 and the effects of the Scripps Acquisition in 1996.

In 1995, the Company's cellular division purchased \$172.0 million of switching and cell site equipment which replaced the existing switching and cell site equipment (the "Cellular Rebuild"). The Company substantially completed the Cellular Rebuild during 1995. Accordingly, during 1995, the Company charged \$110.0 million to depreciation expense which represented the difference between the net book value of the equipment replaced and the residual value realized upon its disposal.

The \$78.4 million and \$34.6 million increases in amortization expense from 1996 to 1997 and 1995 to 1996, respectively, are primarily attributable to the effects of the Scripps Acquisition in November 1996 and the effects of the QVC Acquisition in February 1995, respectively.

The \$24.1 million increase in interest expense from 1996 to 1997 is primarily attributable to an increase in the Company's weighted average interest rate on the Company's outstanding debt and a decrease in capitalized interest from 1996 to 1997, offset, in part, by a decrease in the Company's outstanding long-term debt. The \$16.1 million increase in interest expense from 1995 to 1996 is primarily attributable to an increase in the Company's outstanding long-term debt, offset, in part, by a decrease in interest rates and an increase in capitalized interest from 1995 to 1996.

The Company anticipates that, for the foreseeable future, interest expense will be a significant cost to the Company and will have a significant adverse effect on the Company's ability to realize net earnings. The Company believes it will continue to be able to meet its obligations through its ability both to generate operating income before depreciation and amortization and to obtain external financing.

The \$14.5 million increase in investment income from 1996 to 1997 is primarily attributable to the \$68.9 million gain recognized in 1997 on the sale of TCGI Class A stock, offset, in part, by the \$47.3 million gain recognized upon the exchange of the shares of Turner Broadcasting System, Inc. ("TBS") held by the Company for Time Warner, Inc. ("Time Warner") common stock in 1996 as a result of the merger of Time Warner and TBS in October 1996. The \$107.2 million decrease in investment income from 1995 to 1996 is principally due to the effects of the gain realized in the Heritage Transaction in 1995 (see below), offset, in part, by the gain recognized upon the exchange of the shares of TBS held by the Company for Time Warner common stock in 1996.

In January 1995, the Company exchanged its investments in Heritage Communications, Inc. with TCI for 13.3 million publicly-traded Class A common shares of TCI with a fair market value of \$290.0 million. Shortly thereafter, the Company sold 9.1 million unrestricted TCI shares for total proceeds of \$188.1 million (collectively, the "Heritage Transaction"). As a result of these transactions, the Company recognized a pre-tax gain of \$141.0 million as investment income in 1995.

In February 1997, in connection with an acquisition, TCGI issued 2.1 million unregistered shares of its TCGI Class A Stock. As a result of the stock issuance, the Company recorded a \$7.7 million increase in its proportionate share of TCGI's net assets as a gain from equity offering of affiliate in its 1997 consolidated statement of operations. As a result of the TCGI IPO, the Company recorded a \$40.6 million increase in its proportionate share of TCGI's net assets as a gain from equity offering of affiliate in its 1996 consolidated statement of operations.

The \$185.3 million and \$58.2 million increases in equity in net losses of affiliates from 1996 to 1997 and 1995 to 1996, respectively, are due to the timing of investments in and changes in losses incurred by Sprint PCS, TCGI, the Company's international investees, Comcast-Spectacor and certain programming investees, and the effects of the EI Acquisition. Based on Sprint PCS' current operations and business plan, the Company anticipates that its proportionate share of Sprint PCS' losses will be significant in future years. In addition, as a result of the acquisition of EI Entertainment, the Company recorded a charge representing the cumulative amount that would have been recorded had the Company accounted for its investment in EI Entertainment under the equity method since the date of initial investment (the "Cumulative Charge"). Since the Company's proportionate share of EI Entertainment's cumulative losses was in excess of the Company's historical cost basis in EI Entertainment and as the Company was under no contractual obligation to fund the losses of EI Entertainment, the Cumulative Charge was limited to the Company's historical cost basis of \$12.1 million. Such amount is included in equity in net losses of affiliates in the Company's 1997 consolidated statement of operations as it is not significant for restatement of the Company's prior year financial statements.

The \$8.4 million and \$8.9 million increases in other expense from 1996 to 1997 and from 1995 to 1996 are primarily attributable to the settlement of certain litigation in 1996 and the effects of changes in foreign exchange gains and losses.

The \$28.8 million decrease in income tax expense from 1996 to 1997 is primarily attributable to the increase in loss before income taxes, offset by increases in certain non-deductible expenses, such as goodwill amortization, foreign losses and equity in net losses of certain affiliates. The \$42.3 million increase in income tax expense from 1995 to 1996 is primarily attributable to the decrease in loss before income taxes, plus increases in certain non-deductible expenses.

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The \$28.2 million increase in minority interest income from 1996 to 1997 is primarily attributable to minority interests in the net loss of Comcast UK Cable and the net income of QVC.

Extraordinary items for the year ended December 31, 1997 of \$30.2 million or \$0.9 per common share consist of unamortized debt acquisition costs and debt extinguishment costs of \$47.9 million, net of the related tax benefit of \$17.7 million, expensed in connection with the Cable Refinancing, the Cellular Refinancing, the redemption of the 10% Debentures, the redemption of the Step Up Debentures and repayments made with the proceeds from the New Bank Facility.

The extraordinary item for the year ended December 31, 1996 of \$1.0 million consists of unamortized debt acquisition costs of \$1.8 million, net of the related tax benefit of \$800,000, expensed in connection with the prepayment of a portion of a subsidiary's outstanding debt.

The extraordinary item for the year ended December 31, 1995 of \$6.1 million or \$0.2 per common share consists of debt extinguishment costs of \$9.4 million, net of the related tax benefit of \$3.3 million, expensed in connection with the refinancing of certain indebtedness.

For the years ended December 31, 1997, 1996 and 1995, the Company's distributions from investees and earnings before extraordinary items, income tax expense, equity in net losses of affiliates and fixed charges (interest expense) were \$742.1 million, \$770.0 million and \$615.6 million, respectively. Such earnings were adequate to cover the Company's fixed charges, including capitalized interest of \$18.0 million, \$32.1 million and \$6.4 million, of \$582.9 million, \$572.9 million and \$531.1 million for the years ended December 31, 1997, 1996 and 1995, respectively. The Company's fixed charges include non-cash interest expense of \$75.5 million, \$97.0 million and \$60.2 million for the years ended December 31, 1997, 1996 and 1995, respectively.

The Company believes that its losses will not significantly affect the performance of its normal business activities because of its existing cash, cash equivalents and short-term investments, its ability to generate operating income before depreciation and amortization and its ability to obtain external financing.

The Company believes that its operations are not materially affected by inflation.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Comcast Corporation
Philadelphia, Pennsylvania

We have audited the accompanying consolidated balance sheet of Comcast Corporation and its subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity (deficiency) and of cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of QVC, Inc. ("QVC") (a consolidated subsidiary) which statements reflect total assets constituting 17% of the Company's consolidated total assets as of December 31, 1997 and 1996 and total revenues constituting 42%, 45% and 44% of the Company's consolidated revenues for the years ended December 31, 1997, 1996 and 1995, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in the Company's consolidated financial statements for QVC, is based solely upon the report of such other auditors.

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

In our opinion, based on our audits and the report of other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of Comcast Corporation and its subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Philadelphia, Pennsylvania
February 27, 1998

COMCAST CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Dollars in millions, except share data)

	1997	1996
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$413.7	\$331.3
Short-term investments	163.9	208.3
Accounts receivable, less allowance for doubtful accounts of \$115.0 and \$97.1	498.8	439.3
Investments, net	324.0	258.4
Other current assets	159.1	158.5
Total current assets	1,559.5	1,405.8
INVESTMENTS, principally in affiliates	1,264.3	1,177.7
PROPERTY AND EQUIPMENT	4,285.4	3,600.1
Accumulated depreciation	(1,388.5)	(1,061.3)
Property and equipment, net	2,896.9	2,538.8
DEFERRED CHARGES	4,920.5	4,895.7
Franchise and license acquisition costs	4,292.8	3,683.1
Excess of cost over net assets acquired and other	627.7	1,212.6
Accumulated amortization	(2,129.8)	(1,612.5)
Deferred charges, net	7,083.3	6,966.3
	<u>\$12,804.2</u>	<u>\$12,088.6</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES	\$1,195.5	\$1,044.3
Accounts payable and accrued expenses	89.6	91.1
Accrued interest	132.7	229.5
Current portion of long-term debt	1,417.8	1,364.9
Total current liabilities	6,558.6	7,102.7
LONG-TERM DEBT, less current portion	2,112.2	2,140.5
DEFERRED INCOME TAXES	1,037.7	859.3
MINORITY INTEREST AND OTHER	31.4	69.6
COMMON EQUITY PUT OPTIONS		
STOCKHOLDERS' EQUITY		
Preferred stock - authorized, 20,000,000 shares, 5% series A nonconvertible, no par value; issued, 6,370 at redemption value	31.9	31.9
5.25% series B mandatorily redeemable convertible, \$1,000 per value; issued, 513,211 at redemption value	513.2	513.2
Class A special common stock, \$1 par value - authorized, 500,000,000 shares; issued, 317,025,969 and 283,281,675	317.0	283.3
Class A common stock, \$1 par value - authorized, 200,000,000 shares; issued, 31,793,487 and 31,559,368	31.8	34.0
Class B common stock, \$1 par value - authorized, 50,000,000 shares; issued, 8,786,250	8.8	8.8
Additional capital	3,030.6	2,326.6
Accumulated deficit	(2,415.9)	(2,127.1)
Unrealized gains on marketable securities	140.7	0.1
Cumulative translation adjustments	(51.8)	(6.0)
Total stockholders' equity	1,646.5	551.6
	<u>\$12,804.2</u>	<u>\$12,088.6</u>

See notes to consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(Amounts in millions, except per share data)

	1997	1996	1995
REVENUES			
Service income	\$2,830.1	\$2,202.6	\$1,875.2
Net sales from electronic retailing	2,082.5	1,835.8	1,487.7
	<u>4,912.6</u>	<u>4,038.4</u>	<u>3,362.9</u>
COSTS AND EXPENSES			
Operating	1,239.7	941.7	803.4
Cost of goods sold from electronic retailing	1,270.2	1,114.2	900.8
Selling, general and administrative	934.2	768.3	639.9
Depreciation	474.3	314.6	339.9
Amortization	462.1	383.7	349.1
	<u>4,380.5</u>	<u>3,522.5</u>	<u>3,033.1</u>
OPERATING INCOME	532.1	508.9	329.8
OTHER (INCOME) EXPENSE			
Interest expense	564.9	540.8	574.7
Investment income	(137.1)	(122.6)	(229.8)
Equity in net losses of affiliates	330.1	144.8	85.6
Gain from equity offering of affiliate	(7.7)	(40.6)	
Other	11.0	2.6	(6.3)
	<u>761.2</u>	<u>525.0</u>	<u>375.2</u>
LOSS BEFORE INCOME TAX EXPENSE, MINORITY INTEREST AND EXTRAORDINARY ITEMS	(229.1)	(16.1)	(45.4)
INCOME TAX EXPENSE	55.6	84.4	42.1
LOSS BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEMS	(284.7)	(100.5)	(87.5)
MINORITY INTEREST	(76.2)	(48.0)	(42.7)
LOSS BEFORE EXTRAORDINARY ITEMS	(208.5)	(52.5)	(37.8)
EXTRAORDINARY ITEMS	(30.2)	(1.0)	(6.1)
NET LOSS	(238.7)	(53.5)	(43.9)
PREFERRED DIVIDENDS	(14.8)	(0.7)	
NET LOSS FOR COMMON STOCKHOLDERS	<u>(\$253.5)</u>	<u>(\$54.2)</u>	<u>(\$43.9)</u>
LOSS FOR COMMON STOCKHOLDERS PER COMMON SHARE			
Loss before extraordinary items	(\$.66)	(\$.21)	(\$.16)
Extraordinary items	(.09)		(.02)
Net loss	<u>(\$.75)</u>	<u>(\$.21)</u>	<u>(\$.18)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>339.0</u>	<u>247.6</u>	<u>239.7</u>

See notes to consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Dollars in millions)

	1997	1996	1995
OPERATING ACTIVITIES	(\$238.7)	(\$51.5)	(\$43.9)
Net loss			
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	474.3	314.6	339.9
Amortization	462.1	383.7	349.1
Non-cash interest expense, net	51.3	62.2	53.8
Equity in net losses of affiliates	109.1	144.8	86.6
Gain from sale of a subsidiary	(7.7)	(40.6)	(5.5)
Gain on equity offering of affiliate	(81.0)	(69.2)	(183.0)
Gain on sale of a subsidiary	(16.2)	(48.0)	(49.7)
Minority interest	30.2	1.0	6.1
Extraordinary items	(56.6)	14.0	(15.7)
Deferred income taxes and other	887.8	709.0	537.7
Net cash provided by operating activities	916.0	799.6	520.7
FINANCING ACTIVITIES	3,044.5	839.5	3,728.2
Proceeds from borrowings	(3,580.3)	(734.4)	(1,619.6)
Retirement and repayment of debt	500.0		
Issuance of preferred stock	470.2	(175.5)	(7.1)
Issuances (repurchases) of common stock, net			6.6
Equity contribution to a subsidiary	(34.0)	(26.8)	(22.4)
Dividends	(44.9)	(5.0)	(43.5)
Deferred financing costs	0.1	21.4	(6.5)
Other			
Net cash provided by (used in) financing activities	355.6	(81.2)	2,035.7
INVESTING ACTIVITIES	(170.1)	(60.4)	(1,386.0)
Acquisitions, net of cash acquired	45.6	210.2	(240.8)
Proceeds from sales (purchases) of short-term investments, net	(268.7)	(502.0)	(480.2)
Investments, principally in affiliates			
Proceeds from sales and distributions from investments, principally in affiliates	171.1	167.5	410.5
Proceeds from investments' repayments of loans	30.6	(670.4)	(623.0)
Capital expenditures	(925.5)	(61.5)	(34.9)
Additions to deferred charges	(10.7)	(32.2)	1.3
Other			
Net cash used in investing activities	(1,189.2)	(926.2)	(2,352.6)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	82.4	(207.8)	203.8
CASH AND CASH EQUIVALENTS, beginning of year	331.3	539.1	335.3
CASH AND CASH EQUIVALENTS, end of year	\$413.7	\$331.3	\$539.1

See notes to consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY) (Dollars in millions, except per share data)

	Preferred Stock		Common Stock			Additional Capital	Accumulated Deficit	Unrealized Gains on Marketable Securities	Cumulative Translation Adjustments	Total
	Series A	Series B	Class A Special	Class A	Class B					
BALANCE, JANUARY 1, 1995	\$	\$	\$191.2	\$19.0	\$8.8	\$475.5	(\$1,827.6)	\$3.9	(\$17.5)	(\$726.7)
Net loss							(43.9)			(43.9)
Issuance of common stock			1.1			17.4				18.5
Conversion of convertible subordinated debt to common stock						0.4				4.4
Exercise of options			0.3	0.1		3.2				3.6
Retirement of common stock			(0.2)	(1.4)		(7.5)	(20.4)			(29.5)
Cash dividends, common, \$0.933 per share							(52.1)	(22.4)		(74.5)
Temporary equity related to put options							2.6			2.6
Proceeds from sales of put options										
Unrealized gains on marketable securities, net of deferred taxes of \$9.8								18.3		18.3
Cumulative translation adjustments									(0.5)	(0.5)
BALANCE, DECEMBER 31, 1995			192.8	37.7	8.8	843.1	(1,914.3)	22.2	(18.0)	(827.7)
Net loss							(53.5)			(53.5)
Issuance of common stock			97.2			1,526.3				1,623.5
Issuance of preferred stock	31.9									31.9
Exercise of options			0.2	0.2		3.0				3.4
Retirement of common stock			(6.9)	(3.9)		(41.4)	(133.2)			(185.4)
Cash dividends, common, \$0.933 per share							(26.1)			(26.1)
Cash dividends, Series A preferred							(0.7)			(0.7)
Unrecognized gain on issuance of common stock of a subsidiary										
Temporary equity related to put options							11.6			11.6
Proceeds from sales and extensions of put options							(17.5)			(17.5)
Unrealized losses on marketable securities, net of deferred taxes of (\$11.9)								2.2		2.2
Cumulative translation adjustments									(22.1)	(22.1)
BALANCE, DECEMBER 31, 1996	31.9		283.3	34.0	8.8	2,326.6	(2,127.1)	0.1	(6.0)	551.6
Net loss							(238.7)			(238.7)
Issuance of common stock			24.9			475.4				500.3
Issuance of preferred stock	500.0									500.0
Exercise of options			1.0			14.8				15.8
Conversion of convertible subordinated debt to common stock						8.4				218.5
Retirement of common stock			(0.6)	(2.2)		(22.3)	(17.7)			(42.8)
Cash dividends, common, \$0.933 per share							(32.4)			(32.4)
Cash dividends, Series A preferred							(1.6)			(1.6)
Series B preferred dividends							(17.2)			(17.2)
Temporary equity related to put options			13.2				38.2			51.4
Proceeds from sales and extensions of put options							2.6			2.6
Unrealized gains on marketable securities, net of deferred taxes of \$75.8								140.6		140.6
Cumulative translation adjustments									(5.6)	(5.6)
BALANCE, DECEMBER 31, 1997	\$31.9	\$513.2	\$317.0	\$31.8	\$8.8	\$3,030.6	(3,245.9)	\$140.7	(\$11.6)	\$1,666.3

See notes to consolidated financial statements.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

1. BUSINESS

Comcast Corporation and its subsidiaries (the "Company") is principally engaged in the development, management and operation of broadband cable networks, cellular and personal communications systems and the provision of content.

Cable communications includes cable and telecommunications services in the United States ("US") and the United Kingdom ("UK"). The Company's consolidated domestic cable operations served approximately 4.4 million subscribers and passed approximately 7.1 million homes as of December 31, 1997. The Company owns a 50% interest in Garden State Cablevision L.P. ("Garden State"), a cable communications company serving more than 238,000 subscribers and passing more than 297,000 homes in the State of New Jersey. Satellite-delivered video service is provided through the Company's equity interest in and distribution arrangements with Primestar Partners, L.P. ("Primestar") (see Note 4). In the UK, a subsidiary of the Company, Comcast UK Cable Partners Limited ("Comcast UK Cable"), holds ownership interests in four cable and telephony businesses that collectively have the potential to serve over 1.6 million homes (see Notes 3 and 4).

The Company provides cellular telephone communications services pursuant to licenses granted by the Federal Communications Commission ("FCC") in markets with a population of more than 8.2 million, including the area in and around the City of Philadelphia, Pennsylvania, the State of Delaware and a significant portion of the State of New Jersey. Personal communications services ("PCS") are provided through the Company's investment in Sprint Spectrum Holdings Company, L.P. ("Sprint Spectrum" or "Sprint PCS") (see Note 4).

Content is provided through the Company's majority-owned subsidiaries QVC, Inc. ("QVC"), an electronic retailer and E! Entertainment Television, Inc. ("E! Entertainment") (see Note 3), and other investments, including Comcast SportsNet, The Golf Channel, The Speedvision Network and The Outdoor Life Network. Through QVC, the Company markets a wide variety of products and is available to, on a full and part-time basis, over 68 million homes in the US, over 6.5 million homes in the UK and over 9.5 million homes in Germany.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and all wholly owned or controlled subsidiaries. All significant intercompany accounts and transactions among consolidated entities have been eliminated. Included in the Company's consolidated balance sheet as of December 31, 1997 and 1996 are net assets of foreign subsidiaries of \$141.1 million and \$143.7 million, respectively.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Values

The estimated fair value amounts presented in these notes to consolidated financial statements have been determined by the Company using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Such fair value estimates are based on pertinent information available to management

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

as of December 31, 1997 and 1996, and have not been comprehensively revalued for purposes of these consolidated financial statements since such dates.

Cash Equivalents and Short-term Investments

Cash equivalents consist principally of US Government obligations, commercial paper, repurchase agreements and certificates of deposit with maturities of three months or less when purchased. Short-term investments consist principally of US Government obligations, commercial paper, repurchase agreements and certificates of deposit with maturities of greater than three months when purchased. The carrying amounts of the Company's cash equivalents and short-term investments, classified as available for sale securities, approximate their fair values. As of December 31, 1996, short-term investments also include the Company's investment in Time Warner, Inc. ("Time Warner") common stock (see Note 4).

Inventories - Electronic Retailing

Inventories, consisting primarily of products held for sale, are stated at the lower of cost or market. Cost is determined by the average cost method, which approximates the first-in, first-out method.

Investments, Principally in Affiliates

Investments in entities in which the Company has the ability to exercise significant influence over the operating and financial policies of the investee and investments in partnerships which are not controlled by the Company are accounted for under the equity method. Equity method investments are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the investees' net income or losses after the date of investment, additional contributions made and dividends received. The differences between the Company's recorded investments and its proportionate interests in the book value of the investees' net assets are being amortized to equity in net income or loss, primarily over a period of 20 to 30 years, which is consistent with the estimated lives of the underlying assets.

Unrestricted publicly traded investments are classified as available for sale and recorded at their fair value, with unrealized gains or losses resulting from changes in fair value between measurement dates recorded as a component of stockholders' equity.

Restricted publicly traded investments and investments in privately held companies are stated at cost, adjusted for any known diminution in value.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided by the straight-line method over estimated useful lives as follows:

Buildings and improvements	8-40 years
Operating facilities	5-20 years
Other equipment	2-10 years

Improvements that extend asset lives are capitalized; other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation applicable to assets sold or retired are removed from the accounts and the gain or loss on disposition is recognized as a component of depreciation expense.

Deferred Charges

Franchise and license acquisition costs are amortized on a straight-line basis over their legal or estimated useful lives of 12 to 40 years. The excess of cost over the fair value of net assets acquired is being amortized on a straight-line basis over estimated useful lives of 20 to 40 years.

COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995 (Continued)

Valuation of Long-Lived Assets

The Company periodically evaluates the recoverability of its long-lived assets, including property and equipment and deferred charges, using objective methodologies. Such methodologies include evaluations based on the cash flows generated by the underlying assets or other determinants of fair value.

Foreign Currency Translation

Assets and liabilities of the Company's foreign subsidiaries, where the functional currency is the local currency, are translated into US dollars at the December 31 exchange rate. The related translation adjustments are recorded as a separate component of stockholders' equity. Revenues and expenses are translated using average exchange rates prevailing during the year. Foreign currency transaction gains and losses are included in other (income) expense.

Revenue Recognition

Service income is recognized as service is provided. Credit risk is managed by disconnecting services to cable and cellular customers who are delinquent. Net sales from electronic retailing are recognized at the time of shipment to customers. The Company's policy is to allow customers to return merchandise for credit up to thirty days after date of shipment. An allowance for returned merchandise is provided as a percentage of sales based on historical experience. The return provision was approximately 21% of gross sales for each of the years ended December 31, 1997, 1996 and 1995.

Stock-Based Compensation

Effective January 1, 1996, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," which encourages, but does not require, companies to record compensation cost for stock-based compensation plans at fair value. The Company has elected to continue to account for stock-based compensation in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, as permitted by SFAS No. 123. Compensation expense for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Compensation expense for restricted stock awards is recorded annually based on the quoted market price of the Company's stock at the date of the grant and the vesting period. Compensation expense for stock appreciation rights is recorded annually based on the changes in quoted market prices of the Company's stock or other determinants of fair value at the end of the year (see Note 6).

Postretirement and Postemployment Benefits

The estimated costs of retiree benefits and benefits for former or inactive employees, after employment but before retirement, are accrued and recorded as a charge to operations during the years the employees provide services.

Investment Income

Investment income includes interest income and gains, net of losses, on the sales of marketable securities and long-term investments. Gross realized gains and losses are recognized using the specific identification method (see Note 4). Investment income also includes impairment losses resulting from adjustments to the net realizable value of certain of the Company's long-term investments.

Capitalized Interest

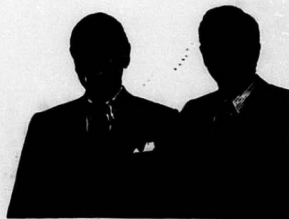
Interest is capitalized as part of the historical cost of acquiring qualifying assets, including investments in equity method investees while the investee has activities in progress necessary to commence its planned principal operations. Capitalized interest for the years ended December 31, 1997, 1996 and 1995 was \$18.0 million, \$32.1 million and \$6.4 million, respectively.

EXHIBIT E



To our shareholders, employees and friends

"Why are these men smiling?" A mutual friend saw this photo and suggested the tongue-in-cheek caption. After all, wasn't 1996 supposed to be a calamitous year for companies in the cable industry? Wouldn't our roof collapse from the pressure of competition and the weight of increased capital costs? Hadn't our prospects for growth diminished greatly?



Ralph J. Roberts, Chairman; Brian L. Roberts, President

Unfortunately, like most of us, our friend spends too much time reading newspaper headlines rather than digging below the surface for the details. True, increased competition has changed our businesses. Certainly, our languid stock price has given us little to smile about (a matter, we can assure you, that we take very seriously). However, we believe 1996 will be marked as a watershed year in our history for far more positive reasons.

**We achieved excellent
operating performance
while investing in
new and existing
businesses to drive
future growth**

Comcast has proven that not only do we know how to respond to the challenges of today's rapidly changing communications industry; we have learned how to thrive on them. Through a balanced but aggressive strategy, we have continued to achieve excellent operating performance, while investing in new and existing businesses to drive our future growth. We refer to this strategy as "running a tight ship," the theme we've adopted for this year's summary annual report. And, while many pundits said it couldn't be done, we can demonstrate our success with concrete results.

**Adjusted for acquisitions,
revenues increased 14.2%
and operating cash flow
increased 13.7%**

For the second year, we achieved double-digit revenue and cash flow growth. For the year ended December 31, 1996, Comcast Corporation reported consolidated revenues of \$4.038 billion, a 20.1% increase over the \$3.363 billion reported in 1995. Consolidated operating cash flow was \$1.207 billion, an 18.5% increase compared with \$1.019 billion the previous year. On a pro forma basis, excluding the cable operations acquired from The E.W. Scripps Company in November 1996, but including QVC revenues for all of 1995 and 1996, consolidated revenues rose 14.2% to \$3.970 billion, compared with \$3.477 billion in 1995. Pro forma consolidated operating cash flow increased 13.7% to \$1.179 billion, compared with \$1.037 billion in 1995.

cable television, which we will begin to roll out later in 1997. Both new services provide us with new revenue opportunities, and will help us to build distinct competitive advantages.

We continue to build our content and programming businesses. As the number of providers of multichannel delivery systems increases, the demand for high-quality content continues to grow. QVC's outstanding performance illustrates the value of sound programming investments. Since we gained control of the world's largest electronic retailer in February 1995, QVC's operating cash flow has increased almost 50%. In December 1996, we launched QVC Germany, expanding our worldwide audience to more than 70 million households.

In March 1996, we strengthened our content portfolio by forming and acquiring a majority interest in Comcast-Spectacor. This joint venture owns and operates the Philadelphia 76ers basketball team, the Philadelphia Flyers and Phantoms hockey teams, and two indoor arenas, the CoreStates Spectrum and the new, state-of-the-art CoreStates Center. We believe Comcast-Spectacor is one of the premier sports franchise and arena operations in the country, and will produce many new revenue and cross-promotional opportunities. In April 1996, Comcast-Spectacor quickly demonstrated this potential by announcing the creation of a new regional, all-sports cable television channel which will broadcast regional sports programming, including the games of the Philadelphia Flyers and Phillies later this year.

Most recently, in January 1997, we teamed with The Walt Disney Company to purchase a majority interest in EI Entertainment Television, which reaches 42 million U.S. households. C3 (Comcast Content & Communications), our programming venture launched in September 1995, will supervise the management of EI Entertainment's operations. EI is a valuable programming franchise and a nationally recognized brand. We believe that many opportunities exist to enhance the entertainment channel's revenue potential through new programming, increased domestic distribution and expansion into international markets. During 1996, C3 also announced agreements to produce original programming for the ABC, NBC and Fox networks, and for domestic TV syndication.

The remarkable performance of QVC exemplifies the benefit of sensible investments in programming

Comcast-Spectacor will launch a new all-sports channel in 1997

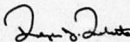
Comcast acquired control of EI Entertainment, a valuable cable network reaching 42 million homes

Comcast shows its
commitment to social
responsibility in
hundreds of ways

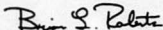
One value that remains constant, however, is our commitment to social responsibility and to good corporate citizenship. We support hundreds of local public service projects in the communities we serve. For the second straight year, QVC and the Fashion Footwear Association of New York teamed up for "QVC Presents FFANY Shoes on Sale," which raised nearly \$1.3 million to benefit breast cancer research and education. Through a special holiday promotion, Comcast Cellular raised \$285,000 for the Ronald McDonald Houses of greater Philadelphia. In February 1997, the annual Philadelphia Flyers' Wives Fight for Lives Carnival raised more than \$850,000 for leukemia research and local charities. Through our participation in "Cable in the Classroom," Comcast Cable has wired more than 4,000 schools for cable TV, providing a valuable service to more than 2.5 million students nationwide.

Learning from our past, we are well positioned for the future. During the 35 years since we started in business, we have built a great foundation from which to grow further. We have always welcomed new technologies and embraced creative ways to build new businesses around these changes. Our financial results have been among the best in our industry. This enables us to maintain the strong support of the numerous financial institutions that work closely with the Company's management.

"Running a tight ship" means many things. We believe it means continuously moving forward, operating with controlled efficiency, employing and associating with bright people who have knowledge and foresight, vision and technical expertise — balanced with the financial wherewithal to make it all work to the best interest of our shareholders, employees and the communities we serve. Knowing we are doing this well is what keeps those smiles on our faces.



Ralph J. Roberts
Chairman



Brian L. Roberts
President

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE

cable

Ask anyone in our cable television operations "what's new?" and be prepared for a long conversation. That's because Comcast Cable has undergone a dramatic transformation, as we have moved quickly to upgrade our cable systems, expand our customer service capabilities and create exciting new avenues for growth. With an unblinking eye for opportunity, our cable division continues to grow, producing record revenues and operating cash flow in 1996.

new customers Comcast Cable grew to 4.3 million customers in 1996, making us the fourth largest cable television operator in the United States. Despite competition from satellite TV and new cable providers, we added 138,000 multichannel video customers to our existing operations (including 66,000 *Primestar* by Comcast customers), a 4.0% increase in customers over 1995.

We acquired 800,000 customers by purchasing the cable television operations of The E.W. Scripps Company in November 1996. Nearly 60% of these customers are concentrated in two attractive "clusters" of at least 200,000 subscribers each. We believe these markets offer excellent growth potential, through new sales and increased sell-through of enhanced products and services.

in the ball

expanding our core cable business

QVC

QVC is one of the most successful business stories of the past decade. Since the company's first broadcast on November 21, 1981, it has grown from a modest \$1.7 million merchandise QVC has grown to become the undisputed world leader in live home retailing through a combination of creativity and efficient management. QVC continues to set new records in sales and operating costs.

broadening our U.S. audience QVC has something for everyone. Through creative programming and promotion, we're getting that message to more people and increasing the size and breadth of our U.S. audience. We also want to be known as America's most timely retailer, leveraging our size and speed to be first to market with new product trends and to capitalize on special-event opportunities.

all records

QVC leads electronic retailing

- ♦ Reached more than 70 million homes worldwide in 1996
- ♦ Answered more than 85 million phone calls
- ♦ Shipped more than 50 million packages
- ♦ Received orders for more than \$25 million in one day
- ♦ Sold more than 155,000 items in one day

QVC

That's why you could find us last year at such prominent venues as the Super Bowl and the Olympics. We also hosted events at great cultural institutions, including New York's Metropolitan Museum of Art and the Cézanne Exhibit at the Philadelphia Museum of Art. We have fueled up the QVC Local, our bright-orange television studio on wheels, for "The 1997 Quest for America's Best—50 in 50 Tour"—a cross-country expedition featuring unique local and regional products. We also showcased merchandise from Harrods, London's premier department store.

NEXT

DOCUMENT (S)

BEST IMAGE

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new ways to shop QVC in September 1996. The Home-Based QVC, the nation's first

concept on the World Wide Web (<http://www.qvc.com>), visitors to QVC's website buy all the products featured on our television programs. This ease of shopping is still the most convenient way to shop. We've also established QVC.com, an e-commerce shopping site, and a toll-free hotline, enabling customers to access our vast product database.

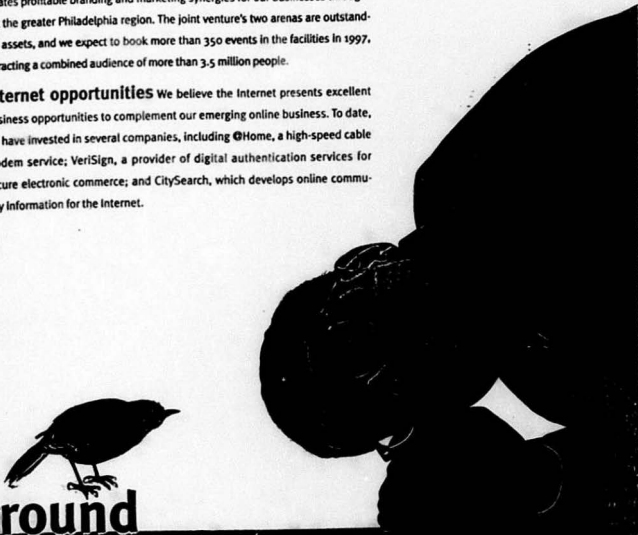
The same successful concepts—quality, value and convenience—that have made QVC a hit in the United States are now helping us to build a loyal following around the world. Our first international shopping channel, a joint venture established in the United Kingdom in 1993, grew to \$98 million in sales during 1996 and today reaches more than five million households throughout the United Kingdom and the Republic of Ireland.

We increased our European presence in December 1996 by launching QVC Germany, our first solo international venture. The German market appears ideal for electronic retailing. In addition to having the highest per capita mail order sales in the world, Germany is second only to the United States in total cable and satellite television households. In January 1997, we teamed with Japan Cable Television, Ltd., to launch "The Best of QVC," a series of 13 half-hour television programs broadcast on TV Asahi in Japan.

To support our growth and to enhance the quality and variety of QVC programming, we are building a television studio and warehouse facility in West Chester, Pennsylvania. Called Studio Park, the new 585,000-square-foot complex is scheduled for completion in late 1997. Studio Park's state-of-the-art facilities will have 15 stages (10 more than our current facility), providing backdrops for a near-limitless variety of sets. A new 600-seat auditorium will enable visitors to view many shows live, and to interact with our hosts, celebrities and on-air guests. Another attraction for visitors to Studio Park will be tours of our manufacturing plant.

In addition to being an invaluable source of live programming, Comcast-Spectacor creates profitable branding and marketing synergies for our businesses throughout the greater Philadelphia region. The joint venture's two arenas are outstanding assets, and we expect to book more than 350 events in the facilities in 1997, attracting a combined audience of more than 3.5 million people.

Internet opportunities We believe the Internet presents excellent business opportunities to complement our emerging online business. To date, we have invested in several companies, including @Home, a high-speed cable modem service; VeriSign, a provider of digital authentication services for secure electronic commerce; and CitySearch, which develops online community information for the Internet.



eground

uncovering new content opportunities

> Comcast-Spectacor's first television program, *World's Funniest*

> Comcast-Spectacor's first television program, *World's Funniest*

> Comcast-Spectacor's first television program, *World's Funniest*

NEXT

DOCUMENT (S)

BEST IMAGE

POSSIBLE



a competitive cellular environment

operations

19

Delivering the goods in today's business environment is no easy feat. You have to see past the issues of the day and maintain a steady course regardless of the bumps and potholes in the road. It's a rigorous balancing act which determines how your operations stack up in a competitive world.

Fortunately, we have a lot of practice. Guided by a sound strategy and clear vision, we have achieved what might be called "dynamic balance"—a focused style of management in which we don't allow today's challenges to distract us from our long-term goals. At the same time, we don't let long-term goals supplant our responsibility for current performance. When you survey our industry, you'll find it's not an easy balance to achieve. At Comcast, it has always been our way of doing business.

striking a balance

managing resources in changing times

- > Increased revenues and operating cash flow
- > Invested in networks, new products and customer service
- > Expanded cable and content businesses
- > Reduced leverage, strengthened balance sheet

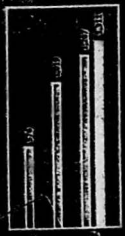
innovation and moderation

Over the years, we have built an excellent reputation for developing innovative business strategies to support our growth. This has enabled us to pursue attractive long-term opportunities without adding steadily to our debt. By leveraging our fast-moving, entrepreneurial culture with prudent financial discipline, we will continue to develop new ways to deliver value to our shareholders.

Consolidated
Revenue (\$
Percent of 1990)



Consolidated
Operating Cash Flow
(\$ Percent of 1990)



Consolidated
Capital Expenditures
(\$ Percent of 1990)



■ 1990 = 100% (Revenue and Operating Cash Flow) or 100% (Capital Expenditures)

itions

innovation and moderation Over the years, we have built an excellent reputation for developing innovative financial strategies to support our growth. This has enabled us to pursue attractive long-term opportunities without adding financial liability to our stable, long-standing but fast-moving, entrepreneurial culture with product-focused management. We will continue to develop new ways to deliver value to our shareholders.

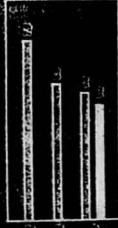
Consolidated Revenues
(Dollars in millions)



Consolidated Operating Cash Flow
(Dollars in millions)



Interest Paid by Subsidiaries
(Dollars in millions)



■ 1997 data is preliminary. All figures are unaudited and subject to audit. All figures are in millions of dollars unless otherwise indicated.

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Responsibility for Preparation of Financial Statements

The consolidated financial statements of Corning Incorporated and its subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles and have been audited by Deloitte & Touche LLP, a Certified Public Accounting firm. The opinion was ratified by the Company's stockholders. Such financial statements and the related Independent Auditors Report thereon, dated February 23, 1997, which expressed an unqualified opinion, are included in the Company's Annual Report on Form 10-K. The integrity and objectivity of information in those consolidated financial statements, including estimates and judgments, are the responsibility of management, as is all other financial information included in this report. In meeting its responsibility for the reliability of the financial statements, the Company depends

on its system of internal accounting controls. This system, which undergoes continual revision, is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with the appropriate corporate authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. (Although accounting control procedures are designed to achieve these objectives, it must be recognized that errors or irregularities may nevertheless occur. The design, monitoring and revision of internal accounting controls involve, among other considerations, management's judgments with respect to the risks and expected benefits of specific control measures. The Company believes that its accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.)

Management recognizes its responsibility for conducting the Company's affairs according to the highest standards of personal and corporate conduct. This responsibility is reiterated by and reflected in the Company's Code of Ethics and Business Conduct, which is distributed throughout the Company. Management maintains a systematic program to comply with the policies included in the Code.

The Board of Directors retains its responsibility for the oversight of the Company's financial statements, composed entirely of Directors who are not Company employees. This oversight includes general oversight of the Company's accounting system, consolidated financial statements, independent auditors and the Company's internal controls as well as the review and discussion of the consolidated financial statements with the independent auditors. The Board of Directors is also responsible for the oversight of the Company's internal controls.


Robert E. Smith
President and Chief Executive Officer


Robert E. Smith
President and Chief Executive Officer

Condensed Consolidated Statement of Cash Flows

Year ended December 31

(Dollars in millions)

	1999	1998	1997
Operating Activities			
Net loss	\$ (53.5)	\$ (33.3)	\$ (9.8)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	314.6	339.9	332.2
Amortization	383.7	349.1	354.3
Non-cash interest expense, net	62.2	53.8	53.5
Equity in net losses of affiliates	144.8	86.6	40.9
Gain from equity offering of affiliate	(40.6)		
Gains on sales of subsidiaries		(5.5)	(5.8)
Gains on long-term investments, net	(69.2)	(183.0)	
Minority interest	(48.0)	(49.7)	(5.4)
Extraordinary items	1.0	6.1	11.7
Deferred income taxes and other	14.0	(15.7)	9.7
Net cash provided by operating activities	709.0	537.7	354.1
Increase in accounts receivable, net	(38.2)	(62.4)	(78.3)
Increase in inventories, net	(5.8)	(57.5)	(7.9)
Decrease (increase) in other current assets	0.6	(23.3)	(1.5)
Increase in accounts payable and accrued expenses	114.9	114.3	57.9
Increase (decrease) in accrued interest	19.1	11.9	(1.5)
Net cash provided by operating activities	799.6	520.7	369.1
Financing Activities			
Proceeds from borrowings	839.5	3,728.2	2,701.1
Retirement and repayment of debt	(734.4)	(1,619.6)	(569.0)
(Repurchases) Issuances of common stock, net	(175.9)	(7.1)	(4.3)
Issuance of common stock of a subsidiary, net		6.6	20.4
Equity contributions to subsidiaries			22.9
Dividends	(26.8)	(72.4)	(22.7)
Other	16.4	(50.0)	(5.5)
Net cash (used in) provided by financing activities	(81.2)	2,035.7	1,312.9
Investing Activities			
Acquisitions, net of cash acquired	(68.4)	(1,122.0)	(1,277.7)
Proceeds from the disposal of			
short-term investments, net	210.2	(226.3)	130.4
Investments in subsidiaries, net	(107.6)	(550.4)	(131.6)
Proceeds from the sale of subsidiaries, net			
Proceeds from the sale of investments, net	(77.5)	310.5	100.0
Capital expenditures	(722.3)	(521.0)	(420.0)
Proceeds from the sale of property, plant, and equipment	(74.3)	(11.1)	10.3
Other	(212.3)	(1,354.8)	(1,460.3)
Net cash (used in) investing activities	(732.3)	(2,075.1)	(2,048.9)
Net change in cash and cash equivalents	3.1	1,461.3	673.1
Cash and cash equivalents at the beginning of the year	3,331.1	1,869.8	1,196.7

The accompanying notes are an integral part of this financial statement.

Corporate and Division Offices

Barbara M. Dargatzis
Executive Vice President
Merchandising

Thomas G. Downes
Executive Vice President
Operations and Services

Irving B. Kalick
Executive Vice President
Affiliate Sales and Marketing

John F. Link
Executive Vice President
Chief Information Officer

Robert E. Cadigan, Jr.
Senior Vice President
Programming and Broadcasting

Thomas A. Clardy
Senior Vice President
Human Resources

Robert P. Cochran
Senior Vice President
Information Systems

Francis N. Edwards
Senior Vice President
International

Rowland C. Gersen
Senior Vice President
Controller

Neil S. Grabell
Senior Vice President
General Counsel and
Secretary

John A. Hestley
Senior Vice President
Customer Services

Charles C. Pichini
Senior Vice President
Distribution

Paul Shoup
Senior Vice President
Marketing

Barbara M. Dargatzis
Senior Vice President
Marketing

CS (COMCAST CONTENT & COMMUNICATIONS)

Richard H. Frank
Chairman and
Chief Executive Officer

Robert J. Crestani
President

Kimberly A. Johnston
Vice President

Richard J. Katz
Vice President

Karl D. Knepley
Vice President
Finance

Eve Smalley
Vice President
Creative Affairs

Officers

Robert B. Clasen
President

Abram E. Pattove
Senior Vice President
Planning and Development

Brian M. Gibbons
Senior Vice President
Telecommunications
Development

CORPORATE OFFICES

Robert J. Dargatzis
Chairman

John A. Hestley
Vice President

Charles C. Pichini
Vice President

Barbara M. Dargatzis
Vice President

Robert J. Dargatzis
Vice President

Thomas A. Clardy
Vice President

John F. Link
Vice President

Barbara M. Dargatzis
Senior Vice President
and President
Comcast International

Stanley L. Wang
Senior Vice President
General Counsel and
Secretary

David N. Watson
Senior Vice President
and President
Comcast Cellular
Communications

C. Stephen Backstrom
Vice President
Taxation

Amy L. Banse
Vice President

Arthur R. Block
Vice President and
Senior Deputy General Counsel

Mark A. Coblitz
Vice President
Strategic Planning

William E. Dordelman
Vice President - Finance

Joseph J. Ertmer
Vice President and
Corporate Controller

Paul Gillett
Vice President
Labor and Employment Law

Jack A. Martini
Vice President

Richard A. Seltzer
Vice President
Human Resources
Planning and Development

Thomas A. Clardy
Vice President

John F. Link
Vice President

Barbara M. Dargatzis
Vice President

Thomas A. Clardy
Vice President

CORPORATE EXECUTIVES

Barbara M. Dargatzis
Senior Vice President
and President
Comcast International

Stanley L. Wang
Senior Vice President
General Counsel and
Secretary

David N. Watson
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Communications

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Richard A. Seltzer
Vice President
Human Resources
Planning and Development

Thomas A. Clardy
Vice President

John F. Link
Vice President

Barbara M. Dargatzis
Vice President

Thomas A. Clardy
Vice President

Quarterly Market Information (Unaudited) Sural Corporation

	Class A Special Common Stock	Class A Common Stock	Class B Common Stock	Class C Common Stock
1994				
First Quarter	\$21 1/4	\$17 1/4	18 1/4	\$17 1/4
Second Quarter	18 1/4	16 1/4	18 1/4	16 1/4
Third Quarter	18 1/4	13 1/4	18 1/4	13 1/4
Fourth Quarter	17 1/4	14 1/4	17 1/4	14 1/4
1995				
First Quarter	\$16 1/4	\$14 1/4	\$16 1/4	\$14 1/4
Second Quarter	19 1/4	14	18 1/4	13 1/4
Third Quarter	22	18 1/4	22 1/4	18 1/4
Fourth Quarter	20 1/4	16 1/4	20 1/4	16 1/4

The Class A Special Common Stock and Class A Common Stock of the Company are traded on the Nasdaq Stock Market under the symbols CMCSK and CMCSA, respectively. There is no established public trading market for the Class B Common Stock of the Company. The Class B Common Stock is convertible, on a share-for-share basis, into Class A Special or Class A Common Stock. The table above sets forth, for the indicated periods, the closing price range of the Class A Special and Class A Common Stock as furnished by Nasdaq.

As of February 1, 1997, there were 2,672 record holders of the Company's Class A Special Common Stock and 1,793 record holders of the Company's Class A Common Stock. Sural Corporation is the sole record holder of the Company's Class B Common Stock.

Investor Information

Nasdaq Trading Symbols:

Class A Special Common Stock — CMCSK

Class A Common Stock — CMCSA

Transfer Agent:

The Bank of New York

605-544-4515

Shareholder Inquiries

Beneficial Shareholders (shares held by you in your name should address communications regarding share ownership, dividend payments, and other shareholder matters to:

The Bank of New York
Shareholder Services Department
PO Box 13253
Chicago, IL 60613-0253
Tel: (312) 309-1920
Fax: (312) 309-1920

For more information, visit our website:

<http://www.sural.com>

For more information, call our toll-free number:

1-800-345-6666

For more information, visit our website:

<http://www.sural.com>

For more information, call our toll-free number:

1-800-345-6666

Beneficial Shareholders (shares held for you by your broker in the name of the brokerage house) should direct communications on all administrative matters to your stockbroker.

Availability of Form 10-K — As required by the Company's Annual Report on Form 10-K and Exchange Regulation 101, Item 8, for the year ended December 31, 1996, is available on the Internet site (<http://www.sural.com>) or on a CD-ROM provided to shareholders without charge by each selling investor institution.

Investor Relations Contact:
Investor Relations
Sural Corporation
15000 Market Street
Philadelphia, PA 19104-3000
Tel: (215) 381-1000
Fax: (215) 381-1000
Internet: <http://www.sural.com>

Corporate Information

Corporate Headquarters:

15000 Market Street

Philadelphia, PA 19104-3000

Tel: (215) 381-1000

Fax: (215) 381-1000

Internet: <http://www.sural.com>

For more information, visit our website:

<http://www.sural.com>

For more information, call our toll-free number:

1-800-345-6666

For more information, visit our website:

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1-800-345-6666

EXHIBIT F

SOUTH DAKOTA TELECOMMUNICATIONS TARIFF

This Tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services within the State of South Dakota by COMCAST TELECOMMUNICATIONS, INC., d/b/a COMCAST LONG DISTANCE ("Company"). This tariff is on file with the South Dakota Public Utilities Commission, and copies also may be inspected, during normal business hours, at the following location: 211 South Gulph Road, King of Prussia, Pennsylvania 19406.

Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
211 South Gulph Road
King of Prussia, Pennsylvania 19406

COMCAST TELECOMMUNICATIONS, INC.
d/b/a COMCAST LONG DISTANCE

SD P.U.C. Tariff No. 1

Original Page No. 2

CHECK SHEET

The title page and pages 1-50 inclusive of this Tariff are effective as of the date shown. Original and revised pages, as named below, comprise all changes from the original Tariff in effect on the date indicated.

SHEET	REVISION	SHEET	REVISION
1	Original	26	Original
2	Original	26	Original
3	Original	27	Original
4	Original	28	Original
5	Original	29	Original
6	Original	30	Original
7	Original	31	Original
8	Original	32	Original
9	Original	33	Original
10	Original	34	Original
11	Original	35	Original
12	Original	36	Original
13	Original	37	Original
14	Original	38	Original
15	Original	39	Original
16	Original	40	Original
17	Original	41	Original
18	Original	42	Original
19	Original	43	Original
20	Original	44	Original
21	Original	46	Original
22	Original	47	Original
23	Original	48	Original
24	Original	49	Original
25	Original	50	Original

* New or Revised Pages

Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
211 South Gulph Road
King of Prussia, Pennsylvania 19406

COMCAST TELECOMMUNICATIONS, INC.
d/b/a COMCAST LONG DISTANCE

SD P.U.C. Tariff No. 1
Original Page No. 3

CONCURRING, CONNECTING AND OTHER PARTICIPATING CARRIERS

CONCURRING CARRIERS:

No Concurring Carriers

CONNECTING CARRIERS:

No Connecting Carriers

OTHER PARTICIPATING CARRIERS:

No Participating Carriers

Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
211 South Gulph Road
King of Prussia, Pennsylvania 19406

TARIFF FORMAT

Page Numbering - Page numbers appear in the upper right hand corner of the page. Pages are numbered sequentially and from time to time new pages may be added to the tariff. When a new page is added between existing pages, a decimal is added to the preceding page number. For example, a new page added between Pages 3 and 4 would be numbered 3.1.

Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

- 2.
- 2.1.
- 2.1.1.
- 2.1.1.A.
- 2.1.1.A.1.
- 2.1.1.A.1(a).
- 2.1.1.A.1(a).1.
- 2.1.1.A.1(a).1(i).
- 2.1.1.A.1(a).1(i).1.

Check Sheets - When a Tariff filing is made with the Commission, an updated check sheet accompanies the Tariff filing. The check sheet lists the pages contained in the Tariff, with a cross-reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision, all revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it. The Tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the Commission.

Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
211 South Gulph Road
King of Prussia, Pennsylvania 19406

COMCAST TELECOMMUNICATIONS, INC.
d/b/a COMCAST LONG DISTANCE

SD P.U.C. Tariff No. 1

Original Page No. 5

APPLICABILITY

This Tariff contains the Service offerings, rates, terms and conditions applicable to the furnishing of intrastate resale telecommunications Services within the State of South Dakota by COMCAST TELECOMMUNICATIONS, INC., d/b/a COMCAST LONG DISTANCE (hereinafter "Comcast" or "Company").

Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
211 South Gulph Road
King of Prussia, Pennsylvania 19406

EXPLANATION OF SYMBOLS

- (D) To signify discontinued material
- (I) To signify a rate or charge increase
- (M) To signify material relocated without change in text or rate
- (N) To signify new material
- (R) To signify a reduction
- (T) To signify a change in text but no change in rate or regulation
- (Z) To signify a correction

Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
271 South Gulph Road
King of Prussia, Pennsylvania 19406

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Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
211 South Gulph Road
King of Prussia, Pennsylvania 19406

COMCAST TELECOMMUNICATIONS, INC.
d/b/a COMCAST LONG DISTANCE

SD P.U.C. Tariff No. 1
Original Page No. 8

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Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
211 South Gulph Road
King of Prussia, Pennsylvania 19406

1. DEFINITION OF TERMS

For the purpose of this Tariff, the following definitions will apply:

Access Coordination

Provides for the design, ordering, installation, coordination, pre-service testing, service turn-up and maintenance on a Company or Customer provided Local Access Channel.

Additional Billing Increment

Additional Billing Increment is the rate element used to bill for the chargeable time when a call continues beyond the Initial Billing Increment. Additional Billing Increment begins when the Initial Billing Increment ends (e.g., with the second minute of a call for which the Initial Billing Increment is one minute). Additional rates apply to each Additional Billing Increment, or any fraction thereof, that chargeable time continues beyond the Initial Billing Increment. Thus, for Service with an Initial Billing Increment of one (1) minute, a call with an actual duration of two (2) minutes and one (1) second would incur the full Initial Billing Increment charge and the charge for two (2) Additional Billing Increments.

Administrative Change

A change in Customer billing address or contact name.

Alternate Access

Alternate Access is a form of Local Access except that the provider of the Service is an entity, other than the Local Exchange Carrier, authorized or permitted to provide such Service. The charges for Alternate Access may be subject to private agreement rather than published or special tariff if permitted by applicable governmental rules.

ANI

ANI (Automated Number Identification) refers to the specific and unique Calling Party's billing number delivered by a local exchange carrier to any interconnecting carrier for billing or routing purposes.

Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
211 South Gulph Road
King of Prussia, Pennsylvania 19406

1. DEFINITION OF TERMS (cont'd)

Application for Service

A standard Company order form which includes all pertinent billing, technical and other descriptive information which will enable the Company to provide a communication Service as required.

ASR

ASR (Access Service Request) means an order placed with a Local Access Provider for Local Access.

Authorization Code

A numerical sequence which enables a Customer to access Company's network to place a Call and which is used by the Company to identify the customer for billing purposes.

Authorized User

A person, firm, corporation or other entity that either is authorized by the Customer to receive or send communications or is placed in a position by the Customer, either through acts or omissions, to send or receive communications.

Bandwidth

The total frequency band, in hertz, allocated for a channel.

Bill Date

The date on which billing information is compiled and sent to the Customer.

Business (a/k/a Commercial)

Service which originates from, or is billed to, a line for which the Customer pays a rate that is described solely as a business or commercial rate in the applicable local exchange carrier's tariff for switched services.

Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
211 South Gulph Road
King of Prussia, Pennsylvania 19406

COMCAST TELECOMMUNICATIONS, INC.
d/b/a COMCAST LONG DISTANCE

SD P.U.C. Tariff No. 1
Original Page No. 11

1. DEFINITION OF TERMS (cont'd)

Call

A completed connection between the Calling and Called Stations.

Called Station

The telephone number called.

Calling Station

The telephone number from which a Call originates.

Cancellation of Order

A Customer initiated request to discontinue processing a Service order, either in part or in its entirety, prior to its completion. Cancellation charges will be assessed for each Circuit-end or Dedicated Access line canceled from an order prior to its completion by the Company, under the following circumstances: (1) if the LEC has confirmed in writing to the Company that the Circuit-end or Dedicated Access line will be installed; or (2) if the Company has already submitted facilities orders to and interconnecting telephone company.

Channel or Circuit

A dedicated communications path between two or more points having a Bandwidth or Transmission Speed specified in this Tariff and selected by a Customer.

Commission

The South Dakota Public Utilities Commission

Company

Comcast Telecommunications, Inc. d/b/a Comcast Long Distance.

Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
211 South Gulph Road
King of Prussia, Pennsylvania 19406

COMCAST TELECOMMUNICATIONS, INC.
d/b/a COMCAST LONG DISTANCE

SD P.U.C. Tariff No. 1
Original Page No. 12

1. DEFINITION OF TERMS (cont'd)

Company Recognized National Holidays

The following are Company Recognized National Holidays determined at the location of the originator of the Call.

The Company observes the following federally recognized holidays:

New Year's Day
Martin Luther King Day
President's Day
Memorial Day
July 4th, Independence Day
Labor Day
Columbus Day
Veteran's Day
Thanksgiving Day
Christmas Day

Customer

The person, firm, corporation or governmental unit which orders Service and which is responsible for the payment of charges and for compliance with the Company's Tariff regulations. A Customer is considered to be an account for billing purposes. The term Customer also includes an entity that remains presubscribed to the Company Service after its account(s) are removed from the Company's billing system, subsequently continues to use Company's network, and is billed by a local exchange carrier for such use, or otherwise uses Service for which no other Customer is obligated to compensate Company.

Customer Premises/Customer's Premises

Locations designated by a Customer where Service is originated/terminated whether for its own communications needs or for the use of its resale customers.

Issued:

Effective:

Issued by:

Barry Edelstein, Vice President
COMCAST TELECOMMUNICATIONS, INC.
211 South Gulph Road
King of Prussia, Pennsylvania 19406

COMCAST TELECOMMUNICATIONS, INC.
d/b/a COMCAST LONG DISTANCE

SD P.U.C. Tariff No. 1
Original Page No. 13

1. DEFINITION OF TERMS (cont'd)

DCS

DCS means Digital Cross-Connect System.

Dedicated Access/Special Access

Dedicated Local Access between the Customer's Premises or serving wire center and the Company's Point-of-Presence for origination or termination of Calls.

DS-0

DS-0 means Digital Signal Level 0 Service and is a 64 Kbps signal.

DS-1

DS-1 means Digital Signal Level 1 Service and is a 1.544 Mbps signal.

DS-0 with VF Access

DS-0 Service with VF Local Access facilities provides for the transmission of analog voice and/or data within 300 Hz to 3000 Hz frequency range.

DS-0 with DDS Access

DS-0 Service with VF Local Access facilities provides for the transmission of digital data at speeds 2.4, 4.8, 9.6 or 56 Kbps.

Due date

The Due Date is the date on which payment is due.

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DEFINITION OF TERMS (cont'd)

Exemption Certificate

A written Customer designation which certifies that its dedicated facility should be exempted from the monthly Special Access Surcharge because the Service:

- (a) terminates on a device incapable of connecting the Company's network with the local exchange network; or
- (b) is associated with a Switched Access Service that is subject to Carrier Common Line charges; or
- (c) constitutes a Private Line facility used for Telex Service or radio or television transmissions; or,
- (d) is an open-end termination in a Local Exchange Carrier's switch of an FX line; or
- (e) is a termination that could not make use of a Local Exchange Carrier's common lines.

Expedite

A Service order initiated at the request of the Customer that is processed in a time period shorter than the Company's standard Service interval.

FCC

Federal Communications Commission

Individual Case Basis (ICB)

Individual Case Basis (ICB) determinations involve situations where complex Customer-specific Company arrangements are required to satisfactorily serve the Customer. The nature of such Service requirements makes it difficult or impossible to establish general tariff provisions for such circumstances.

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1. DEFINITION OF TERMS (cont'd)

Initial Billing Increment

Initial Billing Increment is the initial rate increment of a call placed under any Service provided by Company. The initial rate increment will apply if a call has a minimum duration of the entire Initial Billing Increment or any fraction thereof. Thus, by way of example, for Service with an Initial Billing Increment of (1) minute, a call with an actual duration of less than one (1) minute will be billed the full Initial Billing Increment.

Installation

The connection of a Circuit, Dedicated Access line, or port for new, changed or an additional Service.

Interexchange Service

Interexchange Service means that portion of a communications channel between a Company-designated Point-of-Presence in one exchange and a Point-of-Presence in another exchange.

Interruption

Interruption shall mean a condition whereby the Service or a portion thereof is inoperative, beginning at the time of notice by the Customer to Company that such Service is inoperative and ending at the time of restoration.

Kpbs

Kilobits per second.

LATA (Local Access Transport Area)

A geographical area established for the provision and administration of communications Service of a local exchange company.

Local Access

Local Access means the Service between a Customer Premises and a Company designated Point-of-Presence.

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1. DEFINITION OF TERMS (cont'd)

Local Access Provider

Local Access Provider means an entity providing Local Access.

Local Exchange Carrier (LEC)

The local telephone utility that provides telephone exchange services.

Mbps

Megabits per second.

Multiplexing

Multiplexing, or "mixing", is the sequential combining of lower bit rate Private Line Services onto a higher bit rate Private Line Service for more efficient facility capacity usage or vice versa.

N/A

Not available.

N/C

No charge.

Nonrecurring Charges

Nonrecurring Charges are one-time charges.

Payment Method

The manner that the Customer designates as the means of billing charges for Calls using the Company's Service.

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1. DEFINITION OF TERMS (cont'd)

Physical Change

The modification of an existing Circuit, Dedicated Access line or port, at the request of the Customer, requiring some Physical Change or retermination.

Point-of-Presence (POP)

A Company-designated location where a facility is maintained for the purpose of providing access to its Service.

Primary Route

The route which, in the absence of Customer-designated routing or temporary re-routing, would be used by the Company in the provision of Service.

Private Line

A dedicated transmission channel furnished to a customer without intermediate switching arrangements for full-time customer use.

Private Line Service

A dedicated full-time transmission Service utilizing dedicated access arrangements.

Rate Center

A specified geographical location used for determining mileage measurements.

Requested Service Date

The Requested Service Date is the date requested by the Customer for commencement of Service and agreed to by the Company.

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1. DEFINITION OF TERMS (cont'd)

Residential

Service which originates from, or is billed to, a line for which Customer pays a rate that is described solely as a residential rate in the applicable local exchange carrier's tariff for switched services.

Restore

To make Service operative following an interruption by repair, reassignment, re-routing, substitution of component parts, or otherwise, as determined by the carrier(s) involved.

Route Diversity

Two channels which are furnished partially or entirely over two physically separate routes.

Service

Service means any or all Service(s) provided pursuant to this Tariff.

Service Commitment Period

The term elected by the Customer and stated on the Service order during which the Company will provide the Services subscribed to by the Customer. The term can be monthly or in the case of Private Line Services for a period of up to 5 years.

Service Commencement Date

The day that the requested Service or facility is available for use, unless extended by the Customer's refusal to accept Service which does not conform to standards set forth in the Service Order or in the tariffs of the Company, in which case the Service Commencement Date is the date of the Customer's acceptance.

Service Order

A written request for Services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and acceptance by the Company is one means of initiating the respective obligations of the parties as set forth therein and pursuant to the tariffs of the Company, however, the duration of Service is calculated for the Service Commencement Date.

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1. DEFINITION OF TERMS (cont'd)

Special Promotional Offerings

Special trial offerings, discounts, or modifications of its regular Service offerings which the Company may, from time to time, offer to its Customers for a particular Service. Such offerings may be limited to certain dates, times, and locations.

Start of Service Date

The Requested Service Date or the date Service first is made available by the Company whichever is later.

Switched Access

Nondedicated Local Access between the Customer's Premise and the serving wire center which is interconnected to the Company's Point-of-Presence for origination or termination of Service.

Tariff

The current Intrastate Services Tariff and effective revisions thereto filed by the Company with the South Dakota Public Utilities Commission.

Transmission Speed

Date transmission speed or rate, in bits per seconds (bps).

Twelve O'Clock

In designated time, 12:00 a.m. refers to 12:00 Midnight and 12:00 p.m. refers to 12:00 Noon.

Two-Way Conversation

A Two-Way Conversation is a telephone conversation between or among two or more parties.

VF

VF is voice frequency or voice-grade Service designed for private-line Service. Normal transmission is in the 300 hertz to 3000 hertz frequency band.

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2. RULES AND REGULATIONS

2.1. Description and Limitations of Services

- 2.1.1. Intrastate Telecommunications Service ("Service") is the furnishing of Company communication Services contained herein between specified locations under the terms of this Tariff.
- 2.1.2. Any member of the general public (including any natural person or legally organized entity such as a corporation, partnership, or governmental body) is entitled to obtain Service under this Tariff, provided that the Company reserves the right to deny Service: (A) to any Customer that, in the Company's reasonable opinion, presents an undue risk of nonpayment and refuses to comply with the deposit requirements set forth in this tariff, (B) in circumstances in which the Company has reason to believe that the use of the Service would violate the provisions of this Tariff or any applicable law or if any applicable law restricts or prohibits provision of the Service, or (C) if insufficient facilities are available to provide the Service (in such cases Company shall make best efforts to accommodate the needs of all potential Customers by means of facility improvements or purchases, of capacity, if such efforts will, in the Company's opinion, provide the Company with a reasonable return on its expenditures), but only for so long as such unavailability exists.
- 2.1.3. The Company may require a Customer to sign an application form and to establish credit worthiness as a condition precedent to the initial establishment of Service. The application shall state the date on which Service shall begin and the points between which Service is to be provided, the type of facilities required, and any special arrangements related thereto.
- 2.1.4. Company, when acting at the Customer's request and as its authorized agent, will make reasonable efforts to arrange for Service requirements, such as special routing, Diversity, Alternate Access, or circuit conditioning.
- 2.1.5. Service is offered in equal access exchanges subject to the availability of facilities and the provisions of this Tariff. Company reserves the right to refuse to provide Service to or from any location where the necessary facilities and/or equipment are not available.

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2. RULES AND REGULATIONS (cont'd)

2.1. Description and Limitations of Services(cont'd)

2.1.6. Service may be discontinued after five business days written notice to the Customer if:

2.1.6.A. the Customer is using the Service in violation of this Tariff, or

2.1.6.B. the Customer is using the Service in violation of any law or Commission or FCC rule, order, or regulation.

2.1.7. Company reserves the right to discontinue Service, limit Service, or to impose requirements on Customer as required to meet changing regulatory or statutory rules and standards, or when such rules and standards have an adverse material affect on the business or economic feasibility of providing Service, as determined by Company in its reasonable judgment.

2.1.8. Service begins on the date that billing becomes effective and is provided on the basis of a minimum period of at least one month, 24 hours per day. For the purposes of computing charges in this Tariff, a month is considered to have 30 days.

2.1.9. Service will be provided until canceled, by the Customer on not less than thirty (30) days' written notice from the date of postmark on the letter giving notice of cancellation. In the event Customer has agreed to a service commitment period, any cancellation prior to the expiration of the service commitment period shall not relieve Customer of the obligation to pay cancellation charges as specified in this tariff.

2.1.10. Nothing herein, or in any other provision of this Tariff, or in any marketing materials issued by the Company shall give any person any ownership, interest, or proprietary right in any code or 800 number issued by the Company to its Customers.

2.1.11. The Company reserves the right to discontinue furnishing Services or billing options, upon written notice, when necessitated by conditions beyond its control. Conditions beyond the Company's control include, but are not limited to, a Customer's having Call volume or a calling pattern that results, or may result, in network blockage or other Service degradation which adversely affects Service to the calling party, the Customer, or other Customers of the Company.

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2. RULES AND REGULATIONS (cont'd)

2.1. Description and Limitations of Services (cont'd)

2.1.12. The Company reserves the right to obtain a credit verification of Customer in the event:

2.1.12.A Customer fails to make timely payment;

2.1.12.B there are significant changes in Customer's calling volume or calling pattern, or significant changes in the manner that Service is provided to Customer; or

2.1.12.C any other circumstance in which Company determines that a credit verification is necessary to protect Company from fraud, misuse or unlawful use of its Services.

2.2. Equipment

2.2.1. The Customer agrees to operate the Company provided equipment in accordance with instructions of the Company or the Company's agent. Failure to do so will void the Company liability for interruption of Service and may make Customer responsible for damage to Company's equipment.

2.2.2. Customer agrees to return to the Company all Company-provided equipment delivered to Customer within five (5) days of termination of the Service in connection with which the equipment was used. Said equipment shall be in the same condition as when delivered to Customer, normal wear and tear only excepted. Customer shall reimburse the Company, upon demand, for any costs incurred by the Company due to Customer's failure to comply with this provision.

2.2.3. The Company reserves the right of entrance for its employees, agents or contractors to the premises of the Customer, at any reasonable hour for the purpose of installing, inspecting, repairing, or removing the Company's equipment. It shall be the responsibility of the Customer to make any necessary arrangements with the owners of the premises for the entrance of the Company's employees.

2.2.4. The Customer is responsible for taking all necessary legal steps for interconnecting the Customer provided terminal equipment with the Company facilities. The Customer is responsible for securing all licenses, permits, rights-of-way, and other arrangements necessary for such interconnection.

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2. RULES AND REGULATIONS (cont'd)

2.2. Equipment (cont'd)

2.2.5. In order to protect the Company's facilities and personnel and the Services furnished to other Customers by the Company from potentially harmful effects, Customer shall ensure the signals applied to the Company's Service shall be such as not to cause damage to the facilities of the Company. Any special interface equipment necessary to achieve the compatibility between facilities of the Company and the channels or facilities of other shall be provided at the Customer's expense.

2.2.6. The Company may, upon notification to the Customer, at a reasonable time, make such tests and inspections as may be necessary to determine that the requirements regarding the equipment and interconnections are being complied within the installation, operations and maintenance of Customer-provided equipment and in the wiring of the connection of Customer channels to Company-owned facilities.

2.2.7. If the protective requirements in connection with Customer-provided equipment are not being complied with, the Company may take such action as necessary to protect its facilities and personnel, including the suspension of Service.

2.3. Other Terms and Conditions

2.3.1. The name(s) of the Customer(s) desiring to use the Service must be stipulated in the application for Service.

2.3.2. A Customer shall not use any service-mark or trademark of the Company or refer to the Company in connection with any product, equipment, promotion, or publication of the Customer without prior written approval of the Company.

2.3.3. In the event suit is brought or any attorney is retained by the Company to enforce the terms of this Tariff, the Company shall be entitled to recover, in addition to any other remedy, reimbursement for reasonable attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith.

2.3.4. The provision of Service will not create a partnership or joint venture between the Company and the Customer nor result in joint Service offerings to their respective Customers.

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2. RULES AND REGULATIONS (cont'd)

2.3 Other Terms and Conditions (cont'd)

- 2.3.5. The rate or volume discount level applicable to a Customer for a particular Service or Services shall be the rate or volume discount level in effect at the beginning of the monthly billing period applicable to the Customer for the particular Service or Services. When a Service is subject to a minimum monthly charge, account charge, port charge or other recurring charge or Nonrecurring Charge for both intrastate and interstate Service, only one such charge shall apply per account and that charge shall be the interstate charge.
- 2.3.6. Service requested by Customer and to be provided pursuant to this Tariff shall be requested on Company Service Order forms in effect from time to time or Customer's forms accepted in writing by an authorized headquarters representative of the Company (collectively referred to as "Service Orders").
- 2.3.7. If an entity other than the company (e.g., another carrier or a supplier) imposes charges on the Customer in connection with a Service that entity's charges will be passed through to the Customer also.
- 2.3.8. The Service Commitment Period for any Service shall be established by the Service Order relevant thereto and commence on the Start of Service Date. Upon expiration, each Service Commitment Period for such Service shall automatically be extended subject to written notice of termination by either Company or Customer as of a date not less than thirty (30) days after delivery of said notice to the other. The charges for Interexchange Service during any such extension shall not exceed the then current Company month-to-month charges applicable to such Service.
- 2.3.9. The remedies set forth herein in favor of Company shall not be exclusive and the Company shall at all times be entitled to all rights available to it under either law or equity.
- 2.4. Liability
- 2.4.1. Except as otherwise expressly provided in this Section 2.4, the Company shall have no liability for damages of any kind arising out of or related to events, acts, rights or privileges contemplated in this tariff or the provision of Service as described herein.

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2. RULES AND REGULATIONS (cont'd)

2.4. Liability (cont'd)

- 2.4.2. Except as otherwise expressly provided in this Section 2.4, with respect to any claim or suit, by a Customer or by any other, for damages associated with the order (including the reservation of any specific number for use with this Service), installation (including delays thereof), provision, termination, maintenance, repair, interruption, or restoration of any Service or facilities offered under this tariff, the liability of Company shall not exceed an amount equal to the charge applicable under this tariff to the period during which claimant's Service was affected. For those Services with monthly recurring charges, the Company's liability is limited to an amount equal to the proportionate monthly recurring charges for the period during which the Service was affected.
- 2.4.3. Except as provided otherwise in this Tariff, the Company shall not be liable to Customer or any other person, firm or entity for any failure of performance hereunder if such failure is due to any cause or causes beyond the reasonable control of the Company. Such causes shall include, without limitation, acts of God, fire, explosion, vandalism, cable cut, storm or other similar occurrence, any law, order, regulation, direction, action or request of the United States government or of any other government or of any civil or military authority, national emergencies, insurrections, riots, wars, strikes, lockouts or work stoppages or other labor difficulties, supplier failures, shortages, breaches or delays, or preemption of existing Services to restore service in compliance with Part 64, Subpart D, Appendix A, of the FCC's Rules and Regulations.
- 2.4.4. The Company is not liable for any act or omission of any other company or companies (including any Company affiliate that is a participating or concurring carrier) furnishing a portion of the Service or facilities, equipment, or Services associated with such Service.

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2. RULES AND REGULATIONS (cont'd)

2.4. Liability (cont'd)

- 2.4.5. Company shall not be liable for any representation made by Company employees, agent or affiliates, that do not comport, or that are inconsistent with the provisions of this Tariff.
- 2.4.6. The Company assumes no responsibility for the availability or performance of any cable or satellite systems or related facilities under the control of other entities, or for other facilities provided by other entities used for service to the Customer, even if the Company has acted as the Customer's agent in arranging for such facilities or services. Such facilities are provided subject to such degree of protection or non-preemptibility as may be provided by other entities.
- 2.4.7. The Company may rely on Local Exchange Carriers or other third parties for the performance of other Services such as Local Access. Upon Customer request and execution and delivery of appropriate authorizing documents, the Company may act as agent for Customer in obtaining such other Services. Customer's liability for charges hereunder shall not be reduced by untimely Installation or non-operation of Customer provided facilities and equipment.
- 2.4.8. The failure to give notice of default, to enforce or insist upon compliance with any of the terms or conditions herein, the waiver of any term or conditions herein, or the granting of an extension of time for performance by the Company or the Customer shall not constitute the permanent waiver of any term or condition herein. Each of the provisions shall remain at all times in full force and effect until modified in writing.

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2. RULES AND REGULATIONS (cont'd)

2.4 Liability (cont'd)

- 2.4.9. THE COMPANY SHALL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, SPECIAL, ACTUAL, PUNITIVE OR ANY OTHER DAMAGES, FOR ANY LOST PROFITS OF ANY KIND OR NATURE WHATSOEVER ARISING OUT OF ANY DEFECTS OR ANY OTHER CAUSE. EXCEPT AS EXPRESSLY SET FORTH IN THIS TARIFF. THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS WITH RESPECT TO ITS SERVICES, INCLUDING WITHOUT LIMITATION, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. IN THE EVENT OF AN INTERRUPTION IN SERVICE OR ANY DEFECT IN THE SERVICE WHATSOEVER, NEITHER COMPANY NOR ANY AFFILIATED OR UNAFFILIATED THIRD PARTY, THIRD PARTY PROVIDER OR OPERATOR OF FACILITIES EMPLOYED IN THE PROVISION OF THE SERVICE SHALL BE LIABLE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, SPECIAL, ACTUAL, PUNITIVE OR ANY OTHER DAMAGES, OR FOR ANY LOST PROFITS OF ANY KIND OR NATURE WHATSOEVER.
- 2.4.10. With respect to the routing of Calls by the Company to public safety answering points or municipal Emergency Service providers, Company liability, if any, will be limited to the lesser of: (a) the actual monetary damages incurred and proved by the Customer as the direct result of the Company's action, or failure to act, in routing the Call, or (b) the sum of \$1,000.00.
- 2.4.11. In the event parties other than Customer (e.g., Customer's customers) shall have use of the Service directly or indirectly through Customer, then Customer agrees to forever indemnify and hold Company and any affiliated or unaffiliated third-party, third-party provider or operator of facilities employed in provision of the Service harmless from and against any and all claims, demands, suits, actions, losses, damages, assessments or payments which may be asserted by said parties arising out of or relating to any Defects.
- 2.4.12. In the event that Company is required to perform a Circuit redesign due to inaccurate information provided by the Customer; or, circumstances in which such costs and expenses are caused by the Customer or reasonably incurred by the Company for the benefit of the Customer, the Customer is responsible for the payment of all such charges.

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2. RULES AND REGULATIONS (cont'd)

2.5. Cancellation of Service by a Customer

2.5.1. If a Customer cancels a Service order before the Service begins, before completion of the Minimum Period, or before completion of some other period mutually agreed upon by the Customer and the Company, a charge will be levied upon the Customer for the nonrecoverable portions of expenditures or liabilities incurred expressly on behalf of the Customer by the Company and not fully reimbursed by installation and monthly charges. If, based on a Service order by a Customer, any construction has either begun or been completed, but no Services provided, the nonrecoverable costs of such construction shall be borne by the Customer.

2.5.2. Upon thirty (30) days' prior written notice, either Customer or Company shall have the right, without cancellation charge or other liability, to cancel the affected portion of the Service, if the Company is prohibited by governmental authority from furnishing said portion, or if any material rate or term contained herein and relevant to the affected Service is substantially changed by order of the highest court of competent jurisdiction to which the matter is appeal, the Federal Communications Commission, or other local, state or federal government authority.

2.6. Cancellation for Cause by the Company

2.6.1. Upon nonpayment of any sum owing to the Company, or upon a violation of any of the provisions governing the furnishing of Service under this Tariff, the Company may, upon five business days written notification to the Customer, except in extreme cases, without incurring any liability, immediately discontinue the furnishing of such Service. The written notice may be separate and apart from the regular monthly bill for service. Customer shall be deemed to have canceled Service as of the date of such disconnection and shall be liable for any cancellation charges set forth in this Tariff.

2.6.2. Without incurring any liability, the Company may discontinue the furnishing of Service(s) to a Customer immediately and without notice if the Company deems that such action is necessary to prevent or to protect against fraud or to otherwise protect its personnel, agents, facilities or Services under the following circumstances:

2.6.2.A. if the Customer refuses to furnish information to the Company regarding the Customer's credit-worthiness, its past or current use of common carrier communications Services or its planned use of Service(s);

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2. RULES AND REGULATIONS (cont'd)

2.6. Cancellation for Cause by the Company (cont'd)

2.6.2.B. if the Customer provides false information to the Company regarding the Customer's identity, address, credit-worthiness, past or current use of Customer communications Services, or its planned use of the Company Service(s);

2.6.2.C. if the Customer states that it will not comply with a request of the Company for reasonable security for the payment for Service(s);

2.6.2.D. if the Customer has been given five business days written notice in a separate mailing by the Company of any past due amount (which remains unpaid in whole or in part) for any of the Company's communications Services to which the Customer either subscribes or had subscribed or used;

2.6.2.E. immediately upon written notice to the Customer of any sum thirty (30) days past due;

2.6.2.F. in the event of unauthorized use.

2.6.3. The discontinuance of Service(s) by the Company pursuant to this Section does not relieve the Customer of any obligations to pay the company for charges due and owing for Service(s) furnished up to the time of discontinuance. The remedies set forth herein shall not be exclusive and the Company shall at all times be entitled to all rights available to it under either law or equity.

2.6.4. The Company reserves the right to discontinue furnishing Services or billing options, upon written notice, when necessitated by conditions beyond its reasonable control.

2.6.5. Service may be discontinued by Company without notice to the Customer, by blocking traffic to or from certain cities, or NXX exchanges, or by blocking calls using certain codes, when the Company deems it necessary to take such action to prevent unlawful use of its Service. The Company will restore Service as soon as it can be provided without undue risk.

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2. RULES AND REGULATIONS (cont'd)

2.6. Cancellation for Cause by the Company. (cont'd)

2.6.6 Following the disconnection of Service for any of these reasons, the Company or the local exchange utility acting as Company's agent, will notify the Customer that Service was disconnected and why. The notice will include all reasons for the disconnection and will include a toll-free number where a Customer can obtain additional information. Notice shall be deemed given upon deposit, of a postage prepaid envelope containing Notice, in the U.S. Mail to Customer's last known address and in compliance with the Commission's rules.

2.7. Use of Service

2.7.1 The Services offered herein may be used for any lawful purpose, including residential, business, governmental, or other use. There are no restrictions on sharing or resale of Services. However, the Customer remains liable for all obligations under this Tariff notwithstanding such sharing or resale and regardless of the Company's knowledge of same. The Customer shall have no liability to any person or entity other than the Customer and only as set forth in Section 2.4 of this tariff. The Customer shall not use nor permit others to use the Service in a manner that could interfere with Services provided to others or that could harm the facilities of the Company or others, or that is inconsistent with any applicable law or regulation.

2.7.2. Service furnished by the Company may be arranged for joint use or authorized use. The joint user or Authorized User shall be permitted to use such Service in the same manner as the Customer, but subject to the following:

2.7.2.A. One joint user or Authorized User must be designated as the Customer.

2.7.2.B. All charges for the Service will be computed as if the Service were to be billed to one Customer. The joint user or Authorized User which has been designated as the Customer will be billed for all components of the Service and will be responsible for all payments to the Company. In the event that the designated Customer fails to pay the Company, each joint user or Authorized User shall be liable to the Company for all charges incurred as a result of its use of the Company's Service.

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2. RULES AND REGULATIONS (cont'd)

2.7. Use of Service (cont'd)

- 2.7.3. In addition to the other provisions in this Tariff, Customers reselling company Services shall be responsible for all interaction and interface with their own subscribers or customers. The provision of the Service will not create a partnership or joint venture between Company and Customer nor result in a joint communications Service offering to the Customers of either the Company or the Customer.
- 2.7.4. Service furnished by the Company shall not be used for any unlawful or fraudulent purposes.
- 2.7.5. The Customer will be billed directly by the LEC for certain Dedicated Access arrangements selected by the Customer for the provisioning of direct access arrangements. In those instances where the Company at the Customer's request may act as agent in the ordering of such arrangements, the Company will bill the Customer Local Access charges.

2.8. Payment Arrangements

- 2.8.1. The Customer is responsible for payment of all charges for Services furnished to the Customer or its joint or Authorized Users. This responsibility is not changed due to any use, misuse, or abuse of the Customer's Service or Customer provided equipment by third parties, the Customer's employees, or the public.
- 2.8.2. In the event an Authorization Code is assigned to Customer, the Customer shall be responsible for all Service billed to such Authorization Code until such time as Company receives written notification from Customer to cancel such Authorization Code.
- 2.8.3. The Company's bills are due upon receipt. Amounts not paid within 15 days from the Bill Date of the invoice will be considered past due. Customers will be assessed a late fee on past due amounts in the amount not to exceed the maximum lawful rate under applicable state law. If a Customer presents an undue risk of nonpayment at any time, the Company may require the Customer to pay its bills within a specified number of days and to make such payments in cash or the equivalent of cash.

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SD P.U.C. Tariff No. 1
Original Page No. 32

2. **RULES AND REGULATIONS (cont'd)**

2.8. **Payment Arrangements (cont'd)**

- 2.8.4. In determining whether a Customer presents an undue risk of nonpayment, the Company shall consider the following factors: (A) the Customer's payment history (if any) with the Company and its affiliates, (B) Customer's ability to demonstrate adequate ability to pay for the Service, (C) credit and related information provided by Customer, lawfully obtained from third parties or publicly available, and (D) information relating to Customer's management, owners and affiliates (if any). For end users or Customers whom the Company believes an advance payment is necessary, Company reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and, if necessary, a new advance payment will be collected for the next month, not to exceed two months in total.
- 2.8.5. Disputes with respect to charges must be presented to the Company in writing within thirty days from the date the invoice is rendered or such invoice will be deemed to be correct and binding on the Customer.
- 2.8.6. If a LEC has established or establishes a Special Access surcharge, the Company will bill the surcharge beginning on the effective date of such surcharge for Special Access arrangements presently in Service. The Company will cease billing the Special Access surcharge upon receipt of an Exemption Certificate or if the surcharge is removed by the LEC.
- 2.8.7. In the event the Company incurs fees or expenses, including attorney's fees, in collecting, or attempting to collect, any charges owed the Company, the Customer will be liable to the Company for the payment of all such fees and expenses reasonably incurred.
- 2.8.8. When a check which has been presented to the Company by a Customer in payment for charges is returned by the bank, the Customer shall be responsible for the payment of a handling fee of \$15.00. This charge will be in addition to any charges assessed by any bank or financial institution.

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2. RULES AND REGULATIONS (cont'd)

2.9. Notice

- 2.9.1 Except as otherwise provided in this Tariff or as specified in writing by the party entitled to receive Service, notice may be given orally or in writing to the persons whose names and business addresses appear on the executed Service order and the effective date of any notice shall be the date of delivery of such notice, not the date of mailing. By written notice, Company or Customer may change the party to receive notice and/or the address to which such notice is to be delivered. In the event no Customer or Company address is provided in the executed Service order, notice shall be given to the last known business address of Customer or, as appropriate.

2.10. Assignment

- 2.10.1. The obligations set forth in this Tariff shall be binding upon and inure to the benefit of the parties hereto and their respective successors or assigns, provided, however, the Customer shall not assign or transfer its rights or obligations without the prior written consent of the Company.

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2. RULES AND REGULATIONS (cont'd)

2.11. Tax Adjustments

- 2.11.1 All stated charges in this Tariff are computed by the Company exclusive of any federal, state, or local use, excise, gross receipts, sales or privilege taxes, duties, fees, or similar liabilities (other than general income or property taxes) whether charged to or against the Company or its Customer. Such taxes, fees, etc. shall be paid by the Customer in addition to the charges stated in this Tariff. All such taxes, duties, and fees shall each be shown as a separate line item on the Customer's monthly invoice.
- 2.11.2 A surcharge is imposed on all charges for Service originating at addresses in states which levy a gross receipts tax on Company's operations. This surcharge is composed of a factor of the gross receipts tax and taxes imposed directly or indirectly upon Company as measured by the gross receipts payments or revenues of interstate access charges will be shown as a separate line item on the Customer's monthly invoice.

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2. RULES AND REGULATIONS (cont'd)

2.12 Fees and Assessments

- 2.12.1 Company may adjust its rates and charges or impose additional rates and charges on its Customers in order to recover amounts it is required by governmental or quasi-governmental authorities to collect from or pay to others in support of statutory or regulatory programs. Examples of such programs include, but are not limited to, compensation to payphone service providers for the use of their payphones to access Company Service.

- 2.12.1.A **Payphone Surcharge** : Services provided pursuant to this tariff which are identified by Company as pay telephone station-originated calls are subject to a \$0.30 per call surcharge. Unless specifically stated otherwise, this surcharge will apply to calls made using the following Company Services: (i) calling card; (ii) prepaid phone card; (iii) toll-free service; and (iv) 10XXX dial around service.

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SD P.U.C. Tariff No. 1
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2. RULES AND REGULATIONS (cont'd)

2.13. Method for Calculation of Airline Mileage

- 2.13.1 The airline mileage between two cities can be calculated using the Vertical (V) and Horizontal (H) coordinates of the serving wire centers associated with the Company's POP locations. The method for calculating the airline mileage is obtained by reference to AT&T's Tariff F.C.C. No. 10 according to the following formula:

$$\text{the square root of: } \frac{(V1-V2)^2 + (H1-H2)^2}{10}$$

where V1 and H1 correspond to the V&H coordinates of City 1 and V2 and H2 correspond to the V&H coordinates of City 2.

Example:

	<u>V</u>	<u>H</u>
City 1	5004	1406
City 2	5987	3424

$$\text{the square root of: } \frac{(5004-5987)^2 + (1406-3424)^2}{10}$$

The result is 709.83 miles. Any fractional miles are rounded to the next higher whole number; therefore, the airline mileage for this example is 710 miles.

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2. RULES AND REGULATIONS (cont'd)

2.14. Time of Day Rate Periods

- 2.14.1 Time of Day Rate Periods are determined by the time of day at the location of the Calling Station.

The rates shown in Section 4 apply as follows:

DAY: From 8:00 AM to 5:00 PM Monday - Friday

EVENING: From 5:00 PM to 11:00 PM Monday - Friday and Sunday

NIGHT/

WEEKEND: From 11:00 PM to 8:00 AM Everyday

From 8:00 AM to 11:00 PM Saturday

From 8:00 AM to 5:00 PM Sunday

- 2.14.2 With respect to each time of day period listed in Section 4 of this tariff, the period begins exactly at the first listed hour and ends up to but not including the start of the second listed hour. Thus, by way of example, a time period listed as "11:00PM to 8:00AM" would begin exactly at 11:00 PM and continue up to, but not including 8:00AM.

- 2.14.3 When a call begins in one rate period and ends in another, the rate in effect at the beginning of the call applies to the entire call. In the event that a minute is split between two rate periods, the rate in effect at the start of that minute applies.

2.15. Special Customer Arrangements

- 2.15.1 In cases where a Customer requests a special or unique arrangement which may include engineering, conditioning, installation, construction, facilities, assembly, purchase or lease of facilities and/or other special Services not offered under this Tariff, the Company, at this option, may provide the requested Services. Appropriate recurring charges and/or Nonrecurring Charges and other terms and conditions will be developed for the Customer for the provisioning of such arrangements.

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2. RULES AND REGULATIONS (cont'd)

2.16. Inspection

- 2.16.1. The Company may, upon notice, make such tests and inspections as may be necessary to determine that the requirements of this Tariff are being complied with in the Installation, operation or maintenance of Customer or the Company equipment. The Company may interrupt the Service at any time, without penalty to the Company, should Customer violate any provision herein.

2.17. Timing of Calls

- 2.17.1 Long distance usage charges are based on the actual usage of the Company network. Chargeable time begins when a connection is established between the Calling Station and the Called Station. The establishment of the connection is determined, where available, by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When hardware answer supervision is unavailable and software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as usage of the network. Chargeable time for a call ends when one of the calling parties disconnects from the call. If the Called Station "hangs up" but the Calling Station does not, chargeable time ends when the network connection is released either by automatic timing equipment in the telephone network or by the Company.

2.18. Rounding

- 2.18.1 In the event the total charge for a call includes a fraction of a cent, the cost shall be rounded up to the next highest cent.

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3. DESCRIPTION OF SERVICES

3.1. Residential 1+ Calling Programs

- 3.1.1 **Residential Calling Plan A** - Residential Calling Plan A offers Residential Customers a plan combining a flat per-minute, non-distance sensitive charge for their intrastate calling. The rates apply when Calls are completed without the assistance of a live or automated operator and billed to the telephone number from which the Call originates, and which is pre-subscribed to this Service plan. This Service may be utilized for Calls that originate on a Residential line.

3.2. Commercial Switched Access 1+ Calling Programs

- 3.2.1 **Commercial Calling Plan A** - Commercial Calling Plan A offers Commercial Customers a plan offering a non-distance sensitive charge for their intrastate calling. The rates apply when Calls are completed without the assistance of a live or automated operator and billed to the telephone number from which the Call originates, and which is pre-subscribed to this Service plan. This Service may be utilized for Calls that originate on a Commercial line.

3.3. Commercial Switched Access Toll-Free Calling Programs

- 3.3.1 **Commercial Toll-Free Calling Plan A** - Commercial Toll-Free Calling Plan A offers Commercial Customers a non-distance sensitive charge for their intrastate calling. This Service plan allows for inward dialing in which the Customer, not the Calling Party, pays for the Call's charges. This Service plan may be utilized for termination on a Commercial line.

3.4. Commercial Dedicated Access 1+ Calling Programs

- 3.4.1. **Commercial Dedicated 1+ Calling Plan A** - Commercial Dedicated 1+ Calling Plan A is an intrastate dedicated digital Interexchange Channel Service in which Customers employ full-time transmission Service utilizing entirely dedicated access arrangements between Company's network and Customer's premises. The Customer is required to interconnect with Company at the Point-of Presence closest to Customer's premises.

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3. DESCRIPTION OF SERVICES (cont'd)

3.5. Commercial Dedicated Access Toll-Free Calling Programs

- 3.5.1. **Commercial Dedicated Toll-Free Calling Plan A**- Commercial Dedicated Toll-Free Plan A is an inbound intrastate dedicated digital Interexchange Channel Service in which Customer employs full-time transmission Service utilizing entirely dedicated access arrangements between Company's network and Customer's premises. Customer is required to interconnect with Company at the Point-of-Presence closest to Customer's premises.

3.6. Calling Card Programs

- 3.6.1. **Commercial Calling Card Plan A** - Commercial Calling Card Program A is available to Company's Commercial Customers who hold a valid Company Calling Card. Calls are placed by dialing a toll-free number furnished by Company, and then entering the Authorization Code followed by the destination number. This plan only applies to calls completed without live or automated operator assistance. This plan is available to Customers who have a Commercial line pre-subscribed to Company for Service.
- 3.6.2. **30/30 Residential Calling Card Plan**- The 30/30 Residential Calling Card is available to Company's Residential Customers who hold a valid Company Calling Card. Calls are placed by dialing a toll-free number furnished by Company, and then entering the Authorization Code followed by the destination number. This plan only applies to Calls completed without live or automated operator assistance. This plan is available to Customers who have a Residential line pre-subscribed to Company for Service.

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3. DESCRIPTION OF SERVICES (cont'd)

3.7. Prepaid Calling Card Service Programs

Prepaid Calling Card Service allows a Customer to pay a fixed dollar amount in advance for outbound long distance Service for Calls placed using Company Prepaid Calling Cards. The Customer will use a toll-free number listed on the card to access this Service.

Use is deducted from the card on a real-time basis. All Calls must be charged against a card that has a sufficient available balance. The Customer will be notified one (1) minute in advance of the exhaustion of the card. Calls in progress will be terminated by Company if the balance of the card is insufficient to continue the Call. Cards are non-refundable and cannot be recharged. The expiration date is printed on the card.

The following types of Calls may not be completed through use of Prepaid Calling Card Service:

- Calls to 900 and 976 numbers
- Calls to Directory Assistance
- Operator assistance calls

Prepaid Calling Card Service is offered on a first-come, first-served basis.

Calls are billed in whole one-minute increments with partial minutes of usage rounded up to the next full minute. Calls originating from payphones are subject to a surcharge indicated as the "Payphone Surcharge", in addition to the regular charge for the Call.

3.7.1 Collector Prepaid Calling Card Service

Company will provide Prepaid Calling Card Service using cards where the card itself has a value (e.g., includes a picture or a licensed property or because of the material used in making the card) that is distinct from the value of the telecommunications Service. The value of the telecommunications Service (in minutes or dollars) will be indicated visibly on the card prior to purchase. Cards may be used for both domestic and international Services, or may be limited to domestic use only.

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4. RATE SCHEDULES

4.1. Residential J+ Calling Programs

4.1.1 Residential Calling Plan A

Initial Billing Increment:	One Minute
Additional Billing Increment:	One Minute
Per Minute Rate:	\$0.21

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4. RATE SCHEDULES

4.2. Commercial Switched Access 1+ Calling Programs

4.2.1 Commercial Calling Plan A

Initial Billing Increment:	18 Seconds
Additional Billing Increment:	6 Seconds
Per 18 Seconds Rate:	\$0.0615
Per 6 Seconds Rate:	\$0.0205

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4. RATE SCHEDULES

4.3. Commercial Switched Access Toll-Free Calling Programs

4.3.1. Commercial Toll-Free Calling Plan A

Initial Billing Increment:	18 Seconds
Additional Billing Increment:	6 Seconds
Per 18 Seconds Rate:	\$0.0666
Per 6 Seconds Rate:	\$0.0222

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RATE SCHEDULES

4.4. Commercial Dedicated Access 1+ Calling Programs

4.4.1. Commercial Dedicated 1+ Calling Plan A

Initial Billing Increment:	18 Seconds
Additional Billing Increment:	6 Seconds
Per 18 Seconds Rate:	\$0.0615
Per 6 Seconds Rate:	\$0.0205

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4. RATE SCHEDULES

4.5. Commercial Dedicated Access Toll-Free Calling Programs

4.5.1. Commercial Dedicated Toll-Free Calling Plan A

Initial Billing Increment:	18 Seconds
Additional Billing Increment:	6 Seconds
Per 18 Seconds Rate:	\$0.0666
Per 6 Seconds Rate:	\$0.0222

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4. RATE SCHEDULES

4.6. Calling Card Programs

4.6.1. Commercial Calling Card Plan A

Initial Billing Increment:	30 Seconds
Additional Billing Increment:	6 Seconds
Per 30 Seconds Rate:	\$0.15
Per 6 Seconds Rate:	\$0.03

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4. RATE SCHEDULES (cont'd)

4.6. Calling Card Programs (cont'd)

4.6.2 30/30 Residential Calling Card Plan

4.6.2.A Rates:

Initial Billing Increment:	1 Minute
Additional Billing Increment:	1 Minute

Per Minute Rate:	\$0.30
------------------	--------

4.6.2.B. Surcharge:

In addition to the rate listed above, there is a surcharge of \$0.30 per call for use of this Service. This Service is not subject to the Payphone Surcharge listed in section 2.12.1.A of this tariff.

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4. **RATE SCHEDULES (cont'd)**

4.7.1. Prepaid Calling Card Service Programs

4.7.1 **Collector Prepaid Calling Card Service**

4.7.1.A. Hockey Collector Prepaid Calling Card

This Collector card will feature nationally known hockey players, and will be offered in sets or on a per-card basis.

Card
Denomination
15 Minutes

Per Minute Charge for
Telecommunications Service
\$0.15

Payphone
Surcharge
1 Minute

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5. SPECIAL PROMOTIONAL OFFERING

The Company may from time to time engage in Special Promotional Offerings or Trial Service Offerings of limited duration designed to attract new subscribers or to increase subscriber awareness of a particular Service offering. Such Promotional Offerings will be limited to specific dates, times, and locations. Except for the rates charged under such promotions, all other applicable terms and conditions contained in this tariff will apply to such Promotional Offerings. The Company, pursuant to all applicable laws and regulations, will notify the Commission prior to the start of such Promotional Offerings about the availability and duration of such Promotional Offerings.

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EXHIBIT G

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BEST IMAGE

POSSIBLE

Switch, Save and Get Rewards!

With Comcast® Long Distance
for your home.



COMCAST®
LONG DISTANCE

Switch to Comcast Long Distance for your home and you'll start saving immediately. Because with Comcast, for a low monthly service fee, you'll get

**state to state
rates as low as
9¢ a minute.**

Plus, when you sign up for Comcast Long Distance, you'll be automatically enrolled in our Comcast Rewards Program. Earn 10 Rewards Points for every one dollar you spend on long distance calls. Then, points can be redeemed later for all sorts of great items. So switch, save and start earning your Comcast Rewards today. See next page for details on this and other programs!

**Comcast Country.
Nobody knows it better.**

\$25

SWITCH TO COMCAST LONG DISTANCE FOR
YOUR HOME PHONE TODAY AND GET A \$25
CREDIT ON YOUR COMCAST CELLULAR BILL.

PLAN 12
12¢/minute
All Day, Everyday
In-state to state calls
with 10¢/minute
long distance

*Amount of \$25 cellular credit. One credit per Billing Telephone Number. Allow up to 30 days AFTER long distance service has been switched to CTI for credit to be applied on cellular phone bill. Offer ONLY available to customers who sign up through Comcast Cellular and its authorized agents. Comcast reserves the right to debit the \$25 credit if customer cancels long distance service within 90 days of switching to CTI. Credit to be combined with any other offers. Offer expires 5/31/09.

Tear Here

I want Comcast Long Distance as my long distance and/or my regional toll* carrier!

1 Name:		
Must be the local service customer:		
Address:		
City	State	ZIP
Social Security Number:		

Write in the phone numbers you want to change from your existing carrier:

2 Billing Telephone Number: ()	Check here to switch this line ☐
(Must be included even if not changing this number.)	
2nd Phone Number billed to this line: ()	
(List only if you want to switch the line.)	

3 Service choices	
A. Select your service plan:	B. Select the type of service you want:
Plan 00 ☐	Long Distance & Regional Toll* ☐
Plan 12 ☐	Long Distance ONLY ☐

4 Comcast Cellular or Pager Phone Number: ()	Promotional credits will be applied to this number. Comcast Long Distance rates do not apply to Comcast wireless services.
--	--

5	My signature on this letter of agency authorizes Comcast Long Distance or its affiliates under common ownership to provide me with interstate, intrastate and international long distance services and to act as agent for this change. I understand that by checking the "Long Distance & Regional Toll" box above, I also authorize Comcast Long Distance to provide me with services for long-distance toll (regional toll) calling where available. I acknowledge that I am the customer of record for the telephone number(s) to be changed as identified above (and any future phone lines at my request), and that only one long distance carrier and only one regional toll carrier may be designated as my primary carrier(s) for any telephone number. I understand that this change may involve charges from my local phone company. My signature below shall be deemed original in the event that this letter of agency is transmitted via fax.
Customer Signature:	Date:

6	Fax this form to: 1-888-209-7454 For other questions call: 1-888-889-4750 Or mail to: Comcast Long Distance, Mail Drop 400125, 400 E. Swedesford Rd., Wayne, PA 19087-1867
----------	---

Comcast Use Only			
Sales ID	Location	Agent	Promo Code
Sales Rep Name	Sales Rep Phone Number		

*Regional toll calls are those calls that travel outside of your home telephone's local calling area but not far enough to be considered traditional long distance calls. Regional toll calling is available in PA, NJ and DE only.

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OF:

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South Dakota Public Utilities Commission

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TC98-106	In The Matter Of The Establishment Of Switched Access Revenue Requirement Golden West Telecom Cooperative (Staff: BK/KC) Golden West Telecom Cooperative filed a switched access cost study developing a revenue requirement that is included in the revenue requirement used to determine the switched access rates for the Local Exchange Carrier Association	05/27/98	06/12/98
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PAGE 2 OF 2

South Dakota Public Utilities Commission State Capitol 500 E. Capitol Pierre, SD 57501-5070 Phone: (605) 773-3705 Fax: (605) 773-3809		TELECOMMUNICATIONS SERVICE FILINGS These are the telecommunications service filings that the Commission has received for the period of: 05/22/98 through 05/28/98 If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.	
DOCKET NUMBER	TITLE/STAFF/SYNOPSIS	DATE FILED	INTERVENTION DEADLINE
REQUEST FOR CERTIFICATE OF AUTHORITY			
TC98-102	Application by Comcast Telecommunications, Inc. d/b/a Comcast Long Distance for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/KC) Applicant seeks authority to offer a full range of "1+" interexchange telecommunications services on a resale basis. Specifically, Applicant seeks authority to provide MTS, out-WATS, debit card and calling card services. Applicant does not intend to provide operator services, 900 or 700 services.	05/26/98	06/12/98
TC98-107	Application by OLS, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: DJ/EM) Applicant seeks authority to provide outband interexchange, 800/888, calling card and directory assistance services. Applicant does not intend to offer 900, 911, collect or third-party billed calling.	05/28/98	06/12/98
TC98-108	Application by ICG Telecom Group, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: HB/KC) ICG proposes to provide resold intrastate interexchange telecommunications services, including direct dialed ("1+") outband/inbound message telecommunications services, operator services, and postpaid calling card services, to and from all points within the state of South Dakota.	05/28/98	06/12/98
NONCOMPETITIVE TELECOMMUNICATIONS FILINGS			
TC98-103	In The Matter Of The Establishment Of Switched Access Revenue Requirement For Beresford Municipal Telephone Company. (Staff: BK/KC) Beresford Municipal Telephone Company filed a switched access cost study developing a revenue requirement that is included in the revenue requirement used to determine the switched access rates for the Local Exchange Carrier Association.	05/27/98	06/12/98
TC98-104	In The Matter Of The Establishment Of Switched Access Revenue Requirement For Union Telephone Company. (Staff: GR/KC) Union Telephone Company filed a switched access cost study developing a revenue requirement that is included in the revenue requirement used to determine the switched access rates for the Local Exchange Carrier Association.	05/27/98	06/12/98
TC98-105	In The Matter Of The Establishment Of Switched Access Revenue Requirement For Baltic Telecom Cooperative. (Staff: HB/KC) Baltic Telecom Cooperative filed a switched access cost study developing a revenue requirement that is included in the revenue requirement used to determine the switched access rates for the Local Exchange Carrier Association.	05/27/98	06/12/98

PAGE 1 OF 2

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE APPLICATION OF)	ORDER GRANTING
COMCAST TELECOMMUNICATIONS, INC.)	CERTIFICATE OF
D/B/A COMCAST LONG DISTANCE FOR A)	AUTHORITY
CERTIFICATE OF AUTHORITY TO PROVIDE)	
TELECOMMUNICATIONS SERVICES IN)	TC98-102
SOUTH DAKOTA)	

On May 26, 1998, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10 24.02, received an application for a certificate of authority from Comcast Telecommunications, Inc. d/b/a Comcast Long Distance (Comcast).

Comcast proposes to offer MTS, out-WATS, debit card and calling card services. A proposed tariff was filed by Comcast. The Commission has classified long distance service as fully competitive.

On May 28, 1998, the Commission electronically transmitted notice of the filing and the intervention deadline of June 12, 1998, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled July 23, 1998, meeting, the Commission considered Comcast's request for a certificate of authority. Commission Staff recommended granting a certificate of authority.

The Commission finds that it has jurisdiction over this matter pursuant to Chapter 49-31, specifically 49-31-3 and ARSD 20:10 24.02 and 20:10 24.03. The Commission finds that Comcast has met the legal requirements established for the granting of a certificate of authority. Comcast has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. The Commission approves Comcast's application for a certificate of authority. As the Commission's final decision in this matter, it is therefore

ORDERED, that Comcast's application for a certificate of authority is hereby granted. It is

FURTHER ORDERED, that Comcast shall file informational copies of tariff changes with the Commission as the changes occur.

Dated at Pierre, South Dakota, this 5th day of August, 1998.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By *William Kack*

Date 8/6/98

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State Of South Dakota

Authority was Granted July 23, 1998
Docket No. TC98-102

This is to certify that

**COMCAST TELECOMMUNICATIONS, INC.
D/B/A COMCAST LONG DISTANCE**

is authorized to provide telecommunications services in South Dakota.

This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20:10:24.02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services.

Dated at Pierre, South Dakota, this 5th day of August, 1998.

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:**



James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner