

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, 1998  
 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

COMCAST CORPORATION  
 [GRAPHIC OMITTED - LOGO]  
 (Exact name of registrant as specified in its charter)

PENNSYLVANIA 23-1709202  
 (State or other jurisdiction of (I.R.S. Employer Identification No.)  
 incorporation or organization)

1500 Market Street, Philadelphia, PA 19102-2148  
 (Address of principal executive offices) (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

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 December 31, 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 \$1.755 billion and \$19.234 billion, respectively.

As of December 31, 1998, there were 328,630,366 shares of Class A Special Common Stock, 31,690,063 shares of Class A Common Stock and 9,444,375 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 1999.

COMCAST CORPORATION  
 1998 FORM 10-K ANNUAL REPORT

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This Annual Report on Form 10-K is for the year ending December 31, 1998. This Annual Report modifies and supersedes documents filed prior to this Annual Report. The SEC allows us to "incorporate by reference" information that we file with them, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this Annual Report. In addition, information we file with the SEC in the future will automatically update and supersede information contained in this Annual Report. In this Annual Report, "Comcast," "we," "us" and "our" refer to Comcast Corporation and its subsidiaries.

You should carefully review the information contained in this Annual Report, but should particularly consider any risk factors we set forth in this Annual Report and in other reports or documents that we file from time to time with the SEC. In this Annual Report, we state our beliefs of future events and of our future financial performance. In some cases, you can identify those so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of those words and other comparable words. You should be aware that those statements are only our predictions. Actual events or results may differ materially. In evaluating those statements, you should specifically consider various factors, including the risks outlined below. Those factors may cause our actual results to differ materially from any of our forward-looking statements.

#### Factors Affecting Future Operations

The cable communications industry and the provision of programming content may be affected by, among other things:

- o changes in laws and regulations,
- o changes in the competitive environment,
- o changes in technology,
- o franchise related matters,
- o market conditions that may adversely affect the availability of debt and equity financing for working capital, capital expenditures or other purposes,
- o demand for the programming content we distribute or the willingness of other video program providers to carry our content,
- o general economic conditions.

PART I

ITEM 1 BUSINESS

We are principally engaged both in developing, managing and operating hybrid fiber-coaxial broadband cable communications networks and in providing programming content, primarily through QVC, our electronic retailing subsidiary. We are currently the fourth-largest cable communications system operator in the United States and are in the process of implementing high-speed Internet access service and digital video applications to enhance the products available on our cable networks.

Our consolidated cable operations served approximately 4.5 million subscribers and passed approximately 7.4 million homes in the United States as of December 31, 1998. We own interests in other cable communications companies serving more than 237,000 subscribers. We expect to complete transactions in 1999 that will give us an ownership and management interest in cable systems which, upon closing of certain pending transactions, will serve approximately 1.1 million subscribers.

We provide programming content through our majority-owned subsidiaries, QVC, Inc. and E! Entertainment Television, Inc., and through other programming investments, including Comcast SportsNet, The Golf Channel, Speedvision and Outdoor Life. Through QVC, we market a wide variety of products directly to consumers primarily on merchandise-focused television programs. QVC is available, on a full and part-time basis, to over 70 million homes in the United States, over 7.3 million homes in the United Kingdom and Ireland and over 14 million homes in Germany.

We are a Pennsylvania corporation that was organized in 1969. We have our principal executive offices at 1500 Market Street, Philadelphia, PA 19102-2148. Our telephone number is (215) 665-1700. We also have a world wide web site at <http://www.comcast.com>. The information posted on our web site is not incorporated into this Annual Report.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

You should see Note 10 to our consolidated financial statements in Item 8 of this report for information about our operations by industry segment.

GENERAL DEVELOPMENTS OF OUR BUSINESS

We entered into a number of significant transactions in 1998 and subsequent to December 31, 1998. We have summarized these transactions below and have more fully described them in Notes 1 and 3 to our consolidated financial statements in Item 8 of this Annual Report.

Acquisition of Greater Philadelphia Cablevision

In February 1999, we agreed to acquire Greater Philadelphia Cablevision, Inc., a subsidiary of Greater Media, Inc. that operates a cable communications system serving approximately 79,000 subscribers in Philadelphia, Pennsylvania. We will issue approximately 4.2 million shares of our Class A Special Common Stock to complete the acquisition. The acquisition is expected to close in the fourth quarter of 1999 if we receive all the necessary regulatory and other approvals.

Sale of Comcast Cellular

In January 1999, we agreed to sell our wholly owned subsidiary, Comcast Cellular Corporation, to SBC Communications, Inc. for approximately \$400 million in cash and the assumption of approximately \$1.3 billion of Comcast Cellular debt. Comcast Cellular provides telephone communications services pursuant to licenses granted by the Federal Communications Commission to more than 829,000 subscribers in and around the City of Philadelphia, the State of Delaware and in a significant portion of the State of New Jersey. We expect to recognize a pre-tax gain on the sale of approximately \$600 million. We expect to complete this sale in the third quarter of 1999 if we receive all the necessary regulatory and other approvals.

Sale of Primestar

As of December 31, 1998, we own a 9.5% interest in Primestar, Inc. Primestar acquires, originates and provides television programming services delivered by satellite to subscribers through a network of distributors. In January 1999, Primestar announced the sale of its direct broadcast satellite service to Hughes Electronics Corporation (a division of General Motors Corporation and the parent company of DirecTV, a direct broadcast satellite service competing with our cable communications systems) for \$1.8 billion in cash and stock. The sale of Primestar to Hughes Electronics is subject to the consent of certain Primestar lenders and the receipt of necessary regulatory and other approvals.

#### Investment in Prime Communications

In December 1998, we agreed to invest in Prime Communications LLC, a cable television operator with cable communications systems serving approximately 430,000 subscribers. During the fourth quarter of 1998, we acquired a \$50 million 12.75% subordinated note due 2008 from Prime. In addition, under the terms of the agreement, we will lend Prime approximately \$735 million in the form of a 6% ten year note, which transaction we expect to occur in the third quarter of 1999. In return we will receive a convertible note giving us the right to acquire 90% of Prime. The note cannot be converted until the build out of certain of Prime's cable systems is complete and regulatory and other approvals are obtained, which is expected to occur in the third quarter of 2002. Upon conversion of the note, we expect to assume approximately \$550 million of Prime debt. We will have the option to acquire the remaining 10% interest in Prime for approximately \$82 million, plus accrued interest at 7% per annum.

#### Sale of Sprint PCS

In November 1998, Sprint Corporation assumed total ownership and management control of Sprint PCS, a personal communications services company serving the United States. In exchange for our 15% partnership interest in Sprint PCS, we received approximately 47.2 million shares of unregistered Series 2 Sprint PCS common stock, 61,726 shares of Sprint PCS convertible preferred stock, which converts into approximately 2.0 million shares of unregistered Series 2 Sprint PCS common stock, and a warrant to purchase approximately 3.0 million shares of unregistered Series 2 Sprint PCS common stock at \$24.02 per share. As a result of this exchange, we recognized a pre-tax gain of approximately \$758 million during the fourth quarter of 1998. We have registration rights, subject to customary restrictions, which will allow us to sell the Sprint PCS stock that we received.

#### Offering of Subsidiary Debt

In November 1998, Comcast Cable Communications, Inc., one of our wholly owned subsidiaries, sold \$800 million aggregate principal amount of 6.20% senior notes due 2008 in a public offering. Interest on the notes is payable semi-annually on May 15 and November 15 of each year, commencing May 15, 1999. The notes are not redeemable prior to maturity. Comcast Cable used substantially all of the net proceeds from the offering to repay existing intercompany borrowings and for general corporate purposes.

#### Sale of Comcast UK Cable

In October 1998, we exchanged all of our shares of Comcast UK Cable Partners Limited, one of our consolidated subsidiaries, with NTL Incorporated for approximately 4.8 million shares of unregistered NTL common stock. As a result of this exchange, we recognized a pre-tax gain of approximately \$148 million during the fourth quarter of 1998. We have registration rights, subject to customary restrictions, which will allow us to sell the NTL shares that we received.

#### AT&T Acquisition of Teleport

In July 1998, we exchanged all of our shares of Teleport Communications Group Inc., a competitive local exchange carrier, with AT&T Corp. for approximately 24.2 million shares of unregistered AT&T common stock. As a result of this exchange, we recognized a pre-tax gain of approximately \$1.1 billion during the third quarter of 1998. We have registration rights, subject to customary restrictions, which will allow us to sell the AT&T shares that we received.

#### Acquisition of Jones Intercable

In May and August 1998, we announced agreements to purchase certain interests in Jones Intercable, Inc., for \$700 million. We expect to close this acquisition in the first half of 1999 if we receive all the necessary regulatory and other approvals. Upon completion of this acquisition, we will own approximately 12.8 million shares of Jones Intercable's Class A common stock and 2.9 million shares of its common stock. Those shares will represent approximately 37% of the economic and 47% of the voting interest in Jones Intercable. In addition, the 2.9 million shares of common stock that we will own will represent approximately 57% of the outstanding common stock and will enable us to elect 75% of the Board of Directors of Jones Intercable. We expect to consolidate Jones Intercable in our financial statements upon closing of the acquisition.

## DESCRIPTION OF OUR BUSINESSES

### Cable Communications

#### Technology and Capital Improvements

Our broadband cable networks receive signals by means of:

- o special antennae,
- o microwave relay systems,
- o earth stations.

These networks distribute a variety of video, telecommunications and data services to residential and commercial subscribers.

In accordance with the October 1997 "social contract" we entered into with the FCC, 80% of our cable subscribers will be served by a system with a capacity of at least 550-MHz and at least 60% of our cable subscribers will be served by a system with a capacity of at least 750-MHz by March 31, 1999. In addition, we will provide free cable service connections, cable modems and modem service to schools and to 250 public libraries in communities when we commercially deploy cable modem service to residential customers in those communities.

In addition to meeting our "social contract" commitments, we are deploying fiber optic cable and upgrading the technical quality of our broadband networks. As a result, the reliability and capacity of our systems has increased, aiding in the delivery of additional video programming and other services such as enhanced digital video, high-speed Internet access service and, potentially, telephony. During 1998, we introduced our digital converter cable service in 10 markets. As of December 31, 1998, approximately 78,000 subscribers were receiving our digital service. Digital converter cable service allows us to use digital compression to increase the channel capacity of our cable communications systems to more than 100 channels, as well as to improve picture quality.

#### Franchises

Cable communications systems are constructed and operated under non-exclusive franchises granted by state or local governmental authorities and are subject to federal, state and local legislation and regulation. Franchises typically contain many conditions which may include:

- o rate and service conditions,
- o construction schedules,
- o types of programming and provision of services to schools and other public institutions,
- o insurance and indemnity bond requirements.

Our franchises typically provide for periodic payment of fees to franchising authorities of up to 5% of "revenues" (as defined by each franchise agreement). We normally pass those fees on to subscribers. In most cases, we need the consent of the franchising authority to transfer our franchises. The franchises are granted for varying lengths of time.

Although franchises historically have been renewed, renewals may include less favorable terms and conditions. Under existing law, franchises should continue to be renewed for companies that have provided adequate service and have complied generally with franchise terms. The franchising authority may choose to award additional franchises to competing companies at any time. We have approximately 825 franchises in the United States.

#### Revenue Sources

We receive the majority of our revenues from subscription services. Subscribers typically pay on a monthly basis and generally may discontinue services at any time. Monthly subscription rates and related charges vary according to the type of service selected and the type of equipment used by subscribers. Packages of channels offered to subscribers may consist of television signals of:

- o national television networks,
- o local and distant independent, specialty and educational television stations,
- o satellite-delivered programming,
- o locally originated programs,
- o audio programming,
- o electronic retailing programs.

We also offer, for an additional monthly fee, one or more premium services, such as:

- o Home Box Office(R),
- o Cinemax(R),
- o Showtime(R),

- o The Movie Channel(TM),
- o Encore(R).

These premium services generally offer, without commercial interruption, feature motion pictures, live and taped sporting events, concerts and other special features. The charge for premium services depends upon the type and level of service selected by the subscriber.

We also generate revenues from advertising sales, pay-per-view services, installation services, commissions from electronic retailing and other services. Pay-per-view services permit a subscriber to order, for a separate fee, individual feature motion pictures and special event programs, such as professional boxing, professional wrestling and concerts. We also generate revenues from the sale of advertising time to local, regional and national advertisers on non-broadcast channels.

In December 1996, we began marketing @Home Corporation's high-speed cable modem services in areas served by certain of our cable communications systems. Residential subscribers can connect their personal computers via cable modems to a high-speed national network developed and managed by @Home. Subscribers can then access online information, including the Internet, at faster speeds than that of conventional or Integrated Service Digital Network modems. Through @Home, we provide businesses with Internet connectivity solutions and networked business applications. @Home and Comcast aggregate content, sell advertising to businesses and provide services to residential subscribers. As of December 31, 1998, the Comcast @Home service was available to over 1.8 million homes in nine markets and served more than 51,000 customers.

Our sales efforts are primarily directed toward increasing penetration and generating incremental revenues in our franchise areas. We sell our cable communications services through:

- o telemarketing,
- o direct mail advertising,
- o door-to-door selling,
- o local media advertising.

#### Programming

We generally pay either a monthly fee per subscriber per channel or a percentage of certain revenues for programming. Our programming costs are increased by:

- o increases in the number of subscribers,
- o expansion of the number of channels provided to customers,
- o increases in contract rates from programming suppliers.

We attempt to secure long-term programming contracts with volume discounts and/or marketing support and incentives from programming suppliers. Our programming contracts are generally for a fixed period of time and are subject to negotiated renewal. We anticipate that future contract renewals will result in programming costs that are higher than our costs today, particularly for sports programming.

#### Customer Service

We are currently consolidating our local customer service operations into large regional call centers. These regional call centers have technologically advanced telephone systems that provide 24-hour per day, 7-day per week call answering capability, telemarketing and other services. Because of these technological advances, we can better serve our subscriber base and cross-market new products and services. We have 10 call centers in operation as of December 31, 1998 which serve approximately 2.4 million subscribers. Subscribers in our remaining cable systems receive customer service primarily through our local, system-based representatives.

Comcast's Cable Systems

The table below summarizes Homes Passed, Cable Subscribers and Cable Penetration information for our cable communications systems as of December 31 (homes and subscribers in thousands):

	1998	1997	1996(5)	1995	1994
Homes Passed (1)(4).....	7,382	7,138	6,975	5,570	5,491
Cable Subscribers (2)(4).....	4,511	4,366	4,280	3,407	3,307
Cable Penetration (3)(4).....	61.1%	61.2%	61.4%	61.2%	60.2%

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- (1) A home is "passed" if we can connect it to our distribution system without further extending the transmission lines.
  - (2) A dwelling with one or more television sets connected to a system counts as one Cable Subscriber.
  - (3) Cable Penetration means the number of Cable Subscribers as a percentage of Homes Passed.
  - (4) The information consists of cable systems whose financial results we consolidate. The information does not include 341,000 Homes Passed and 237,000 Cable Subscribers in non-consolidated cable communications systems in which we have ownership and management interests. The information also does not include pending acquisitions (see "General Developments of Our Business").
  - (5) In November 1996, we acquired the cable operations of The E.W. Scripps Company.

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System Clusters

We manage most of our cable systems in geographic clusters. Clustering permits us to deliver customer service and support in a more uniform, efficient and cost effective manner. The following table summarizes Homes Passed, Cable Subscribers and Cable Penetration for our eight largest regional cable clusters as of December 31, 1998 (homes and subscribers in thousands):

Geographic Cluster	Homes Passed	Cable Subscribers	Cable Penetration
Mid-Atlantic.....	2,147.9	1,409.4	65.6%
Michigan.....	978.5	480.7	49.1%
Tennessee.....	499.2	326.3	65.4%
Southern California.....	517.2	271.4	52.5%
West Florida.....	413.4	269.9	65.3%
Sacramento.....	464.1	247.9	53.4%
Southeast Florida.....	452.1	236.4	52.3%
Indianapolis.....	243.5	147.4	60.5%
	-----	-----	-----
Other Systems.....	5,715.9	3,389.4	59.3%
	1,666.0	1,121.3	67.3%
	-----	-----	-----
Total.....	7,381.9	4,510.7	61.1%
	=====	=====	

## Competition

Our cable communications systems compete with a number of different sources which provide news, information and entertainment programming to consumers, including:

- o local television broadcast stations that provide off-air programming which can be received using a roof-top antenna and television set,
- o program distributors that transmit satellite signals containing video programming, data and other information to receiving dishes of varying sizes located on the subscriber's premises,
- o satellite master antenna television systems, commonly known as SMATV, which generally serve condominiums, apartment and office complexes and residential developments,
- o multichannel, multipoint distribution service operators, commonly known as MMDS or wireless cable operators, which use low-power microwave frequencies to transmit video programming and other information over-the-air to subscribers,
- o other cable operators who build and operate cable systems in the same communities that we serve, commonly known as overbuilders,
- o interactive online computer services,
- o newspapers, magazines and book stores,
- o movie theaters,
- o live concerts and sporting events,
- o home video products, including videotape cassette recorders.

Our cable communications systems will be competitive if we provide, at a reasonable price to subscribers, superior technical performance, superior customer service and a greater variety of video programming and other communications services than are available from our competitors.

Modifications to federal law in 1996 changed the regulatory environment in which our cable communications systems operate. Federal law now allows local telephone companies to provide directly to subscribers a wide variety of services that are competitive with our cable communications services. Some local telephone companies:

- o provide video services within and outside their telephone service areas through a variety of methods, including broadband cable networks, satellite program distribution and wireless transmission facilities,
- o have announced plans to construct and operate cable communications systems in various states.

A local telephone company, Ameritech, has obtained approximately 14 cable franchises in communities in Michigan that we also serve. It competes directly with us in these areas by providing video and other broadband communications services to subscribers. New facilities-based competitors such as RCN Corporation and Knology Holdings, Inc. are now offering cable and related communications services in several areas where we hold franchises.

Local telephone companies and other businesses construct and operate communications facilities that provide access to the Internet and distribute interactive computer-based services, data and other non-video services to homes and businesses. These competitors are not required, in certain circumstances, to comply with some of the material obligations imposed upon our cable systems under our franchises. We cannot predict the likelihood of success of competing video or broadband service ventures by local telephone companies or other businesses. Nor can we predict the impact of these competitive ventures on our cable communications systems and other businesses.

We operate each of our cable communications systems pursuant to a non-exclusive franchise that is issued by the community's governing body such as a city council, a county board of supervisors or a state regulatory agency. Federal law prohibits franchising authorities from unreasonably denying requests for additional franchises, and it permits franchising authorities to operate cable systems. Companies that traditionally have not provided cable services and that have substantial financial resources (such as public utilities that own certain of the poles to which our cables are attached) may also obtain cable franchises and may provide competing communications services.

In the past few years, Congress has enacted legislation and the FCC has adopted regulatory policies intended to provide a more favorable operating environment for existing and new technologies that provide, or have the potential to provide, substantial competition to cable communications systems. These technologies include direct broadcast satellite service, commonly known as DBS, among others. According to recent government and industry reports, conventional, medium and high-power satellites currently provide video programming to over 10.6 million individual households, condominiums, apartment and office complexes in the United States. DBS providers with medium and high-power satellites typically offer to their subscribers more than 150 channels of programming, including program services similar to those provided by cable systems.

DBS systems use video compression technology to increase channel capacity and digital technology to improve the quality of the signals transmitted to their subscribers. DBS service currently has certain competitive advantages and disadvantages compared to cable service. Advantages of DBS service include more programming, greater channel capacity and the digital quality of signals delivered to subscribers. The disadvantages of DBS service include high up-front customer equipment and installation costs and a lack of local programming and local service.

Two major companies are currently offering nationwide high-power DBS services. Both companies have recently announced separate transactions that, if completed, may significantly enhance the number of channels on which they can provide programming to subscribers and may improve significantly their competitive positions against cable operators. We are unable to predict the effect these transactions may have on our business and operations.

Our cable systems also compete for subscribers with SMATV systems. SMATV systems typically are not subject to regulation like local franchised cable operators. SMATV systems offer subscribers both improved reception of local television stations and many of the same satellite-delivered programming services offered by franchised cable systems. In addition, some SMATV operators are developing and/or offering packages of telephony, data and video services to private residential and commercial developments. SMATV system operators often enter into exclusive service agreements with building owners or homeowners' associations, although some states have enacted laws to provide franchised cable systems access to these complexes. Courts have reviewed challenges to these laws and have reached varying results. Our ability to compete for subscribers in residential and commercial developments served by SMATV system operators is uncertain. However, we are developing competitive packages of services (video, data and telephony) to offer to these residential and commercial developments.

Cable systems also compete with MMDS or wireless cable systems, which are authorized to operate in areas served by our cable systems. Federal law significantly limits certain local restrictions on the use of roof-top, satellite and microwave antennae to receive satellite programming and over-the-air broadcasting services.

Many of our cable systems are currently offering, or plan to offer, interactive online computer services to subscribers. These cable systems will compete with a number of other companies, many of whom have substantial resources, such as:

- o existing Internet service providers, commonly known as ISPs,
- o local telephone companies,
- o long distance telephone companies.

Recently, a number of companies, including telephone companies and ISP's, have requested local authorities and the FCC to require cable operators to provide access to cable's broadband infrastructure so that these companies may deliver Internet services directly to customers over cable facilities. In a recent report to Congress, the FCC declined to institute an administrative proceeding to examine this issue at this time. At the present time, several local jurisdictions are attempting to impose access obligations on a cable operator as a condition for obtaining municipal consent for franchise transfers; however, such conditions are currently being challenged in court. It is expected that the FCC, Congress, and state and local regulatory authorities will continue to consider actions in this area.

The deployment of Asymmetric Digital Subscriber Line technology, known as ADSL, will allow Internet access to subscribers at data transmission speeds equal to or greater than that of modems over conventional telephone lines. Several telephone companies are introducing ADSL service and have requested the FCC to allow them to provide high-speed broadband services, including interactive online services, without regard to present service boundaries and other regulatory restrictions. We are unable to predict the likelihood of success of the online services offered by our competitors or the impact on our business and operations of these competitive ventures.

We expect advances in communications technology, as well as changes in the marketplace and the regulatory and legislative environment to occur in the future. We refer you to page 10 of this Annual Report for a detailed discussion of legislative and regulatory factors. Other new technologies and services may develop and may compete with services that our cable communications systems offer. Consequently, we are unable to predict the effect that ongoing or future developments might have on our business and operations.

#### Electronic Retailing

QVC is a domestic and international electronic media general merchandise retailer which produces and distributes merchandise-focused television programs, via satellite, to affiliated video program providers for retransmission to subscribers. At QVC, program hosts describe and demonstrate the products and viewers place orders directly with QVC. We own 57% of QVC.

## Revenue Sources

QVC sells a variety of consumer products and accessories including jewelry, housewares, electronics, apparel and accessories, collectibles, toys and cosmetics. It purchases, or obtains on consignment, 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 does not depend upon any one particular supplier for any significant portion of its inventory.

Viewers place orders to purchase QVC 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 ships merchandise promptly from its distribution centers, typically within 24 hours after receipt of an order. QVC's return policy permits customers to return, within 30 days, any merchandise purchased for a full refund of the purchase price and original shipping charges.

## Distribution Channels

In the United States, QVC is transmitted live 24 hours a day, 7 days a week, to approximately 58 million cable television homes. Approximately 1.5 million additional cable television homes receive QVC on a less than full time basis. Approximately 9.8 million home satellite dish users receive QVC programming. The QVC program schedule consists of one-hour and multi-hour program segments. Each program theme is devoted to a particular category of product or lifestyle. From time to time, special program segments are devoted to merchandise associated with a particular celebrity, event, geographical region or seasonal interest.

QVC sells products over electronic media in Germany, the United Kingdom and Ireland. In the UK and Ireland, this service currently reaches over 7.3 million cable television and home satellite dish-served homes. In Germany, this service currently is available to over 14 million cable television and home satellite dish-served homes. However, we estimate that only 4.6 million homes in Germany have programmed their television sets to receive this service.

QVC also offers an interactive shopping service, iQVC, on the Internet. The iQVC service offers a diverse array of merchandise, on-line, 24 hours a day, 7 days a week. iQVC also maintains a mailing list which e-mails product news to subscribers.

## QVC Transmission

An exclusive, protected, non-preemptible transponder on a communications satellite transmits the QVC domestic signal. QVC subleases transponders for the transmission of its signals to the UK and Germany. Each communications satellite has a number of separate transponders. If our transponder fails, QVC's signal will be transferred to a spare transponder. If no transponder is available, the signal will be transferred to a preemptible transponder located on the same satellite or, if available, to a transponder on another satellite owned by the same lessor. 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. Because it has the exclusive use of a protected, non-preemptible transponder, interruption is unlikely to occur. However, we cannot offer assurances that there will not be an interruption or termination of satellite transmission due to transponder failure. Interruption or termination could have a material adverse effect on QVC.

## Program Providers

We have entered into affiliation agreements with video program providers in the US to carry QVC programming. Generally, there are no additional charges to subscribers for the distribution of QVC. In return for carrying QVC, each programming provider receives an allocated portion, based upon market share, of up to five percent of the net sales of merchandise sold to customers located in the programming provider'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 programming provider unless the programming provider earns a specified minimum level of sales commissions. QVC's sales are currently at levels that meet minimum requirements. The affiliation agreements provide for the programming provider to broadcast commercials regarding QVC on other channels and to distribute QVC's advertising material to subscribers. As of December 31, 1998, approximately 27% of the total homes reached by QVC were attributable to QVC's affiliation agreements with us and TeleCommunications, Inc., the indirect owner of a 43% interest in QVC, and their respective subsidiaries.

If QVC can successfully negotiate with programming providers, then renewal of these affiliation agreements will be on favorable terms. QVC competes for cable channels against similar electronic retailing programming, as well as against alternative programming supplied by other sources, including news, public affairs,

entertainment and sports programmers. QVC's business depends on its affiliation with programming providers for the transmission of QVC programming. If a significant number of homes are no longer served because of termination or non-renewal of affiliation agreements, our financial results could be adversely affected. QVC has incentive programs to induce programming providers to enter into or extend affiliation agreements or to increase the number of homes under existing affiliation agreements. These incentives include various forms of marketing, launch and equipment purchase support. QVC will continue to recruit additional programming providers and seek to enlarge its audience. Despite these efforts, it is difficult to both renew or reach affiliation agreements with programming providers.

#### 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 retail stores. Many of QVC's competitors are connected in chain or franchise systems. On television, QVC competes with other satellite-transmitted programs for channel space and viewer loyalty. We believe that, until digital compression is utilized on a large-scale basis, most programming providers will not devote more than two channels to televised shopping and may allocate only one. Large-scale use of digital compression is 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 use of digital compression is expected to provide programming providers with greater channel capacity. Greater channel capacity would increase the opportunity for QVC, in addition to other home shopping programs, to be distributed on additional channels.

#### Other Programming Investments

We have made investments in cable television networks and other programming related enterprises as a means of generating additional revenues and subscriber interest. Our programming investments as of December 31, 1998 include:

Investment	Description	Ownership Percentage
CN8-The Comcast Network	Regional and local programming	100.0%
Comcast SportsNet	Regional sports programming and events	46.4%
E! Entertainment	Entertainment-related news and original programming	39.7%
The Golf Channel	Golf-related programming	43.3%
Outdoor Life	Outdoor activities	16.8%
Speedvision	Automotive, marine and aviation	14.8%
Sunshine Network	Regional sports, public affairs and general entertainment	13.0%
Viewer's Choice	Pay-per-view programming	11.1%

#### CN8-The Comcast Network

We created CN8-The Comcast Network, our regional programming service, in late 1996. We deliver CN8 to more than 2.0 million 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, we acquired a 66% interest in Comcast Spectacor, L.P., a partnership that owns the Philadelphia Flyers NHL hockey team, the Philadelphia 76ers NBA basketball team, and their arenas. In October 1997, Comcast-Spectacor and the owner of the Philadelphia Phillies major league baseball team launched Comcast SportsNet, a 24-hour regional sports programming network which provides sports related programming, including Flyers, 76ers and Phillies games to approximately 2.6 million viewers in the Philadelphia region. Comcast SportsNet has entered into affiliation agreements with many of the video program providers in the Philadelphia television market. Comcast SportsNet is delivered to affiliates terrestrially.

#### E! Entertainment

E! Entertainment is our entertainment-related news and information service with distribution to approximately 53 million customers as of December 31, 1998. E! Entertainment seeks to attract viewers based on international interest in Hollywood and entertainment industry news, information and features. We obtained a controlling interest in E! Entertainment in March 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.

## Outdoor Life and Speedvision

Outdoor Life presents programming consisting primarily of outdoor life themes. Speedvision presents a variety of programming of interest to automobile, boat and airplane enthusiasts including news, historical and other information and event coverage.

## The Sunshine Network

The Sunshine Network is a regional sports and public affairs network, providing programming emphasizing Florida's local sports teams and events 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 is the brand-name of a cable operator-controlled buying cooperative for pay-per-view programming.

## Internet Related Investments

We have made investments in various Internet-based programming-related enterprises to participate in the growing interest among consumers in this new media distribution system.

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## LEGISLATION AND REGULATION

### Cable Communications

The Communications Act of 1934 establishes a national policy to regulate the development and operation of cable communications systems. The Communications Act allocates responsibility for enforcing federal policies among the FCC, and state and local governmental authorities. The courts, especially the federal courts, play an important oversight role as these statutory and regulatory provisions are interpreted and enforced by the various federal, state and local governmental units.

We expect that court actions and regulatory proceedings will refine the rights and obligations of various parties, including the government, under the Communications Act. The results of these judicial and administrative proceedings may materially affect our business operations. In the following paragraphs, we summarize the principal federal laws and regulations materially affecting the growth and operation of the cable communications industry. We also provide a brief description of certain state and local laws applicable to our businesses.

### The Communications Act and FCC Regulations

The Communications Act and the regulations and policies of the FCC affect significant aspects of our cable system operations, including:

- o subscriber rates,
- o the content of programming we offer our subscribers, as well as the way we sell our program packages to subscribers and other video program providers,
- o the use of our cable systems by local franchising authorities, the public and other unrelated third parties,
- o our franchise agreements with governmental authorities,
- o cable system ownership limitations and prohibitions,
- o our use of utility poles and conduit.

### Subscriber Rates

The Communications Act and the FCC's regulations and policies limit the ability of cable systems to raise rates for basic services and equipment, as well as for certain non-basic cable programming services, in communities that are not subject to effective competition, as defined by federal law. Where there is no effective competition, federal law gives franchising authorities the power to regulate the monthly rates charged by the operator for:

- o the lowest level of programming service, typically called basic service, which generally includes local broadcast channels and public access or governmental channels required by the operator's franchise,
- o the installation, sale and lease of equipment used by subscribers to receive basic service, such as converter boxes and remote control units.

Several years ago the FCC adopted detailed rate regulations, guidelines and rate forms that we and the franchising authority must use in connection with the regulation of our basic service and equipment rates. If the franchising authority concludes that our rates are not in accordance with the FCC's rate regulations, it may require us to reduce our rates and to refund overcharges to subscribers, with interest. We may appeal adverse rate decisions to the FCC. The Communications Act and FCC regulations also permit franchising authorities to file complaints with the FCC concerning rates we charge for certain non-basic cable programming service tiers.

The Communications Act and the FCC's regulations also:

- o prohibit regulation of rates charged by cable operators for programming offered on a per channel or per program basis, and for certain multi-channel groups of new non-basic programming,
- o eliminate rate regulation of non-basic cable programming service tiers after March 31, 1999, although Congress may consider legislation to extend the period during which non-basic rates remain subject to regulation,
- o require operators to charge uniform rates throughout each franchise area that is not subject to effective competition,
- o prohibit regulation of non-predatory bulk discount rates offered by operators to subscribers in commercial and residential developments,
- o permit regulated equipment rates to be computed by aggregating costs of broad categories of equipment at the franchise, system, regional or company level.

Over the past few years, we have reached agreements with various regulatory bodies to resolve outstanding rate disputes. In addition to the "social contract" we reached with the FCC, we settled pending local rate proceedings in 1998 involving our basic service rates in certain of our systems. We believe that the resolution of these proceedings did not have a material adverse impact on our financial position, results of operations or liquidity.

#### Content Requirements

The Communications Act and the FCC's regulations contain broadcast signal carriage requirements that allow local commercial television broadcast stations:

- o to elect once every three years to require a cable communications system to carry the station, subject to certain exceptions, or
- o to negotiate with us on the terms by which we carry the station on our cable communications system, commonly called retransmission consent.

The Communications Act requires a cable operator to devote up to one-third of its activated channel capacity for the mandatory carriage of local commercial television stations. The Communications Act also gives local non-commercial television stations mandatory carriage rights; however, such stations are not given the option to negotiate retransmission consent for the carriage of their signals by cable systems. Additionally, cable systems must obtain retransmission consent for:

- o all "distant" commercial television stations (except for commercial satellite-delivered independent "superstations" such as WGN),
- o commercial radio stations,
- o certain low-power television stations.

The FCC has also initiated an administrative proceeding to consider the requirements, if any, for the mandatory carriage of digital television signals offered by local broadcasters. We are unable to predict the outcome of this proceeding or the impact of any new carriage requirements on the operation of our cable systems.

The Communications Act requires our cable systems to permit subscribers to purchase video programming on a per channel or a per program basis without the necessity of subscribing to any tier of service, other than the basic cable service tier. However, we are not required to comply with this requirement until 2002 for any of our cable systems that do not have addressable converter boxes or have other substantial technological limitations. A limited number of our systems do not have the technological capability to offer programming in the manner required by the statute and thus currently are exempt from complying with this requirement.

To increase competition between cable operators and other video program distributors, the Communications Act:

- o precludes 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,

- o requires such programmers to sell their satellite-delivered programming to other video program distributors,
- o limits the ability of such programmers to offer exclusive programming arrangements to their affiliates.

In two recent administrative determinations, the FCC's Cable Services Bureau concluded that the program access rules did not apply to terrestrially-delivered programming, such as Comcast SportsNet. These matters are expected to be reviewed by the FCC.

The FCC and Congress are presently considering proposals that may enhance the ability of DBS providers and other video program distributors to gain access to additional programming and to transmit local broadcast signals to local markets. These proposals, if adopted, will likely increase competition to our cable systems.

The Communications Act contains restrictions on the transmission by cable operators of obscene or indecent programming. It 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. A three-judge federal district recently determined that this provision was unconstitutional; however, the federal government announced that it will appeal the lower court's ruling.

The FCC actively regulates other aspects of our programming, involving such areas as:

- o our use of syndicated and network programs and local sports broadcast programming,
- o advertising in children's programming,
- o political advertising,
- o origination cablecasting,
- o sponsorship identification,
- o closed captioning of video programming.

#### Use of Our Cable Systems by The Government and Unrelated Third Parties

The Communications Act allows franchising authorities and unrelated third parties to have access to our cable systems' channel capacity. For example, it:

- o permits franchising authorities to require cable operators to set aside channels for public, educational and governmental access programming;
- o requires a cable system with 36 or more activated channels to designate a significant 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 regulates various aspects of third party commercial use of channel capacity on our cable systems, including the rates and certain terms and conditions of the commercial use. The FCC is also considering proposals by various Internet service providers to gain access to our cable systems on a common carrier basis. We cannot predict if such proposals will be adopted or whether, if adopted, they will have a material impact upon our business operations.

#### Franchise Matters

Although franchising matters are normally regulated at the local level through a franchise agreement and/or a local ordinance, the Communications Act provides oversight and guidelines to govern our relationship with local franchising authorities. For example, the Communications Act:

- o 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,
- o generally prohibits us from operating in communities without a franchise,
- o encourages competition with our existing cable systems by:
  - o allowing municipalities to operate cable systems without franchises,
  - o preventing franchising authorities from granting exclusive franchises or from unreasonably refusing to award additional franchises covering an existing cable system's service area.
- o permits local authorities, when granting or renewing our franchises, to establish requirements for cable-related facilities and equipment, but prohibits franchising authorities from establishing requirements for specific video programming or information services other than in broad categories,
- o permits us to obtain modification of our franchise requirements from the franchise authority or by judicial action if warranted by changed

circumstances,

- o generally prohibits franchising authorities from:
  - o imposing requirements during the initial cable franchising process or during franchise renewal that require, prohibit or restrict us from providing telecommunications services,
  - o imposing franchise fees on revenues we derive from providing telecommunications services over our cable systems, or
  - o restricting our use of any type of subscriber equipment or transmission technology.
- o limits our payment of franchise fees to the local franchising authority to 5% of our gross revenues derived from providing cable services over our cable system.

The Communications Act contains procedures designed to protect us against arbitrary denials of the renewal of our franchises, although a franchising authority under various conditions could deny us a franchise renewal. Moreover, even if our franchise is renewed, the franchising authority may seek to impose upon us new and more onerous requirements such as significant upgrades in facilities and services or increased franchise fees as a condition of renewal. Similarly, if a franchising authority's consent is required for the purchase or sale of our cable system or franchise, the franchising authority may attempt to impose more burdensome or onerous franchise requirements on us in connection with a request for such consent. Historically, cable operators providing satisfactory services to their subscribers and complying with the terms of their franchises have typically obtained franchise renewals. We believe that we have generally met the terms of our franchises and have provided quality levels of service. We anticipate that our 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 franchise requirements (e.g. access channels, universal service and other technical requirements). These decisions have been inconsistent and, until the United States Supreme Court rules definitively on the scope of cable operators' First Amendment protections, the legality of the franchising process generally and of various specific franchise requirements is likely to be in a state of flux.

#### Ownership Limitations

The Communications Act generally prohibits us from owning or operating a SMATV or wireless cable system in any area where we provide franchised cable service. We may, however, acquire and operate SMATV systems in our franchised service areas if the programming and other services provided to SMATV subscribers are offered according to the terms and conditions of our franchise agreement.

The Communications Act also authorizes the FCC to impose nationwide limits on the number of subscribers under the control of a cable operator. While a federal district court has declared this limitation to be unconstitutional and delayed its enforcement, the FCC recently reconsidered its cable ownership regulations and:

- o reaffirmed its 30% nationwide subscriber ownership limit, but maintained its voluntary stay on enforcement of that regulation pending further action,
- o reaffirmed its subscriber ownership information reporting requirements,
- o opened an administrative proceeding to reevaluate its cable television attribution rules.

Also pending on appeal is a challenge to the statutory and FCC regulatory limitations on the number of channels that can be occupied on a cable system by a video programmer in which a cable operator has an attributable ownership interest. We are unable to predict the outcome of these judicial and regulatory proceedings or the impact of any ownership restrictions on our business and operations.

The Communications Act eliminated the statutory prohibition on the common ownership, operation or control of a cable system and a television broadcast station in the same market. While the FCC has eliminated its regulations which precluded the cross-ownership of a national broadcasting network and a cable system, it has not yet completed its review of other regulations which prohibit the common ownership of other broadcasting interests and cable systems in the same geographical areas.

Amendments to the Communications Act made far-reaching changes in the relationship between local telephone companies and cable service providers. These amendments:

- o eliminated federal legal barriers to competition in the local telephone and cable communications businesses, including allowing local telephone companies to offer video services in their local telephone service areas;
- o preempted legal barriers to telecommunications competition that previously existed in state and local laws and regulations;

- o set basic standards for relationships between telecommunications providers; and
- o generally limited acquisitions and prohibited certain joint ventures between local telephone companies and cable operators in the same market.

Local telephone companies 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. A federal appellate court recently overturned various parts of the FCC's open video rules, including the FCC's preemption of local franchising requirements for open video operators. We expect the FCC to modify its open video rules to comply with the federal court's decision, but we are unable to predict the impact any rule modifications may have on our business and operations.

#### Pole Attachment Regulation

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 demonstrate to the FCC that they adequately regulate pole attachment rates, as is the case in certain states in which we operate. In the absence of state regulation, the FCC administers pole attachment rates on a formula basis. The FCC's current rate formula, which is being reevaluated by the FCC, governs the maximum rate certain utilities may charge for attachments to their poles and conduit by cable operators providing only cable services and, until 2001, by certain companies providing telecommunications services. The FCC also adopted a second rate formula that will be effective in 2001 and will govern the maximum rate certain utilities may charge for attachments to their poles and conduit by companies providing telecommunications services, including cable operators.

Any resulting increase in attachment rates due to the FCC's new rate formula will be phased in over a five-year period in equal annual increments, beginning in February 2001. Several parties have requested the FCC to reconsider its new regulations and several parties have challenged the new rules in court. A federal district court recently upheld the constitutionality of the new statutory provision which requires that utilities provide cable systems and telecommunications carriers with nondiscriminatory access to any pole, conduit or right-of-way controlled by the utility; the utilities involved in that litigation have appealed the lower court's decision. We are unable to predict the outcome of this litigation or the ultimate impact of any revised FCC rate formula or of any new pole attachment rate regulations on our business and operations.

#### Other Regulatory Requirements of the Communications Act and the FCC

The Communications Act also includes provisions, among others, regulating:

- o customer service,
- o subscriber privacy,
- o marketing practices,
- o equal employment opportunity,
- o technical standards and equipment compatibility.

The FCC actively regulates other parts of our cable operations, involving such areas as:

- o hiring and promotion of employees and use of outside vendors,
- o consumer protection and customer service,
- o technical standards and testing of cable facilities,
- o consumer electronics equipment compatibility,
- o registration of cable systems,
- o maintenance of various records and public inspection files,
- o microwave frequency usage,
- o antenna structure notification, marking and lighting.

The FCC may 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. The FCC has ongoing rulemaking proceedings that may change its existing rules or lead to new regulations. We are unable to predict the impact that any further FCC rule changes may have on our business and operations.

Other bills and administrative proposals pertaining to cable communications have previously been introduced in Congress or have been 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 cable communications services.



## Copyright

Our cable communications systems provide our subscribers with local and distant television and radio broadcast signals which are protected by the copyright laws. We generally do not obtain a license to use this programming directly from the owners of the programming, but comply with an alternative federal copyright licensing process. In exchange for filing certain reports and contributing a percentage of our revenues to a federal copyright royalty pool, we obtain blanket permission to retransmit copyrighted material.

In a report to Congress, the U.S. Copyright Office recommended that Congress make major revisions to both the cable television and satellite compulsory licenses. 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 our ability to obtain suitable programming and could substantially increase the cost of programming that remains available for distribution to our subscribers. We cannot predict the outcome of this legislative activity.

Our cable communications systems often utilize music in the programs we provide to subscribers including local advertising, local origination programming and pay-per-view events. The rights to use this music are controlled by music performance rights societies who negotiate on behalf of their copyright owners for license fees covering each performance. The cable industry and one of these societies have agreed upon a standard licensing agreement covering the performance of music contained in programs originated by cable operators and in pay-per-view events. Negotiations on a similar licensing agreement are in process with another music performance rights organization. Rate courts established by a federal court exist to determine appropriate copyright coverage and payments in the event the parties fail to reach a negotiated settlement. We cannot predict the outcome of these proceedings or the amount of any license fees we may be required to pay for the use of music. We do not believe that the amount of such fees will be significant to our financial position, results of operations or liquidity.

## State and Local Regulation

Our cable systems use local streets and rights-of-way. Consequently, we must comply with state and local regulation which is typically imposed through the franchising process. The terms and conditions of our franchises vary materially from jurisdiction to jurisdiction. Each franchise generally contains provisions governing:

- o cable service rates,
- o franchise fees,
- o franchise term,
- o system construction and maintenance obligations,
- o system channel capacity,
- o design and technical performance,
- o customer service standards,
- o franchise renewal,
- o sale or transfer of the franchise,
- o territory of the franchisee,
- o indemnification of the franchising authority,
- o use and occupancy of public streets,
- o types of cable services provided.

A number of states subject cable systems to the jurisdiction of state governmental agencies. Those states in which we operate that have enacted such state level regulation are Connecticut, New Jersey and Delaware. State and local franchising jurisdiction is not unlimited, however; it must be exercised consistently with federal law. The Communications Act immunizes franchising authorities from monetary damage awards arising from the regulation of cable systems or decisions made on franchise grants, renewals, transfers and amendments.

The summary of certain federal and state regulatory requirements in the preceding pages does not 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 systems operate. Neither the outcome of these proceedings nor their impact upon our cable operations can be predicted at this time.

## Content

The FCC does not directly regulate the content or transmission of programming services like those offered by QVC and E! 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

E! 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. The

FCC has licensing authority over satellites from which QVC and E! Entertainment obtain transponder capacity, but does not regulate their rates, terms or conditions of service. The FCC could, however, alter the regulatory obligations applicable to satellite service providers. The QVC programming services offered in the UK, Ireland and Germany are regulated by the media authorities in those countries.

#### EMPLOYEES

As of December 31, 1998, we had approximately 17,000 employees. Of these employees, approximately 8,800 were associated with cable communications, approximately 5,700 were associated with electronic retailing and approximately 2,500 were associated with other divisions. We believe that our relationships with our employees are good.

#### ITEM 2 PROPERTIES

##### Cable Communications

A central receiving apparatus, distribution cables, converters, customer service call centers and local business offices are the principal physical assets of a cable communications system. We own or lease the receiving and distribution equipment of each system and own or lease parcels of real property for the receiving sites, customer service call centers and local business offices. In order to keep pace with technological advances, we are maintaining, periodically upgrading and rebuilding the physical components of our cable communications systems.

##### Electronic Retailing

Television studios, customer service call centers, business offices, product warehouses and distribution centers are the principal physical assets of our electronic retailing operations. These assets include QVC's studios and offices, Studio Park, located in West Chester, Pennsylvania. QVC owns the majority of these assets. In order to keep pace with technological advances, QVC is maintaining, periodically upgrading and rebuilding the physical components of our electronic retailing operations. QVC's warehousing and distribution facilities will continue to be upgraded over the next several years.

We believe that substantially all of our physical assets are in good operating condition.

#### ITEM 3 LEGAL PROCEEDINGS

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

#### 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 our officers expires at the first meeting of our Board of Directors following the next Annual Meeting of Shareholders, presently scheduled to be held in June 1999, or as soon thereafter as each of their successors is elected and qualified. The following table sets forth certain information concerning our principal executive officers, including their ages, positions and tenure as of December 31, 1998:

Name	Age	Officer Since	Position with Comcast
Ralph J. Roberts	78	1969	Chairman of the Board of Directors; Director
Julian A. Brodsky	65	1969	Vice Chairman of the Board of Directors; Director
Brian L. Roberts	39	1986	President; Director
Lawrence S. Smith	51	1988	Executive Vice President
John R. Alchin	50	1990	Senior Vice President; Treasurer
Stanley L. Wang	58	1981	Senior Vice President; General Counsel; Secretary

Ralph J. Roberts has served as a Director and as our Chairman of the Board of Directors for more than five years. Mr. Roberts devotes a major portion of his time to our business and affairs. Mr. Roberts has been the President and a Director of Sural Corporation, a privately-held investment company, our controlling shareholder, for more than five years. Mr. Roberts is the father of Brian L. Roberts.

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

Brian L. Roberts has served as our President and as a Director for more than five years. Mr. Roberts devotes a major portion of his time to our business and affairs. Mr. Roberts presently serves as Vice President and as a Director of Sural. As of December 31, 1998, our shares owned by Sural constituted approximately 76% of the voting power of the two classes of our voting common stock combined. Mr. Roberts has sole voting power over stock representing a majority of voting power of all Sural stock and, therefore, has voting control over Comcast. Mr. Roberts is also a Director of @Home Corporation. Mr. Roberts is a son of Ralph J. Roberts.

Lawrence S. Smith was named our Executive Vice President in December 1995. Prior to that time, Mr. Smith served as our Senior Vice President for more than five years. Mr. Smith is our Principal Accounting Officer.

John R. Alchin has served as our Treasurer and as Senior Vice President for more than five years. Mr. Alchin is our Principal Financial Officer.

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

## PART II

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

Our Class A Special Common Stock is included on Nasdaq under the symbol CMCSK and our Class A Common Stock is included on Nasdaq under the symbol CMCSA. There is no established public trading market for our Class B Common Stock. Our Class B Common Stock can be converted, 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
1998				
First Quarter.....	\$37 3/16	\$29 7/8	\$36 7/8	\$30 1/8
Second Quarter.....	41 11/16	33 13/16	40 1/2	32 7/8
Third Quarter.....	48 3/4	37 3/8	48 1/16	37 1/2
Fourth Quarter.....	59	40 9/16	57 7/8	40 1/4
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

We began paying quarterly cash dividends on our Class A Common Stock in 1977. Since 1978, we have paid equal dividends on shares of both our Class A Common Stock and our Class B Common Stock. Since December 1986, when the Class A Special Common Stock was issued, we have paid equal dividends on shares of our Class A Special, Class A and Class B Common Stock. We declared dividends of \$.0933 for each of the years ended December 31, 1998 and 1997 on shares of our Class A Special, Class A and Class B Common Stock. The declaration and payment of future dividends and their amount depend upon our results of operations, our financial condition and capital needs, and upon contractual restrictions on us and our subsidiaries and other factors.

If you hold shares of our Class A Special Common Stock, you cannot vote in the election of directors or otherwise, except where class voting is required by law. In that case, if you hold Class A Special Common Stock, you have one vote per share. Generally, if you hold Class A Common Stock, you have one vote per share. If you hold Class B Common Stock, you have 15 votes per share. Generally, including the election of directors, holders of Class A Common Stock and the Class B Common Stock vote as one class except where class voting is required by law. If you hold Class A Common Stock or Class B Common Stock, you have cumulative voting rights.

As of December 31, 1998, there were 2,381 record holders of our Class A Special Common Stock, 1,760 record holders of our Class A Common Stock and three record holders of our Class B Common Stock.

	Year Ended December 31,				
	1998(1)	1997(1)	1996(1)	1995	1994
(Dollars in millions, except per share data)					
<b>Statement of Operations Data:</b>					
Revenues.....	\$5,145.3	\$4,467.7	\$3,612.3	\$2,988.1	\$1,089.2
Operating income.....	557.1	466.6	465.9	397.7	213.4
Income (loss) from continuing operations before extraordinary items.....	1,007.7	(182.9)	(6.4)	48.0	(46.1)
Loss from discontinued operations (2).....	31.4	25.6	46.1	85.8	29.2
Extraordinary items.....	(4.2)	(30.2)	(1.0)	(6.1)	(11.7)
Net income (loss).....	972.1	(238.7)	(53.5)	(43.9)	(87.0)
<b>Basic earnings (loss) for common stockholders per common share (3)</b>					
Income (loss) from continuing operations before extraordinary items.....	\$2.67	(\$0.58)	(\$0.02)	\$0.20	(\$0.20)
Loss from discontinued operations (2).....	(0.09)	(0.08)	(0.19)	(0.36)	(0.12)
Extraordinary items.....	(0.01)	(0.09)		(0.03)	(0.05)
Net income (loss).....	\$2.57	(\$0.75)	(\$0.21)	(\$0.19)	(\$0.37)
<b>Diluted earnings (loss) for common stockholders per common share (3)</b>					
Income (loss) from continuing operations before extraordinary items.....	\$2.50	(\$0.58)	(\$0.02)	\$0.20	(\$0.20)
Loss from discontinued operations (2).....	(0.08)	(0.08)	(0.19)	(0.36)	(0.12)
Extraordinary items.....	(0.01)	(0.09)		(0.03)	(0.05)
Net income (loss).....	\$2.41	(\$0.75)	(\$0.21)	(\$0.19)	(\$0.37)
Cash dividends declared per common share (3).....	\$0.0933	\$0.0933	\$0.0933	\$0.0933	\$0.0933
<b>Balance Sheet Data (at year end):</b>					
Total assets.....	\$14,817.4	\$11,326.8	\$10,660.4	\$8,159.9	\$5,480.0
Working capital.....	2,531.7	44.9	15.5	604.6	29.4
Long-term debt.....	5,464.2	5,334.1	5,998.3	6,014.8	4,066.0
Stockholders' equity (deficiency).....	3,815.3	1,646.5	551.6	(827.7)	(726.8)
<b>Supplementary Financial Data:</b>					
Operating income before depreciation and amortization (4).....	\$1,496.7	\$1,293.1	\$1,047.0	\$881.0	\$459.9
Net cash provided by (used in) (5).....					
Operating activities.....	1,079.7	855.3	644.5	466.7	339.7
Financing activities.....	809.2	283.9	(88.0)	1,785.7	1,089.2
Investing activities.....	(1,427.3)	(1,056.5)	(749.5)	(2,060.3)	(1,254.4)

(1) You should 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 this financial data.

(2) In January 1999, we agreed to sell Comcast Cellular Corporation to SBC Communications, Inc. This represents the results of Comcast Cellular which is presented as a discontinued operation for all periods presented.

(3) We have adjusted these for our three-for-two stock split effective February 2, 1994.

(4) Operating income before depreciation and amortization is commonly referred to in our 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 our 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 our industries, although our 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 those measurements as an indicator of our performance.

(5) This represents net cash provided by (used in) operating activities, financing activities and investing activities as presented in the our consolidated statement of cash flows.

## Overview

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

In January 1999, we agreed to sell our wholly owned subsidiary, Comcast Cellular Corporation ("Comcast Cellular"), to SBC Communications, Inc. for approximately \$400 million in cash and the assumption of approximately \$1.3 billion of Comcast Cellular debt. We expect to recognize a pre-tax gain on the sale of approximately \$600 million. We expect to complete this sale in the third quarter of 1999 if we receive all the necessary regulatory and other approvals. The results of Comcast Cellular have been presented as a discontinued operation in our consolidated financial statements.

## General Developments of Business

See "General Developments of Business" in Part I and Note 3 to our consolidated financial statements in Item 8.

## Liquidity and Capital Resources

The cable communications and the electronic retailing industries are experiencing increasing competition and rapid technological changes. Our future results of operations will be affected by our ability to react to changes in the competitive environment and by our ability to implement new technologies. However, we believe that competition and technological changes will not significantly affect our ability to obtain financing.

We believe that we will be able to meet our current and long-term liquidity and capital requirements, including fixed charges, through our cash flows from operating activities, existing cash, cash equivalents, short-term investments, lines of credit and other external financing.

## Cash, Cash Equivalents and Short-term Investments

We have traditionally maintained significant levels of cash, cash equivalents and short-term investments to meet our short-term liquidity requirements. Our cash equivalents and short-term investments are recorded at fair value. Cash, cash equivalents and short-term investments as of December 31, 1998 and 1997 were \$4.524 billion and \$573.0 million, respectively. As of December 31, 1998, our cash, cash equivalents and short-term investments include \$3.635 billion of our investments in AT&T Corp. ("AT&T"), Sprint PCS, NTL Incorporated ("NTL"), Tele-Communications, Inc. ("TCI"), Liberty Media Corporation ("Liberty") and TCI Ventures Group, Inc. ("TCI Ventures") (see Notes 3 and 4 to our consolidated financial statements included in Item 8). As of December 31, 1998, \$258.5 million of our cash, cash equivalents and short-term investments is restricted to use by subsidiaries under contractual or other arrangements.

## Investments

See Notes 3 and 4 to our consolidated financial statements included in Item 8.

We do not have any additional significant contractual funding commitments with respect to any of our investments. However, to the extent we do not fund our investees' capital calls, we expose ourselves to dilution of our ownership interests. We continually evaluate our existing investments as well as new investment opportunities.

## Investment Rights

In July 1996, we acquired a 66% interest in Comcast Spectacor, L.P. ("Comcast-Spectacor"), the owner of two professional sports teams and two arenas in Philadelphia, Pennsylvania. We have the right to purchase the remaining 34% interest in Comcast-Spectacor from our partner for its pro rata portion of the fair market value (on a going concern basis as determined by an appraisal process) of Comcast-Spectacor. Our partner also has the right to require us to purchase its interests under the same terms. We may pay our partner for such interests in shares of our Class A Special Common Stock, subject to certain restrictions. If our partner exercises its exit rights and we elect not to purchase its interest, we and our partner will use our best efforts to sell Comcast-Spectacor.

The Walt Disney Company ("Disney"), in certain circumstances, is entitled to cause Comcast Entertainment Holdings LLC (the "LLC"), which is owned 50.1% by us 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 our entire interest in the LLC or all of the

shares of stock of E! Entertainment Television, Inc. ("E! Entertainment") held by the LLC, in each case at fair market value. If Disney exercises its rights, as described above, a portion or all of our \$132.8 million aggregate principal amount ten-year, 7% notes payable to Disney (the "Disney Notes") may be replaced with a three year note due to Disney.

We and Liberty, a majority owned subsidiary of TCI, own approximately 57% and 43%, respectively, of QVC, Inc. ("QVC"), an electronic retailer. We, through a management agreement, are responsible for the day to day operations of QVC. Liberty 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, we have 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. We 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, our promissory note maturing not more than three years after issuance, our equity securities or any combination thereof. If we elect 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 us. If Liberty elects not to purchase the stock of QVC held by us, then we and Liberty will use our best efforts to sell QVC.

We own 55% of MHCP Holdings, L.L.C. ("MHCP Holdings"), an indirect subsidiary of ours which holds cable communications systems serving approximately 644,000 subscribers as of December 31, 1998. The California Public Employees Retirement System ("CalPERS") owns the remaining 45% of MHCP Holdings. At any time after December 18, 2001, CalPERS may elect to liquidate its interest in MHCP Holdings 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 our common stock. Except in certain limited circumstances, we have the option to satisfy this liquidity arrangement by purchasing CalPERS' interest for cash, through the issuance of our common stock (subject to certain limitations) 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 our 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.

We are in the process of evaluating and addressing the impact of the Year 2000 Issue on our operations to ensure that our information technology and business systems recognize calendar Year 2000. We are utilizing both internal and external resources in implementing our Year 2000 program, which consists of the following phases:

- o Assessment Phase. Structured evaluation, including a detailed inventory outlining the impact that the Year 2000 Issue may have on current operations.
- o Detailed Planning Phase. Establishment of priorities, development of specific action steps and allocation of resources to address the issues identified in the Assessment Phase.
- o Conversion Phase. Implementation of the necessary system modifications as outlined in the Detailed Planning Phase.
- o Testing Phase. Verification that the modifications implemented in the Conversion Phase will be successful in resolving the Year 2000 Issue so that all inventory items will function properly, both individually and on an integrated basis.
- o Implementation Phase. Final roll-out of fully tested components into an operational unit.

Based on an inventory conducted in 1997, we have identified computer systems that will require modification or replacement so that they will properly utilize dates beyond December 31, 1999. Many of our critical systems are new and are already Year 2000 compliant as a result of the recent rebuild of many of our cable communications systems. In addition, we have initiated communications with all of our significant software suppliers and service bureaus to determine their plans for remediating the Year 2000 Issue in their software which we use or rely upon.

As of December 31, 1998, we are in the Conversion Phase of our Year 2000 remediation program and have entered the Testing Phase with respect to certain of our key systems. Through December 31, 1998, we have incurred approximately \$4.7 million in connection with our Year 2000 remediation program. We estimate that we will incur between approximately \$8 million to \$17 million of additional expense through December 1999 in connection with our Year 2000 remediation program. Our estimate to complete the remediation plan includes the

estimated time associated with mitigating the Year 2000 Issue for third party software. However, we cannot guarantee that the systems of other companies on which we rely will be converted on a timely basis, or that a failure to convert by another company would not have a material adverse effect on us.

Our management will continue to periodically report the progress of our Year 2000 remediation program to the Audit Committee of our Board of Directors. We plan to complete the Year 2000 mitigation by the third quarter of 1999. Our management has investigated and may consider potential contingency plans in the event that our Year 2000 remediation program is not completed by that date.

The costs of the project and the date on which we plan to complete the Year 2000 modifications and replacements are based on our 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, we cannot guarantee that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that may cause such material differences include, but are not limited to, the availability and cost of personnel with appropriate necessary skills and the ability to locate and correct all relevant computer code and similar uncertainties.

We believe that with modifications to existing software and conversions to new software, the Year 2000 Issue can be mitigated. However, if such modifications and conversions are not made, or are not completed within an adequate time frame, the Year 2000 Issue could have a material adverse impact on our operations.

#### Capital Expenditures

During 1999, we expect to incur approximately \$750 million of capital expenditures, including \$550 million primarily for the upgrading and rebuilding of certain of our cable communications systems and the deployment of digital converters and cable modems (excluding pending acquisitions), \$85 million primarily for the upgrading of QVC's warehousing and distribution facilities and \$40 million primarily for the upgrading of our cellular communications systems (assuming the sale of Comcast Cellular closes during the third quarter of 1999). The amount of such capital expenditures for years subsequent to 1999 will depend on numerous factors, many of which are beyond our control. These factors include:

- o whether competition in a particular market necessitates a cable system upgrade,
- o whether a particular cable system has sufficient capacity to handle new product offerings including the offering of cable modem, cable telephony and telecommunications services,
- o whether and to what extent we will be able to recover our investment under FCC rate guidelines and other factors, and
- o whether we acquire additional cable systems in need of upgrading or rebuilding.

National manufacturers are the primary sources of supplies, equipment and materials utilized in the construction, rebuild and upgrade of our cable communications systems. Costs have increased during recent years and are expected to continue to increase as a result of the need to construct increasingly complex systems, overall demand for labor and other factors. Future increases in such costs may be significant to our financial position, results of operations and liquidity. We anticipate capital expenditures for years subsequent to 1999 will continue to be significant. As of December 31, 1998, we do not have any significant contractual obligations for capital expenditures.

#### Financing

See Notes 5 and 6 to our consolidated financial statements included in Item 8.

We have historically utilized a strategy of financing our acquisitions through the issuance of our common stock or through the issuance of senior debt at the acquired operating subsidiary level, through the issuance of senior debt at the intermediate holding company and parent company levels and through public offerings of subsidiary stock and debt instruments. As of December 31, 1998 and 1997, our long-term debt, including current portion, was \$5.578 billion and \$5.466 billion, respectively, of which 18.0% and 17.7%, respectively, was at variable rates.

#### Interest Rate Risk Management

We are exposed to market risk including changes in interest rates. To manage the volatility relating to these exposures, we enter into various derivative transactions pursuant to our policies in areas such as counterparty exposure and hedging practices. Positions are monitored using techniques including market value and sensitivity analyses. We do not hold or issue any derivative financial instruments for trading purposes and are not a party to leveraged instruments. The credit risks associated with our derivative financial instruments are controlled through the evaluation and monitoring of the creditworthiness of the counterparties. Although we may be exposed to losses in the event of nonperformance by the counterparties, we do 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 our outstanding debt agreements. Our policy is to manage interest costs using a mix of fixed and variable rate debt. Using Swaps, we agree 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 us to otherwise pay lower market rates. Collars limit our 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 us as of December 31, 1998 (dollars in millions):

	1999	2000	Expected Maturity Date			Thereafter	Total	Fair Value at 12/31/98
			2001	2002	2003			
<b>Debt</b>								
Fixed Rate.....	\$7.3	\$18.3	\$227.6	\$105.6	\$7.3	\$3,705.6	\$4,071.7	\$4,489.0
Average Interest Rate.....	9.0%	8.1%	9.5%	8.6%	9.2%	8.3%	8.4%	
Variable Rate.....	\$106.2	\$185.9	\$322.9	\$370.5	\$520.5		\$1,506.0	\$1,506.0
Average Interest Rate.....	5.4%	5.6%	5.8%	5.8%	6.1%		5.9%	
<b>Interest Rate Instruments</b>								
Variable to Fixed Swaps (1)...	\$50.0	\$504.1	\$127.5	\$143.5	\$36.7	\$200.0	\$1,061.8	(\$13.3)
Average Pay Rate.....	5.7%	5.5%	4.9%	4.9%	4.9%	7.7%	5.7%	
Average Receive Rate.....	5.0%	5.0%	5.3%	5.3%	5.4%	5.9%	5.3%	
Caps.....	\$240.0						\$240.0	
Average Cap Rate.....	7.0%						7.0%	
Collar.....		\$50.0					\$50.0	
Average Cap Rate.....		6.3%					6.3%	
Average Floor Rate.....		4.0%					4.0%	

(1) Includes \$361.8 million of Swaps which become effective in the year 2000 maturing through 2003 and \$200.0 million of Swaps which become effective in the year 2000 maturing 2008.

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The notional amounts of interest rate instruments, as presented in the table above 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 us using the average implied forward London Interbank Offer Rate ("LIBOR") rates for the year of maturity based on the yield curve in effect at December 31, 1998, plus the borrowing margin in effect for each credit facility at December 31, 1998. Average receive rates on the Variable to Fixed Swaps are estimated by us using the average implied forward LIBOR rates for the year of maturity based on the yield curve in effect at December 31, 1998. While Swaps, Caps and Collars represent an integral part of our interest rate risk management program, their incremental effect on interest expense for the years ended December 31, 1998, 1997 and 1996 was not significant.

#### Equity Price Risk

In connection with the share repurchase programs authorized by our Board of Directors, we sold put options on shares of our Class A Special Common Stock. We sold put options on 2.75 million shares, 2.0 million shares and 1.0 million shares during 1998, 1997 and 1996, respectively. The put options give the holder the right to require us to repurchase such shares at specified prices on specific dates. The put options sold during 1997 and 1996 expired unexercised. The amount we would be obligated to pay to repurchase such shares upon exercise of the put options, totaling \$111.2 million and \$31.4 million, has been reclassified from additional capital to common equity put options in our December 31, 1998 and 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, 1998 and 1997.

## Statement of Cash Flows

Cash and cash equivalents increased \$461.6 million as of December 31, 1998 from December 31, 1997. The increase in cash and cash equivalents resulted from cash flows from operating, financing and investing activities as explained below.

Net cash provided by operating activities from continuing operations amounted to \$1.080 billion for the year ended December 31, 1998 due principally to our operating income from continuing operations before depreciation and amortization (see "Results of Operations"), including the effects of the consolidation of Comcast-Spectacor effective January 1, 1998 (see Note 3 to our consolidated financial statements included in Item 8), and changes in working capital as a result of the timing of receipts and disbursements.

Net cash provided by financing activities from continuing operations, which includes borrowings and repayments of debt, as well as the issuances and repurchases of our equity securities, was \$809.2 million for the year ended December 31, 1998. During 1998, we borrowed \$1.938 billion, consisting primarily of \$797.9 million of 6.20% senior notes due 2008 and \$827.0 million of subsidiary revolving credit in connection with a refinancing. During 1998, we repaid \$1.113 billion of our long-term debt, primarily in connection with the refinancing of certain subsidiary indebtedness. In addition, during 1998, we had net issuances of \$28.9 million of our common stock and we paid cash dividends of \$36.0 million on our common stock and Series A Preferred Stock. Deferred financing costs of \$16.3 million were incurred during 1998 principally in connection with the issuance of the 6.20% senior notes due 2008.

Net cash used in investing activities from continuing operations was \$1.427 billion for the year ended December 31, 1998. Net cash used in investing activities includes acquisitions of cable communications systems, net of cash acquired, of \$309.7 million, capital contributions to and purchases of investments of \$202.1 million and capital expenditures of \$898.9 million, offset by proceeds from the sales of short-term investments and call options of \$169.5 million and proceeds from the repayment of a loan by an investee of \$74.7 million. The sale of Comcast UK Cable resulted in a reduction to cash and cash equivalents of \$140.4 million due to the receipt of approximately 4.8 million shares of NTL in exchange for all of our shares in Comcast UK Cable (see Note 3 to our consolidated financial statements included in Item 8).

## Results of Operations

The effects of our recent acquisitions and the consolidation of Comcast-Spectacor effective January 1, 1998, as well as increased levels of capital expenditures, were to increase significantly our revenues and expenses, resulting in substantial increases in our operating income before depreciation and amortization, depreciation expense, amortization expense and interest expense. Investment income has increased significantly in 1998 as a result of the gains we recognized on the exchange of our interest in Teleport Communications Group Inc. ("Teleport") for AT&T common stock, the Sprint PCS restructuring and the exchange of our interest in Comcast UK Cable for NTL common stock. In addition, our equity in net losses of affiliates has increased principally as a result of losses incurred by Sprint PCS. See "Operating Results by Business Segment" and "Consolidated Analysis".

Our summarized consolidated financial information for the three years ended December 31, 1998 is as follows (dollars in millions, "NM" denotes percentage is not meaningful):

	Year Ended December 31,		Increase/(Decrease)	
	1998	1997	\$	%
Revenues.....	\$5,145.3	\$4,467.7	\$677.6	15.2%
Cost of goods sold from electronic retailing.....	1,462.0	1,270.2	191.8	15.1
Operating, selling, general and administrative expenses.....	2,186.6	1,904.4	282.2	14.8
Operating income before depreciation and amortization (1) ....	1,496.7	1,293.1	203.6	15.7
Depreciation.....	463.9	404.1	59.8	14.8
Amortization.....	475.7	422.4	53.3	12.6
Operating income.....	557.1	466.6	90.5	19.4
Interest expense.....	466.7	458.9	7.8	1.7
Investment income.....	(1,828.0)	(149.4)	1,678.6	NM
Equity in net losses of affiliates.....	515.9	343.8	172.1	50.1
Gain from equity offering of affiliate.....	(157.8)	(7.7)	150.1	NM
Other expense.....	2.9	9.7	(6.8)	(70.1)
Income tax expense.....	594.0	70.4	523.6	NM
Minority interest.....	(44.3)	(76.2)	(31.9)	(41.9)
Income (loss) from continuing operations before extraordinary items.....	\$1,007.7	(\$182.9)	\$1,190.6	NM

	Year Ended December 31,		Increase/(Decrease)	
	1997	1996	\$	%
Revenues.....	\$4,467.7	\$3,612.3	\$855.4	23.7%
Cost of goods sold from electronic retailing.....	1,270.2	1,114.2	156.0	14.0
Operating, selling, general and administrative expenses.....	1,904.4	1,451.1	453.3	31.2
Operating income before depreciation and amortization (1) ....	1,293.1	1,047.0	246.1	23.5
Depreciation.....	404.1	259.2	144.9	55.9
Amortization.....	422.4	321.9	100.5	31.2
Operating income.....	466.6	465.9	0.7	0.2
Interest expense.....	458.9	448.4	10.5	2.3
Investment income.....	(149.4)	(120.0)	29.4	24.5
Equity in net losses of affiliates.....	343.8	144.8	199.0	NM
Gain from equity offering of affiliate.....	(7.7)	(40.6)	(32.9)	(81.0)
Other expense (income).....	9.7	(21.3)	31.0	NM
Income tax expense.....	70.4	109.0	(38.6)	(35.4)
Minority interest.....	(76.2)	(48.0)	28.2	58.8
Loss from continuing operations before extraordinary items....	(\$182.9)	(\$6.4)	\$176.5	NM

(1) Operating income before depreciation and amortization is commonly referred to in our 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 our 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 our industries, although our 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 our 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 our significant business segments, including: "Cable Communications" and "Electronic Retailing." The remaining components of our operations are not independently significant to our consolidated financial position or results of operations (see Note 10 to our consolidated financial statements included in Item 8).

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Cable Communications

As a result of the acquisition of the cable television operations ("Scripps Cable") of The E.W. Scripps Company (the "Scripps Acquisition"), we commenced consolidating the financial results of Scripps Cable effective November 1, 1996. The following table presents financial information for the years ended December 31, 1998, 1997 and 1996 for our cable communications segment (dollars in millions):

	Year Ended December 31,		Increase	
	1998	1997	\$	%
Service income.....	\$2,277.4	\$2,073.0	\$204.4	9.9%
Operating, selling, general and administrative expenses.....	1,180.8	1,085.3	95.5	8.8
	-----	-----	-----	
Operating income before depreciation and amortization (a).....	\$1,096.6	\$987.7	\$108.9	11.0%
	=====	=====	=====	
	Year Ended December 31,		Increase	
	1997	1996	\$	%
Service income.....	\$2,073.0	\$1,641.0	\$432.0	26.3%
Operating, selling, general and administrative expenses.....	1,085.3	837.2	248.1	29.6
	-----	-----	-----	
Operating income before depreciation and amortization (a).....	\$987.7	\$803.8	\$183.9	22.9%
	=====	=====	=====	

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(a) See footnote (1) on page 25.

Of the respective \$204.4 million and \$432.0 million increases in service income for the years ended December 31, 1998 and 1997, \$30.2 million and \$280.4 million are attributable to the effects of the acquisitions of cable communications systems, \$31.8 million and \$27.1 million are attributable to subscriber growth, \$109.0 million and \$108.9 million relate to changes in rates, \$20.5 million and \$8.6 million are attributable to growth in cable advertising sales and \$12.9 million and \$7.0 million relate to other product offerings.

Of the respective \$95.5 million and \$248.1 million increases in operating, selling, general and administrative expenses for the years ended December 31, 1998 and 1997, \$15.8 million and \$145.3 million are attributable to the effects of the acquisitions of cable communications systems, \$48.9 million and \$34.9 million are attributable to increases in the costs of cable programming as a result of subscriber growth, additional channel offerings and changes in rates, \$5.3 million and \$5.9 million are attributable to growth in cable advertising sales, \$1.5 million and \$15.6 million are attributable to increases in costs associated with customer service and \$24.0 million and \$46.4 million result from increases in the costs of labor, other volume related expenses and costs associated with new product offerings. We anticipate that the cost of cable programming will increase in the future as cable programming rates increase and additional sources of cable programming become available.

## Electronic Retailing

The following table sets forth the operating results for our electronic retailing segment (dollars in millions):

	Year Ended December 31,		Increase	
	1998	1997	\$	%
Net sales from electronic retailing.....	\$2,402.7	\$2,082.5	\$320.2	15.4%
Cost of goods sold from electronic retailing.....	1,462.0	1,270.2	191.8	15.1
Operating, selling, general and administrative expenses.....	506.5	474.6	31.9	6.7
Operating income before depreciation and amortization (a).....	\$434.2	\$337.7	\$96.5	28.6%
Gross margin.....	39.2%	39.0%		

	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%		

(a) See footnote (1) on page 25.

The respective increases in net sales from electronic retailing of \$320.2 million and \$246.7 million for the years ended December 31, 1998 and 1997 are primarily attributable to the effects of 5.6% and 7.4% increases, respectively, in the average number of homes receiving QVC services in the US and 11.8% and 13.7% 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, 1998, 1997 and 1996.

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 \$31.9 million and \$53.3 million for the years ended December 31, 1998 and 1997, \$21.7 million and \$30.6 million are attributable to higher sales volume, \$3.2 million and \$25.5 million are attributable to start-up costs incurred by QVC in Germany, which began operations in the fourth quarter of 1996, and the remaining changes are primarily attributable to additional costs associated with new businesses, offset by the reduction in expenses realized upon consolidation of QVC's multichannel operations in 1996.

## Consolidated Analysis

The \$59.8 million increase in depreciation expense from 1997 to 1998 is primarily attributable to the effects of capital expenditures, the consolidation of Comcast-Spectacor effective January 1, 1998, increased losses on asset disposals in connection with our cable communications rebuild activities and the acquisition of cable communications systems. The \$144.9 million increase in depreciation expense from 1996 to 1997 is primarily attributable to the effects of capital expenditures and the effects of the Scripps Acquisition in November 1996.

The \$53.3 million increase in amortization expense from 1997 to 1998 is primarily attributable to the

consolidation of Comcast-Spectacor effective January 1, 1998 and the acquisition of cable communications systems. The \$100.5 million increase in amortization expense from 1996 to 1997 is primarily attributable to the effects of the Scripps Acquisition in November 1996.

We anticipate that, for the foreseeable future, interest expense will be a significant cost to us and will have a significant adverse effect on our ability to realize net earnings. We believe we will continue to be able to meet our obligations through our ability both to generate operating income before depreciation and amortization and to obtain external financing.

The \$1.679 billion increase in investment income from 1997 to 1998 is primarily attributable to the \$1.092 billion gain recognized on the exchange of our interest in Teleport for AT&T common stock, the \$758.5 million gain recognized on the restructuring of Sprint PCS and the \$148.3 million gain recognized on the exchange of our interest in Comcast UK Cable for NTL common stock, all recognized in 1998. These gains were partially offset by a \$152.8 million loss on certain of our investments based primarily on a decline in value that we considered other than temporary and investment expense of \$105.5 million incurred during 1998 related to changes in the value of call options related to our investment in TCI, TCI Ventures and Liberty common stock. The \$29.4 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 our Teleport Class A Common 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 us 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 \$172.1 million and \$199.0 million increases in equity in net losses of affiliates from 1997 to 1998 and from 1996 to 1997 are primarily due to losses incurred by Sprint PCS. With the restructuring of Sprint PCS in the fourth quarter of 1998, we will no longer account for our investment in Sprint PCS under the equity method and, as a result, will no longer record our proportionate share of Sprint PCS' net losses in our consolidated statement of operations (see Notes 3 and 4 to our consolidated financial statements included in Item 8).

During the years ended December 31, 1998, 1997 and 1996, Teleport issued shares of its Class A Common Stock. As a result of these stock issuances, we recorded a \$157.8 million, \$7.7 million and \$40.6 million increase in our proportionate share of Teleport's net assets as a gain from equity offering of affiliate in our 1998, 1997 and 1996 consolidated statement of operations. We recorded the increase in our proportionate share of Teleport's net assets one quarter in arrears.

The \$6.8 million decrease and \$31.0 million increase in other expense from 1997 to 1998 and from 1996 to 1997 are primarily attributable to the effects of fluctuations in the foreign currency exchange rate.

The \$523.6 million increase and \$38.6 million decrease in income tax expense from 1997 to 1998 and from 1996 to 1997 are primarily attributable to changes in our income before income taxes and minority interest, and non-deductible foreign losses and non-deductible equity in net losses of affiliates.

The \$31.9 million decrease and \$28.2 million increase in minority interest income from 1997 to 1998 and from 1996 to 1997 are primarily attributable to minority interests in the net loss of Comcast UK Cable and the net income of QVC, and the effects of the consolidation of Comcast-Spectacor effective January 1, 1998.

Extraordinary items for the years ended December 31, 1998, 1997 and 1996 of \$4.2 million, \$30.2 million and \$1.0 million, respectively, consist of unamortized debt acquisition costs and debt extinguishment costs, net of related tax benefits, expensed in connection with the redemption and refinancing of certain indebtedness.

For the years ended December 31, 1998, 1997 and 1996, our distributions from investees and earnings before extraordinary items, income tax expense, equity in net losses of affiliates and fixed charges (interest expense) were \$2.584 billion, \$690.2 million and \$695.8 million, respectively. Such earnings were adequate to cover our fixed charges (including capitalized interest of \$18.0 million and \$32.1 million during 1997 and 1996, respectively), of \$466.7 million, \$476.9 million and \$480.5 million for the years ended December 31, 1998, 1997 and 1996, respectively. Our fixed charges include non-cash interest expense of \$42.5 million, \$56.5 million and \$51.5 million for the years ended December 31, 1998, 1997 and 1996, respectively.

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

We believe that our operations are not materially affected by inflation.

## 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, 1998 and 1997, 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, 1998. 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 14% and 19% of the Company's consolidated total assets as of December 31, 1998 and 1997 and total revenues constituting 47%, 47% and 51% of the Company's consolidated revenues for the years ended December 31, 1998, 1997 and 1996, 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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Philadelphia, Pennsylvania  
February 22, 1999

## COMCAST CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

(Dollars in millions, except share data)

ASSETS	December 31,	
	1998	1997
<b>CURRENT ASSETS</b>		
Cash and cash equivalents.....	\$870.7	\$409.1
Investments.....	3,653.4	163.9
Accounts receivable, less allowance for doubtful accounts of \$120.7 and \$108.8.....	549.3	439.6
Inventories, net.....	343.8	309.9
Other current assets.....	207.1	155.9
	-----	-----
Total current assets.....	5,624.3	1,478.4
	-----	-----
INVESTMENTS.....	602.4	1,235.8
	-----	-----
PROPERTY AND EQUIPMENT.....	3,886.7	3,689.5
Accumulated depreciation.....	(1,362.3)	(1,205.9)
	-----	-----
Property and equipment, net.....	2,524.4	2,483.6
	-----	-----
<b>DEFERRED CHARGES</b>		
Franchise and license acquisition costs.....	4,763.6	4,847.9
Excess of cost over net assets acquired and other.....	3,450.9	3,089.5
	-----	-----
	8,214.5	7,937.4
Accumulated amortization.....	(2,148.2)	(1,808.4)
	-----	-----
Deferred charges, net.....	6,066.3	6,129.0
	-----	-----
	\$14,817.4	\$11,326.8
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses.....	\$1,600.3	\$1,095.4
Accrued interest.....	73.5	72.2
Net liabilities of discontinued operations.....	165.2	133.6
Deferred income taxes.....	1,140.1	
Current portion of long-term debt.....	113.5	132.3
	-----	-----
Total current liabilities.....	3,092.6	1,433.5
	-----	-----
LONG-TERM DEBT, less current portion.....	5,464.2	5,334.1
	-----	-----
DEFERRED INCOME TAXES.....	1,500.1	1,849.5
	-----	-----
MINORITY INTEREST AND OTHER.....	834.0	1,031.8
	-----	-----
<b>COMMITMENTS AND CONTINGENCIES</b>		
COMMON EQUITY PUT OPTIONS.....	111.2	31.4
	-----	-----
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock - authorized, 20,000,000 shares; 5% series A convertible, no par value; issued, 6,370 at redemption value.....	31.9	31.9
5.25% series B mandatorily redeemable convertible, \$1,000 par value; issued, 540,690 and 513,211 at redemption value.....	540.7	513.2
Class A special common stock, \$1 par value - authorized, 500,000,000 shares; issued, 328,630,366 and 317,025,969 .....	328.6	317.0
Class A common stock, \$1 par value - authorized, 200,000,000 shares; issued, 31,690,063 and 31,793,487.....	31.7	31.8
Class B common stock, \$1 par value - authorized, 50,000,000 shares; issued, 9,444,375 and 8,786,250 .....	9.4	8.8
Additional capital.....	3,311.5	3,030.6
Accumulated deficit.....	(1,488.2)	(2,415.9)
Unrealized gains on marketable securities.....	1,049.5	140.7
Cumulative translation adjustments.....	0.2	(11.6)
	-----	-----
Total stockholders' equity.....	3,815.3	1,646.5
	-----	-----
	\$14,817.4	\$11,326.8
	=====	=====

See notes to consolidated financial statements.

## COMCAST CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF OPERATIONS

(Amounts in millions, except per share data)

	Year Ended December 31,		
	1998	1997	1996
<b>REVENUES</b>			
Service income.....	\$2,742.6	\$2,385.2	\$1,776.5
Net sales from electronic retailing.....	2,402.7	2,082.5	1,835.8
	-----	-----	-----
	5,145.3	4,467.7	3,612.3
	-----	-----	-----
<b>COSTS AND EXPENSES</b>			
Operating.....	1,410.3	1,204.1	911.8
Cost of goods sold from electronic retailing.....	1,462.0	1,270.2	1,114.2
Selling, general and administrative.....	776.3	700.3	539.3
Depreciation.....	463.9	404.1	259.2
Amortization.....	475.7	422.4	321.9
	-----	-----	-----
	4,588.2	4,001.1	3,146.4
	-----	-----	-----
<b>OPERATING INCOME.....</b>	<b>557.1</b>	<b>466.6</b>	<b>465.9</b>
<b>OTHER (INCOME) EXPENSE</b>			
Interest expense.....	466.7	458.9	448.4
Investment income.....	(1,828.0)	(149.4)	(120.0)
Equity in net losses of affiliates.....	515.9	343.8	144.8
Gain from equity offering of affiliate.....	(157.8)	(7.7)	(40.6)
Other.....	2.9	9.7	(21.3)
	-----	-----	-----
	(1,000.3)	655.3	411.3
	-----	-----	-----
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE, MINORITY INTEREST AND EXTRAORDINARY ITEMS.....</b>	<b>1,557.4</b>	<b>(188.7)</b>	<b>54.6</b>
<b>INCOME TAX EXPENSE.....</b>	<b>594.0</b>	<b>70.4</b>	<b>109.0</b>
	-----	-----	-----
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEMS.....</b>	<b>963.4</b>	<b>(259.1)</b>	<b>(54.4)</b>
<b>MINORITY INTEREST.....</b>	<b>(44.3)</b>	<b>(76.2)</b>	<b>(48.0)</b>
	-----	-----	-----
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY ITEMS.....</b>	<b>1,007.7</b>	<b>(182.9)</b>	<b>(6.4)</b>
<b>LOSS FROM DISCONTINUED OPERATIONS, net of income tax benefit of \$19.1 million, \$14.8 million and \$24.6 million..</b>	<b>31.4</b>	<b>25.6</b>	<b>46.1</b>
	-----	-----	-----
<b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS.....</b>	<b>976.3</b>	<b>(208.5)</b>	<b>(52.5)</b>
<b>EXTRAORDINARY ITEMS .....</b>	<b>(4.2)</b>	<b>(30.2)</b>	<b>(1.0)</b>
	-----	-----	-----
<b>NET INCOME (LOSS).....</b>	<b>972.1</b>	<b>(238.7)</b>	<b>(53.5)</b>
<b>PREFERRED DIVIDENDS.....</b>	<b>(29.1)</b>	<b>(14.8)</b>	<b>(0.7)</b>
	-----	-----	-----
<b>NET INCOME (LOSS) FOR COMMON STOCKHOLDERS.....</b>	<b>\$943.0</b>	<b>(\$253.5)</b>	<b>(\$54.2)</b>
	=====	=====	=====
<b>BASIC EARNINGS (LOSS) FOR COMMON STOCKHOLDERS PER COMMON SHARE</b>			
Income (loss) from continuing operations before extraordinary items.....	\$2.67	(\$ .58)	(\$ .02)
Loss from discontinued operations.....	(.09)	(.08)	(.19)
Extraordinary items.....	(.01)	(.09)	-----
	-----	-----	-----
Net income (loss).....	\$2.57	(\$ .75)	(\$ .21)
	=====	=====	=====
<b>BASIC WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING.....</b>			
	<b>366.5</b>	<b>339.0</b>	<b>247.6</b>
	=====	=====	=====
<b>DILUTED EARNINGS (LOSS) FOR COMMON STOCKHOLDERS PER COMMON SHARE</b>			
Income (loss) from continuing operations before extraordinary items.....	\$2.50	(\$ .58)	(\$ .02)
Loss from discontinued operations.....	(.08)	(.08)	(.19)
Extraordinary items.....	(.01)	(.09)	-----
	-----	-----	-----
Net income (loss).....	\$2.41	(\$ .75)	(\$ .21)
	=====	=====	=====
<b>DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING.....</b>			
	<b>403.0</b>	<b>339.0</b>	<b>247.6</b>
	=====	=====	=====

See notes to consolidated financial statements.

## COMCAST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
(Dollars in millions)

	1998	Year Ended December 31, 1997	1996
<b>OPERATING ACTIVITIES</b>			
Net income (loss).....	\$972.1	(\$238.7)	(\$53.5)
Adjustments to reconcile net income (loss) to net cash provided by operating activities from continuing operations:			
Depreciation.....	463.9	404.1	259.2
Amortization.....	475.7	422.4	321.9
Non-cash interest expense, net.....	29.2	32.3	16.8
Equity in net losses of affiliates.....	515.9	343.8	144.8
Gain from equity offering of affiliate.....	(157.8)	(7.7)	(40.6)
Gains on investments, net.....	(1,758.5)	(81.0)	(69.2)
Minority interest.....	(44.3)	(76.2)	(48.0)
Loss from discontinued operations.....	31.4	25.6	46.1
Extraordinary items.....	4.2	30.2	1.0
Deferred income taxes and other.....	418.2	(40.6)	15.0
	-----	-----	-----
	950.0	814.2	593.5
Changes in working capital.....	129.7	41.1	51.0
	-----	-----	-----
Net cash provided by operating activities from continuing operations.....	1,079.7	855.3	644.5
	-----	-----	-----
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings.....	1,938.0	1,951.1	657.5
Retirement and repayment of debt.....	(1,113.4)	(2,586.6)	(559.2)
Issuance of preferred stock.....		500.0	
Issuances (repurchases) of common stock, net.....	28.9	470.2	(175.9)
Dividends.....	(36.0)	(34.0)	(26.8)
Deferred financing costs.....	(16.3)	(16.9)	(5.0)
Other.....	8.0	0.1	21.4
	-----	-----	-----
Net cash provided by (used in) financing activities from continuing operations.....	809.2	283.9	(88.0)
	-----	-----	-----
<b>INVESTING ACTIVITIES</b>			
Acquisitions, net of cash acquired.....	(309.7)	(170.1)	(24.8)
Proceeds from sales of short-term investments, net.....	145.9	45.6	210.2
Capital contributions to and purchases of investments.....	(202.1)	(268.7)	(475.4)
Proceeds from sales of and distributions from investments..	23.6	171.1	165.1
Proceeds from investees' repayments of loans.....	74.7	30.6	
Capital expenditures.....	(898.9)	(795.5)	(554.4)
Sale of subsidiary, net of cash sold.....	(140.4)		
Additions to deferred charges.....	(108.4)	(58.8)	(38.0)
Other.....	(12.0)	(10.7)	(32.2)
	-----	-----	-----
Net cash used in investing activities from continuing operations.....	(1,427.3)	(1,056.5)	(749.5)
	-----	-----	-----
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS.....</b>	<b>461.6</b>	<b>82.7</b>	<b>(193.0)</b>
CASH AND CASH EQUIVALENTS, beginning of year.....	409.1	326.4	519.4
	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of year.....	\$870.7	\$409.1	\$326.4
	=====	=====	=====

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	Accumu- lated Defici t	Accumulated Other Comprehensive Income (Loss) Unrealized		Total
	Series A	Series B	Class A Special	Class A	Class B			Gains on Marketable Secur- ities	Cumulative Transla- tion Adjust- ments	
BALANCE, JANUARY 1, 1996.....	\$	\$	\$192.8	\$37.7	\$8.8	\$843.1	(\$1,914.3)	\$22.2	(\$18.0)	(\$827.7)
Comprehensive income (loss):										
Net loss.....							(53.5)			
Unrealized losses on marketable securities, net of deferred taxes of (\$11.9).....								(22.1)		
Cumulative translation adjustments .....									12.0	
Total comprehensive loss.....										(63.6)
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, \$.0933 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...							11.6			11.6
Temporary equity related to put options .....							(17.5)			(17.5)
Proceeds from sales and extensions of put options.....							2.2			2.2
BALANCE, DECEMBER 31, 1996.....	31.9		283.3	34.0	8.8	2,326.6	(2,127.1)	0.1	(6.0)	551.6
Comprehensive income (loss):										
Net loss.....							(238.7)			
Unrealized gains on marketable securities, net of deferred taxes of \$75.8.....								140.6		
Cumulative translation adjustments									(5.6)	
Total comprehensive loss.....										(103.7)
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			210.1				218.5
Retirement of common stock.....			(0.6)	(2.2)		(22.3)	(17.7)			(42.8)
Cash dividends, common, \$.0933 per share.....							(32.4)			(32.4)
Cash dividends, Series A preferred .....							(1.6)			(1.6)
Series B preferred dividends.....		13.2					(13.2)			
Temporary equity related to put options .....							38.2			38.2
Proceeds from sales and extensions of put options.....							2.6			2.6
BALANCE, DECEMBER 31, 1997.....	31.9	513.2	317.0	31.8	8.8	3,030.6	(2,415.9)	140.7	(11.6)	1,646.5
Comprehensive income:										
Net income.....							972.1			
Unrealized gains on marketable securities, net of deferred taxes of \$489.4.....								908.8		
Cumulative translation adjustments.....									11.8	
Total comprehensive income.....										1,892.7
Conversion of convertible subordinated debt to common stock.....			10.4			347.2				357.6
Exercise of options.....			1.4		0.6	33.8				35.8
Retirement of common stock.....			(0.2)	(0.1)		(2.6)	(10.0)			(12.9)
Cash dividends, common, \$.0933 per share.....							(34.4)			(34.4)
Cash dividends, Series A preferred.....							(1.6)			(1.6)
Series B preferred dividends.....		27.5					(27.5)			
Temporary equity related to put options.....							(79.8)			(79.8)
Proceeds from sales of put options							11.4			11.4
BALANCE, DECEMBER 31, 1998.....	\$31.9	\$540.7	\$328.6	\$31.7	\$9.4	\$3,311.5	(\$1,488.2)	\$1,049.5	\$0.2	\$3,815.3

See notes to consolidated financial statements.



## 1. BUSINESS

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

Cable communications includes cable and telecommunications services in the United States ("US"). The Company's consolidated cable operations served approximately 4.5 million subscribers and passed approximately 7.4 million homes as of December 31, 1998.

Programming content is provided through the Company's consolidated subsidiaries, QVC, Inc. ("QVC"), E! Entertainment Television, Inc. ("E! Entertainment") and Comcast SportsNet (see Note 3), and other investments, including The Golf Channel, Speedvision and Outdoor Life. Through QVC, the Company markets a wide variety of products and is available to, on a full and part-time basis, over 70 million homes in the US, over 7.3 million homes in the United Kingdom ("UK") and over 14 million homes in Germany. E! Entertainment is an entertainment-related news and information service with distribution to approximately 53 million customers as of December 31, 1998. Comcast SportsNet is a regional sports programming network which provides sports related programming to approximately 2.6 million viewers in the Philadelphia region.

In January 1999, the Company agreed to sell its indirect wholly owned subsidiary, Comcast Cellular Corporation ("Comcast Cellular"), to SBC Communications, Inc. for approximately \$400 million in cash and the assumption of approximately \$1.3 billion of Comcast Cellular debt. As of December 31, 1998, Comcast Cellular provides telephone communications services pursuant to licenses granted by the Federal Communications Commission ("FCC") to more than 829,000 subscribers in and around the City of Philadelphia, the State of Delaware and a significant portion of the State of New Jersey. Revenues for Comcast Cellular were \$455.2 million, \$444.9 million and \$426.1 million for the years ended December 31, 1998, 1997 and 1996, respectively. The sale of Comcast Cellular is expected to close in the third quarter of 1999 subject to the receipt of all necessary regulatory and other approvals. The results of operations of Comcast Cellular have been presented as a discontinued operation in accordance with Accounting Principles Board ("APB") Opinion 30, "Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions."

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER ITEMS

## 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.

## 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

management as of December 31, 1998 and 1997, and have not been comprehensively revalued for purposes of these consolidated financial statements since such dates.

Cash Equivalents

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. The carrying amounts of the Company's cash equivalents approximate their fair values.

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

Investments consist principally of equity securities and US Government obligations, commercial paper, repurchase agreements and certificates of deposit with maturities of greater than three months when purchased.

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 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 other comprehensive income.

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 3 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.

#### 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 other comprehensive income. 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 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, 1998, 1997 and 1996.

#### Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, as permitted by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." 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 and 1996 was \$18.0 million and \$32.1 million, respectively.

#### 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") and interest rate collar agreements ("Collars") to manage its exposure to fluctuations in interest rates and common stock option contracts to manage its exposure to fluctuations in the price of its Class A Special Common Stock ("Comcast Put Options"). The Company also enters into call options on certain of its equity investments ("Covered Call Options").

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.

Proceeds from sales of Comcast Put Options 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 Comcast Put Options are not recorded. Covered Call Options are marked to market on a current basis in the Company's consolidated statement of operations.

Those instruments that have been entered into by the Company to hedge exposure to interest 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, through market value and sensitivity analysis, maintain a high correlation to the interest expense 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 Pronouncement

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement, which establishes accounting and reporting standards for derivatives and hedging activities, is effective for fiscal years beginning after June 15, 1999. Upon the adoption of SFAS No. 133, all derivatives are required to be recognized in the statement of financial position as either assets or liabilities and measured at fair value. The Company is currently evaluating the impact the adoption of SFAS No. 133 will have on its financial position and results of operations.

#### Earnings (Loss) for Common Stockholders Per Common Share

Earnings (loss) for common stockholders per common share is computed by dividing net income (loss), after deduction of preferred stock dividends, when applicable, by the weighted average number of common shares outstanding during the period on a basic and diluted basis. The following table reconciles the numerator and denominator of the computations of diluted earnings (loss) for common stockholders per common share ("Diluted EPS") for the years ended December 31, 1998, 1997 and 1996, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

	(Amounts in millions, except per share data)		
	Year Ended December 31,		
	1998	1997	1996
Net income (loss) for common stockholders.....	\$943.0	(\$253.5)	(\$54.2)
Dilutive securities effect on net income (loss) for common stockholders.....	1.0		
Preferred dividends.....	29.1		
	-----	-----	-----
Net income (loss) for common stockholders used for Diluted EPS.....	\$973.1	(\$253.5)	(\$54.2)
	=====	=====	=====
Weighted average number of common shares outstanding.....	366.5	339.0	247.6
Dilutive securities:			
1 1/8% discount convertible subordinated debentures, redeemed March 1998.....	2.5		
Series A and B convertible preferred stock.....	22.6		
Stock option and restricted stock plans.....	11.4		
	-----	-----	-----
Diluted weighted average number of common shares outstanding.....	403.0	339.0	247.6
	=====	=====	=====
Diluted earnings (loss) for common stockholders per common share.....	\$2.41	(\$ .75)	(\$ .21)
	=====	=====	=====

Put options sold by the Company on 2.75 million shares of its Class A Special Common Stock (see Note 6) were outstanding during the year ended December 31, 1998 but were not included in the computation of Diluted EPS as the options' exercise price was less than the average market price of the Company's Class A Special Common Stock during the period.

For the years ended December 31, 1997 and 1996, the Company's potential common shares of 53.2 million shares and 42.9 million shares have an antidilutive effect on loss for common stockholders per common share and, therefore, have not been used in determining the total weighted average number of common shares outstanding.

#### Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to those classifications used in 1998.

### 3. ACQUISITIONS AND OTHER SIGNIFICANT EVENTS

#### Acquisition of Greater Philadelphia Cablevision

In February 1999, the Company agreed to acquire Greater Philadelphia Cablevision, Inc., a subsidiary of Greater Media, Inc. that operates a cable system serving approximately 79,000 subscribers in Philadelphia, Pennsylvania. The Company will issue approximately 4.2 million shares of its Class A Special Common Stock to complete the acquisition. The acquisition is expected to close in the fourth quarter of 1999, subject to receipt of all necessary regulatory and other approvals.

**Sale of Primestar**

As of December 31, 1998, the Company owns a 9.5% interest in Primestar, Inc. ("Primestar"). Primestar acquires, originates and provides television programming services delivered by satellite through a network of distributors. In January 1999, Primestar announced the sale of its direct broadcast satellite service to Hughes Electronics Corporation (a division of General Motors Corporation and the parent company of DirectTV, a direct broadcast satellite service) ("Hughes Electronics") for approximately \$1.8 billion in cash and stock. The sale of Primestar to Hughes Electronics is subject to the consent of certain Primestar lenders and the receipt of necessary regulatory and other approvals.

**Investment in Prime Communications**

In December 1998, the Company agreed to invest in Prime Communications LLC ("Prime"), a cable television operator with cable communications systems serving approximately 430,000 subscribers. During the fourth quarter of 1998, the Company acquired a \$50 million 12.75% subordinated note due 2008 from Prime. In addition, under the terms of the agreement, the Company will lend Prime approximately \$735 million in the form of a 6% ten year note, expected to occur in the third quarter of 1999. In return, the Company will receive a convertible note giving the Company the right to acquire 90% of Prime. The note cannot be converted until the build out of certain of Prime's cable systems is complete and regulatory and other approvals are obtained, which is expected to occur in the third quarter of 2002. Upon conversion of the note, the Company expects to assume approximately \$550 million of Prime debt. The Company will have the option to acquire the remaining 10% interest in Prime for approximately \$82 million, plus accrued interest at 7% per annum.

**Sale of Sprint PCS**

The Company, Tele-Communications, Inc. ("TCI"), Cox Communications, Inc. ("Cox," and together with the Company and TCI, the "Cable Partners") and Sprint Corporation ("Sprint") engaged in the wireless communications business through a limited partnership known as "Sprint PCS."

In November 1998, Sprint assumed ownership and management control of Sprint PCS and issued a new class of Sprint stock (the "Sprint PCS Stock") to track the performance of Sprint's combined wireless operations. In exchange for its 15% interest in Sprint PCS, the Company received approximately 47.2 million shares of unregistered Series 2 Sprint PCS common stock, 61,726 shares of Sprint PCS preferred stock (convertible into approximately 2.0 million shares of unregistered Series 2 Sprint PCS common stock) and a warrant to purchase approximately 3.0 million shares of unregistered Series 2 Sprint PCS common stock at \$24.02 per share. As a result of the exchange, the Company recognized a pre-tax gain of \$758.5 million during the fourth quarter of 1998 representing the difference between the fair value of the Sprint PCS common stock, convertible preferred stock and warrant, and the Company's basis in Sprint PCS. This gain is included in investment income in the Company's consolidated statement of operations. The Company has registration rights, subject to customary restrictions, which will allow the Company to sell the Sprint PCS Stock received. As of December 31, 1998, the Company has recorded its investment in Sprint PCS at its estimated fair value.

The Sprint PCS Stock is divided into three categories: (i) Series 1 (one vote per share) to be held by the public, (ii) Series 2 (1/10 vote per share other than in class votes) to be held by the Cable Partners, and (iii) Series 3 (one vote per share) to be held by two of Sprint's major shareholders. The Cable Partners have registration rights, subject to customary restrictions, that, if used, would permit the monetization of their Sprint PCS holdings through equity offerings or derivatives. If the Series 2 shares are transferred by a Cable Partner, the transferred shares become full vote Series 1 shares.

**Sale of Comcast UK Cable**

In October 1998, the Company received approximately 4.8 million shares of unregistered NTL Incorporated ("NTL") common stock, an alternative telecommunications company in the UK, in exchange for all of the shares of Comcast UK Cable Partners Limited ("Comcast UK Cable"), a consolidated subsidiary of the Company, held by the Company (the "NTL Transaction"). As a result of the exchange, the Company recognized a pre-tax gain of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

\$148.3 million during the fourth quarter of 1998, representing the difference between the fair value of the NTL common stock received and the Company's basis in Comcast UK Cable. Such gain is included in investment income in the Company's consolidated statement of operations. Certain conditions agreed to in the NTL Transaction restrict the Company's ability to sell the NTL common stock received for a period of 150 days after the closing of the NTL Transaction. As of December 31, 1998, the Company has recorded its investment in NTL at its estimated fair value.

## AT&amp;T Acquisition of Teleport

In July 1998, AT&T Corp. ("AT&T") merged with Teleport Communications Group Inc. ("Teleport") with AT&T as the surviving corporation (the "AT&T Transaction"). Upon closing of the AT&T Transaction, the Company received approximately 24.2 million shares of unregistered AT&T common stock in exchange for the approximately 25.6 million shares of Teleport Class B Common Stock held by the Company (see Note 4). As a result of the exchange, the Company recognized a pre-tax gain of \$1.092 billion during the third quarter of 1998, representing the difference between the fair value of the AT&T stock received and the Company's basis in Teleport. Such gain is included in investment income in the Company's consolidated statement of operations. The Company has registration rights, subject to customary restrictions, which allow the Company to effect a registration of the AT&T shares received. As of December 31, 1998, the Company has recorded its investment in AT&T at its estimated fair value.

## Acquisition of Jones Intercable

In May 1998, the Company agreed to purchase from BCI Telecom Holding ("BTH") 6.4 million Class A Common Shares in Jones Intercable, Inc. ("Jones Intercable"), and a 49% interest in the BTH subsidiaries which were to continue to own BTH's remaining 6.4 million shares of Jones Intercable Class A Common Stock. At the same time, the Company agreed to acquire approximately 2.9 million shares of Common Stock of Jones Intercable (the "Control Shares"), if and when acquired by BTH from affiliates of Jones Intercable's controlling shareholder under an existing option (the "Control Option") to acquire such shares (which absent extraordinary circumstances would not have been exercisable until December 2001). The Company was to purchase the remaining 51% of the BTH subsidiaries when the Control Shares were acquired. The Company, BTH, Jones Intercable and Jones Intercable's controlling shareholder agreed in August 1998 to accelerate the Control Option to permit its early exercise and the early closing of the transactions with BTH. At closing (expected to occur in the first half of 1999, subject to the receipt of required regulatory approvals), the Company will pay BTH a total of \$500 million in cash to acquire the 12.8 million shares of Jones Intercable Class A Common Stock and \$200 million in cash to acquire the Control Shares. After closing, the Company will control approximately 37% of the economic and 47% of the voting interest in Jones Intercable. In addition, the Control Shares will represent shares having the right to elect approximately 75% of the Board of Directors of Jones Intercable. The transaction will be funded either with new borrowings, with available borrowings under existing lines of credit or by other means. Jones Intercable is a public company, which upon closing of certain pending transactions, will own or manage cable operations serving approximately 1.0 million customers.

## 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"). 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 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, 1998 and 1997, the LLC owns a 79.2% interest in E! Entertainment.

The Company accounted for the acquisitions under the purchase method and Entertainment was consolidated with the Company effective March 31, 1997.

#### Microsoft Investment

In June 1997, the Company and Microsoft Corporation ("Microsoft") completed a Stock Purchase Agreement. Microsoft purchased and the Company issued approximately 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).

#### Scripps Cable

In November 1996, the Company acquired the cable television operations ("Scripps Cable") of The E.W. Scripps Company ("E.W. Scripps") in exchange for approximately 93.0 million shares of the Company's Class A Special Common Stock, valued at \$1.552 billion (the "Scripps Acquisition"). The Company accounted for the Scripps Acquisition under the purchase method and Scripps Cable was consolidated with the Company effective November 1, 1996. As the consideration given in exchange for Scripps Cable was shares of Class A Special Common Stock, the Scripps Acquisition had no significant impact on the Company's consolidated statement of cash flows.

#### 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 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.

## 4. INVESTMENTS

	December 31,	
	1998	1997
	(Dollars in millions)	
Equity method.....	\$11.1	\$839.1
Fair value method.....	4,170.0	346.5
Cost method .....	74.7	214.1
	-----	-----
Total investments.....	4,255.8	1,399.7
Less, current investments.....	3,653.4	163.9
	-----	-----
Non-current investments.....	\$602.4	\$1,235.8
	=====	=====

## Equity Method

The Company records its proportionate interests in the net income (loss) of substantially all of its equity method investees three months in arrears. As of December 31, 1997, the Company held interests representing less than 20% of the total outstanding ownership interests in certain of its equity method investees. The equity method of accounting was utilized for these investments based on the type of investment (e.g. general partnership interest), board representation, participation in a controlling investor group, significant shareholder rights or a combination of these and other factors. The Company's recorded investments exceed its proportionate interests in the book value of the investees' net assets by \$82.3 million as of December 31, 1998 (primarily related to the investment in The Golf Channel). Such excess is being amortized to equity in net income or loss, primarily over a period of twenty years, which is consistent with the estimated lives of the underlying assets. The original cost of investments accounted for under the equity method totaled \$215.3 million and \$1.424 billion as of December 31, 1998 and 1997, respectively. Summarized financial information for the Company's equity method investees for 1998, 1997 and 1996 is as follows (dollars in millions).

## COMCAST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

	Sprint PCS	Teleport	UK Investees	Comcast Spectacor	Other	Combined
Year Ended December 31, 1998:						
Combined Results of Operations						
Revenues, net.....	\$1,136.5	\$605.8	\$197.8		\$638.6	\$2,578.7
Operating, selling, general and administrative expenses.....	2,587.6	558.7	153.3		653.8	3,953.4
Depreciation and amortization.....	749.5	163.4	69.7		69.1	1,051.7
Operating loss.....	(2,200.6)	(116.3)	(25.2)		(84.3)	(2,426.4)
Net loss (a).....	(2,572.8)	(190.6)	(78.8)		(134.2)	(2,976.4)
Company's Equity in Net Loss						
Equity in current period net loss.....	(\$385.9)	(\$27.2)	(\$28.9)		(\$66.4)	(\$508.4)
Amortization expense.....	(3.5)		(0.5)		(3.5)	(7.5)
Total equity in net loss.....	(\$389.4)	(\$27.2)	(\$29.4)		(\$69.9)	(\$515.9)
Year Ended December 31, 1997:						
Combined Results of Operations						
Revenues, net.....	\$111.5	\$431.3	\$197.5	\$140.8	\$743.9	\$1,625.0
Operating, selling, general and administrative expenses.....	959.4	398.5	168.4	117.9	820.9	2,465.1
Depreciation and amortization.....	194.2	133.9	76.0	46.5	66.2	516.8
Operating loss.....	(1,042.1)	(101.1)	(46.9)	(23.6)	(143.2)	(1,356.9)
Net loss (a).....	(1,187.3)	(192.9)	(92.2)	(39.6)	(189.3)	(1,701.3)
Company's Equity in Net Loss						
Equity in current period net loss.....	(\$178.1)	(\$30.5)	(\$34.6)	(\$26.2)	(\$65.3)	(\$334.7)
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)	(\$66.7)	(\$343.8)
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)	(\$28.9)		(\$48.6)	(\$144.8)

(a) see footnote (1) on page 44.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

	Sprint PCS	Teleport	UK Investees	Comcast Spectacor	Other	Combined
Combined Financial Position						
As of December 31, 1998 (2):						
Current assets.....					\$57.8	\$57.8
Noncurrent assets.....					314.7	314.7
Current liabilities.....					41.9	41.9
Noncurrent liabilities.....					451.4	451.4
As of December 31, 1997:						
Current assets.....	\$317.3	\$440.8	\$35.9	\$84.9	\$219.4	\$1,098.3
Noncurrent assets.....	5,483.3	1,675.2	716.4	285.4	915.7	9,076.0
Current liabilities.....	440.2	302.8	74.6	107.7	747.5	1,672.8
Noncurrent liabilities.....	3,312.9	1,061.6	558.7	188.0	377.2	5,498.4

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- (1) Net loss also represents loss from continuing operations before extraordinary items and cumulative effect of changes in accounting principles.
- (2) Financial position information as of December 31, 1998 is not presented for Sprint PCS, Teleport, the UK Investees or Comcast-Spectacor as such investments were no longer accounted for under the equity method as of that date.

Sprint PCS. Effective November 1998, the Company accounts for its investment in Sprint PCS under the fair value method (see Note 3).

Teleport. For the years ended December 31, 1998, 1997 and 1996, Teleport issued shares of its Class A Common Stock. As a result of these stock issuances, the Company recognized a \$157.8 million, \$7.7 million and \$40.6 million, respectively, increase in its proportionate share of Teleport's net assets as a gain from equity offering of affiliate. The Company recorded its proportionate share of Teleport's net assets one quarter in arrears. In March 1997, the Company received 2.76 million shares of Teleport Class A Common Stock from Teleport in exchange for the Company's shares of an alternate access provider. In May 1997, the Company sold all of its shares of Teleport Class A Stock for \$68.9 million and recognized a \$68.9 million pre-tax gain, which is included in investment income in the Company's 1997 consolidated statement of operations. In July 1998, in connection with the AT&T Transaction (see Note 3), the Company exchanged its interest in Teleport for shares of AT&T common stock.

UK Investees. In October 1998, the Company exchanged its interest in Comcast UK Cable for shares of NTL common stock (see Note 3).

Comcast-Spectacor. Effective January 1, 1998, the Company began consolidating the accounts of Comcast-Spectacor, an affiliate previously accounted for under the equity method, due to certain call rights held by the Company which became exercisable effective January 16, 1998.

Other. The Company's other equity investees include investments in cable communications and programming content providers. The Company does not consider these other equity method investments to be individually significant to its consolidated financial position, results of operations or liquidity.

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 investees' 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, with an historical cost (including \$1.999 billion of pre-tax gains recognized during 1998 - see Note 3) of \$2.555 billion and \$130.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

million as of December 31, 1998 and 1997, respectively. The Company has recorded these investments, which are classified as available for sale, at their estimated fair values of \$4.170 billion and \$346.5 million as of December 31, 1998 and 1997, respectively. The unrealized pre-tax gains as of December 31, 1998 and 1997 of \$1.615 billion and \$216.5 million, 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 \$565.1 million and \$75.8 million, respectively.

@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 US. 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. The Company holds approximately 8.0 million contractually restricted shares (the "Restricted Shares") and approximately 6.6 million unrestricted shares (the "Unrestricted Shares") of @Home Series A Common Stock (the "@Home Series A Stock"), as of December 31, 1998 and 1997. 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 \$486.4 million and \$164.6 million, based on the quoted market price of the @Home Series A Stock as of December 31, 1998 and 1997, respectively.

TCI. As of December 31, 1998 and 1997, the Company holds approximately 3.1 million shares of TCI Class A Common Stock, approximately 2.4 million shares of Liberty Media Corporation ("Liberty") Class A Common Stock and approximately 2.3 million shares of TCI Ventures Group, Inc. ("TCI Ventures") Class A Common Stock (as adjusted for the one-for-two stock split for Liberty and one-for-one stock split for TCI Ventures in February 1998) (together, the "TCI Stock"). In March 1998, the Company sold call options relating to the TCI Stock for \$20.7 million. Such call options expire between March and September 1999. During the year ended December 31, 1998, the Company recorded pre-tax investment expense of \$105.5 million related to the increase in the value of the call options.

During the years ended December 31, 1997 and 1996, the Company recognized pre-tax gains of \$33.3 million and \$82.6 million, respectively, on sales of certain of its fair value method investments. These gains were recorded as a reclassification from other comprehensive income to investment income.

#### 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.

#### Impairment Losses

During the years ended December 31, 1998, 1997 and 1996, the Company recorded pre-tax losses of \$152.8 million, \$2.5 million and \$15.0 million, respectively, on certain of its investments based on a decline in value that was considered other than temporary. Such pre-tax losses are included in investment income in the Company's consolidated statement of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

## 5. LONG-TERM DEBT

	December 31,	
	1998	1997
	(Dollars in millions)	
Notes payable to banks and insurance companies, due in installments through 2003.....	\$1,690.8	\$1,753.3
8-1/8% Senior notes, due 2004.....	299.8	299.7
8-3/8% Senior notes, due 2007.....	596.5	596.3
6.20% Senior notes, due 2008.....	797.9	
8-7/8% Senior notes, due 2017.....	545.6	545.5
8-1/2% Senior notes, due 2027.....	249.6	249.6
11.20% Senior discount debentures, due 2007.....		378.3
10-1/4% Senior subordinated debentures, due 2001.....	125.0	125.0
9-3/8% Senior subordinated debentures, due 2005.....	234.1	234.1
9-1/8% Senior subordinated debentures, due 2006.....	223.7	250.0
9-1/2% Senior subordinated debentures, due 2008.....	200.0	200.0
10-5/8% Senior subordinated debentures, due 2012.....	282.5	300.0
1-1/8% Discount convertible subordinated debentures, due 2007.....		355.9
7% Disney Notes, due 2007 (see Note 3).....	132.8	132.8
Other debt, due in installments principally through 2000.....	199.4	45.9
	-----	-----
	5,577.7	5,466.4
Less current portion.....	113.5	132.3
	-----	-----
	\$5,464.2	\$5,334.1
	=====	=====

Maturities of long-term debt outstanding as of December 31, 1998 for the four years after 1999 are as follows (dollars in millions):

2000.....	\$204.2
2001.....	550.5
2002.....	476.1
2003.....	527.8

## Cable Notes

In November 1998, Comcast Cable Communications, Inc. ("Comcast Cable"), a wholly owned subsidiary of the Company, sold \$800.0 million of 6.20% nonrecourse public debt due 2008. Comcast Cable used substantially all of the net proceeds from the offering to repay existing intercompany borrowings to the Company and for general corporate purposes.

In May 1997, Comcast Cable sold a total of \$1.7 billion of nonrecourse public debt with interest rates ranging from 8 1/8% to 8 7/8% and maturity dates from 2004 to 2027. Comcast Cable used the net proceeds from the offerings to repay existing borrowings by their subsidiaries.

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) to: (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.

#### Redemption of 1 1/8% Debentures

In March 1998, the Company completed the redemption of its \$541.9 million principal amount 1 1/8% discount convertible subordinated debentures due 2007 (the "1 1/8% Debentures"). The Company issued 10.4 million shares of its Class A Special Common Stock upon conversion of \$540.2 million principal amount of 1 1/8% Debentures while \$1.7 million principal amount of 1 1/8% Debentures was redeemed for cash at a redemption price of 67.112% of the principal amount, together with accrued interest thereon. Stockholders' equity was increased by the full amount of 1 1/8% Debentures converted plus accrued interest, less unamortized debt acquisition costs. Unamortized debt acquisition costs related to the 1 1/8% Debentures redeemed for cash were not significant. The issuance of the Company's Class A Special Common Stock upon conversion of the 1 1/8% Debentures had no impact on the Company's consolidated statement of cash flows due its noncash nature.

#### Extraordinary Items

Extraordinary items for the years ended December 31, 1998, 1997 and 1996 of \$4.2 million, \$30.2 million and \$1.0 million, respectively, consist of unamortized debt acquisition costs and debt extinguishment costs, net of related tax benefits, expensed principally in connection with the redemption and refinancing of certain indebtedness.

#### Interest Rates

The fixed interest rate on notes payable to insurance companies was 8.6% as of December 31, 1998. 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 2.0%;  
Federal Funds rate plus 0.5% to 1.5%; and  
LIBOR plus 0.375% to 1.875%.

As of December 31, 1998 and 1997, the Company's effective weighted average interest rate on its variable rate bank debt outstanding was 5.80% and 6.64%, respectively.

#### Interest Rate Risk Management

The Company is exposed to market risk including changes in interest 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

The following table summarizes the terms of the Company's existing Swaps, Caps and Collars as of December 31, 1998 and 1997 (dollars in millions):

	Notional Amount	Maturities	Average Interest Rate	Estimated Fair Value
As of December 31, 1998				
Variable to Fixed Swaps.....	\$1,061.8	1999-2008	5.7%	(\$13.3)
Caps.....	240.0	1999	7.0%	
Collar.....	50.0	2000	6.3%/4.0%	
As of December 31, 1997				
Variable to Fixed Swaps.....	\$550.0	1998-2000	5.6%	\$4.2
Caps.....	150.0	1998	6.7%	
Collar.....	50.0	1998	7.0%/4.9%	0.2

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, 1998, 1997 and 1996 was not significant.

#### Estimated Fair Value

The Company's long-term debt had estimated fair values of \$5.995 billion and \$5.848 billion as of December 31, 1998 and 1997, 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, 1998, \$258.5 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. Restricted net assets of the Company's subsidiaries were approximately \$2.5 billion as of December 31, 1998.

#### Lines and Letters of Credit

As of December 31, 1998, certain subsidiaries of the Company had unused lines of credit of \$966.8 million, \$366.8 million of which is restricted by the covenants of the related debt agreements and to subsidiary general purposes and dividend declaration.

As of December 31, 1998, the Company and certain of its subsidiaries had unused irrevocable standby letters of credit totaling \$121.6 million to cover potential fundings associated with several projects.

## 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, 1998. The Series B Preferred Stock is generally non-voting.

In July 1996, in connection with the Sports Venture Acquisition (see Note 3), 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 the Company's Class A Common Stock is entitled to one vote. Each share of the Company's 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.

## Repurchase Program

Based on the trade date for stock repurchases, during the years ended December 31, 1998, 1997 and 1996, the Company repurchased 0.3 million shares, 2.3 million shares and 10.5 million shares, respectively, of its common stock for aggregate consideration of \$12.9 million, \$36.2 million and \$180.0 million, respectively, pursuant to its Board-authorized repurchase programs.

As part of the repurchase programs, the Company sold Comcast Put Options on 2.75 million, 2.0 million and 1.0 million shares, during the years ended December 31, 1998, 1997 and 1996, respectively.

The Comcast Put Options give the holder the right to require the Company to repurchase such shares at specified prices on specific dates. The Comcast Put Options sold during 1997 and 1996 expired unexercised. The amount the Company would be obligated to pay to repurchase such shares upon exercise of the Comcast Put Options,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

totaling \$111.2 million and \$31.4 million, has been reclassified from additional capital to common equity put options in the Company's December 31, 1998 and 1997 consolidated balance sheet, respectively. The difference between the proceeds from the sale of these put options and their estimated fair value was not significant as of December 31, 1998 and 1997.

## Stock-Based Compensation Plans

As of December 31, 1998, 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 generally 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, 31.2 million shares of Class A Special Common Stock were reserved as of December 31, 1998. 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.

A summary of the activity of the Comcast Option Plan as of and for the years ended December 31, 1998, 1997 and 1996 is presented below (options in thousands):

	1998		1997		1996	
	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..	16,110	\$15.50	14,851	\$14.54	14,208	\$14.25
Granted.....	8,175	33.06	2,599	19.47	1,308	17.41
Exercised.....	(1,985)	13.20	(795)	9.95	(199)	8.72
Canceled.....	(799)	20.96	(545)	16.40	(466)	16.08
	-----		-----		-----	
Outstanding at end of year.....	21,501	22.18	16,110	15.50	14,851	14.54
	=====		=====		=====	
Exercisable at end of year.....	7,695	\$14.59	7,693	\$13.91	6,875	\$13.40
	=====		=====		=====	
Class A Common Stock						
Outstanding at beginning of year..					229	\$4.87
Exercised.....					(229)	4.87
Canceled.....						
					-----	
Outstanding at end of year.....					=====	
					=====	
Exercisable at end of year.....					=====	
					=====	
Class B Common Stock						
Outstanding at beginning of year..	658	\$5.70	658	\$5.70	658	\$5.70
Exercised.....	(658)	5.70				
	-----		-----		-----	
Outstanding at end of year.....			658	\$5.70	658	\$5.70
	=====		=====		=====	
Exercisable at end of year.....			658	\$5.70	658	\$5.70
	=====		=====		=====	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

The following table summarizes information about the Class A Special Common Stock options outstanding under the Comcast Option Plan as of December 31, 1998 (options in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 12/31/98	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/98	Weighted-Average Exercise Price
\$6.22 to \$12.08	3,376	1.5 years	\$8.78	2,916	\$8.62
\$13.42 to \$18.38	4,794	6.7 years	15.89	1,198	14.45
\$18.63 to \$32.86	7,440	5.2 years	22.65	3,581	19.50
\$33.88 to \$55.19	5,891	9.5 years	34.40		
	----- 21,501 =====			----- 7,695 =====	

The weighted-average fair value at date of grant of a Class A Special Common Stock option granted under the Comcast Option Plan during 1998, 1997 and 1996 was \$17.07, \$10.18 and \$9.71, 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 .44%, .52% and .53% for 1998, 1997 and 1996, respectively; expected volatility of 31.3%, 30.1% and 34.9% for 1998, 1997 and 1996, respectively; risk-free interest rate of 5.6%, 6.5% and 6.8% for 1998, 1997 and 1996, respectively; expected option lives of 9.9 years for all years; 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 \$741.79. 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, 1998, 230,000 shares of QVC Common Stock were reserved under the plan. Compensation expense of \$1.0 million, \$3.4 million and \$4.0 million was recorded under the QVC Tandem Plan during the years ended December 31, 1998, 1997 and 1996, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

A summary of the activity of the QVC Tandem Plan as of and for the years ended December 31, 1998, 1997 and 1996 is presented below (options/SARs in thousands):

	1998		1997		1996	
	Options/ SARs	Weighted- Average Exercise Price	Options/ SARs	Weighted- Average Exercise Price	Options/ SARs	Weighted- Average Exercise Price
Outstanding at beginning of year.....	180	\$363.99	164	\$192.16	142	\$177.05
Granted.....	72	664.76	74	601.28	26	271.23
Exercised.....	(41)	186.01	(55)	177.05		
Canceled.....	(5)	511.01	(3)	262.20	(4)	177.05
	-----		-----		-----	
Outstanding at end of year..	206	500.82	180	363.99	164	192.16
	=====		=====		=====	
Exercisable at end of year..	37	\$397.46	20	\$205.42	36	\$177.05
	=====		=====		=====	

The following table summarizes information about the options/SARs outstanding under the QVC Tandem Plan as of December 31, 1998 (options/SARs in thousands):

Exercise Prices	Options/SARs	Outstanding	Options/SARs	Exercisable
	Number Outstanding at 12/31/98	Weighted- Average Remaining Contractual Life	Number Outstanding at 12/31/98	Number Exercisable at 12/31/98
\$177.05	64	6.4 years		19
522.31	2	7.5 years		1
585.19	6	8.0 years		2
634.25	71	8.8 years		15
651.84	46	9.7 years		
688.14	10	9.2 years		
741.79	7	9.8 years		
	-----			-----
	206			37
	=====			=====

The weighted-average fair value at date of grant of a QVC Common Stock option/SAR granted during 1998, 1997 and 1996 was \$296.67, \$331.93 and \$385.13, 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 4.9%, 6.2% and 6.8% for 1998, 1997 and 1996, respectively; expected option lives of 10 years for all years; and a forfeiture rate of 3.0% for all years.

## COMCAST CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

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 income (loss) and net income (loss) per share would have changed to the pro forma amounts indicated below (dollars in millions, except per share data):

	1998	1997	1996
Net income (loss) - As reported.....	\$972.1	(\$238.7)	(\$53.5)
Net income (loss) - Pro forma.....	936.4	(252.0)	(61.0)
Net income (loss) for common stockholders - As reported.....	\$943.0	(\$253.5)	(\$54.2)
Net income (loss) for common stockholders - Pro forma.....	907.3	(266.7)	(61.7)
Basic earnings (loss) for common stockholders per common share - As reported.....	\$2.57	(\$ .75)	(\$ .21)
Basic earnings (loss) for common stockholders per common share - Pro forma.....	2.48	(.79)	(.24)
Diluted earnings (loss) for common stockholders per common share - As reported.....	\$2.41	(\$ .75)	(\$ .21)
Diluted earnings (loss) for common stockholders per common share - Pro forma.....	2.33	(.79)	(.24)

The pro forma effect on net income (loss) and net income (loss) per share for the years ended December 31, 1998, 1997 and 1996 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, 1998, there were 1.0 million unvested shares granted under the program, of which 167,000 vested in January 1999. During the years ended December 31, 1998, 1997 and 1996, 328,000, 208,000 and 951,000 shares were granted under the program, respectively, with a weighted-average grant date market value of \$34.66, \$17.36 and \$19.16 per share, respectively. Compensation expense recognized during the years ended December 31, 1998, 1997 and 1996 under this program was \$5.3 million, \$7.1 million and \$5.5 million, respectively. There was no significant difference between the amount of compensation expense recognized by the Company during the years ended December 31, 1998, 1997 and 1996 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, 1998, 1997 and 1996, 5,000, 4,000 and 11,000 SARs were awarded, respectively, and 20,000 SARs were outstanding at December 31, 1998, of which 6,000 were exercisable. Compensation expense related to the QVC SAR Plans of \$3.2 million, \$3.4 million and \$4.5 million was recorded during the years ended

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

December 31, 1998, 1997 and 1996, respectively. There was no significant difference between the amount of 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"). By written agreement between the participants and E! Entertainment, the E! SAR Plan was terminated effective December 31, 1998 in exchange for a lump-sum payment of a negotiated amount which was paid in February 1999. Terms of the agreement also included the complete and full release of E! Entertainment from any further liability associated with the E! SAR Plan. Compensation expense related to the E! SAR Plan was \$11.6 million and \$7.0 million during the years ended December 31, 1998 and 1997, respectively. There was no significant difference between the amount of compensation expense recognized and the amount 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. QVC, E! Entertainment and Comcast Communications Properties, Inc., an indirect majority owned subsidiary of the Company, each file separate consolidated federal income tax returns. Income tax expense consists of the following components:

	1998	Year Ended December 31, 1997	1996
	(Dollars in millions)		
Current expense			
Federal.....	\$135.5	\$94.4	\$82.0
State.....	27.5	24.7	23.0
	-----	-----	-----
	163.0	119.1	105.0
	-----	-----	-----
Deferred expense (benefit)			
Federal.....	424.6	(47.5)	4.3
State.....	6.4	(1.2)	(0.3)
	-----	-----	-----
	431.0	(48.7)	4.0
	-----	-----	-----
Income tax expense.....	\$594.0	\$70.4	\$109.0
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

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

	1998	Year Ended December 31, 1997 (Dollars in millions)	1996
Federal tax at statutory rate.....	\$545.1	(\$66.1)	\$19.1
Non-deductible depreciation and amortization.....	41.0	42.6	32.0
State income taxes, net of federal benefit.....	22.0	15.3	14.8
Non-deductible (deductible) foreign (income) losses and equity in net losses of affiliates.....	(11.2)	53.1	27.5
Additions to valuation allowance.....	3.0	16.3	18.3
Other.....	(5.9)	9.2	(2.7)
	-----	-----	-----
Income tax expense.....	\$594.0	\$70.4	\$109.0
	=====	=====	=====

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

	1998	Year Ended December 31, 1997 (Dollars in millions)	1996
Depreciation and amortization.....	(\$69.0)	(\$94.5)	(\$60.0)
Accrued expenses not currently deductible.....	(26.7)	(13.2)	(6.3)
Non-deductible reserves for bad debts, obsolete inventory and sales returns.....	(9.6)	(10.9)	(11.0)
Temporary differences associated with sale or exchange of securities.....	508.8	6.4	30.9
Losses from affiliated partnerships.....	(9.6)	45.9	25.6
Change in net operating loss carryforwards.....	35.5	2.2	3.0
Change in valuation allowance and other.....	1.6	15.4	21.8
	-----	-----	-----
Deferred income tax expense (benefit).....	\$431.0	(\$48.7)	\$4.0
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

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

	December 31,	
	1998	1997
	(Dollars in millions)	
Deferred tax assets:		
Net operating loss carryforwards.....	\$324.7	\$343.8
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.....	94.4	84.8
Other.....	89.6	62.9
Less: Valuation allowance.....	(282.5)	(279.5)
	-----	-----
	\$250.7	\$236.5
	-----	-----
Deferred tax liabilities:		
Temporary differences, principally book and tax basis of property and equipment and deferred charges.....	1,582.6	1,785.6
Differences between book and tax basis in investments.....	1,201.4	207.9
	-----	-----
	2,784.0	1,993.5
	-----	-----
Net deferred tax liability.....	\$2,533.3	\$1,757.0
	=====	=====

The Company recorded approximately \$489.4 million of deferred income taxes in 1998 in connection with unrealized gains on marketable securities which are included in other comprehensive income.

The deferred tax liability is net of deferred tax assets of \$106.9 million and \$92.5 million as of December 31, 1998 and 1997, respectively, which are included in other current assets in the Company's consolidated balance sheet. Further, the Company has recorded deferred tax liabilities of \$1.140 billion related to current investments which have been included in current liabilities. 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 \$45.0 million, respectively, which expire primarily in periods through 2018.

During the year ended December 31, 1998, the Company settled all issues primarily related to the deductibility of amortization of cable television distribution rights raised by the Internal Revenue Service in its examination of QVC, through fiscal tax year 1993. Such settlement resulted in a reversal of previously recorded deferred tax liabilities of \$135.5 million. As a result of the settlement, the Company recorded an adjustment to reduce goodwill by \$119.7 million during 1998. Such adjustment has been excluded from the Company's consolidated statement of cash flows due to its noncash nature.

## 8. STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

The Company made cash payments for interest of \$418.9 million, \$467.2 million and \$408.1 million during the years ended December 31, 1998, 1997 and 1996, respectively.

The Company made cash payments for income taxes of \$129.2 million, \$113.7 million and \$101.3 million during the years ended December 31, 1998, 1997 and 1996, respectively.

#### 9. COMMITMENTS AND CONTINGENCIES

##### Commitments

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 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.

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, 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 cable communications systems serving approximately 644,000 subscribers as of December 31, 1998) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

Minimum annual rental commitments for office space, equipment and transponder service agreements under noncancellable operating leases as of December 31, 1998 are as follows:

	(Dollars in millions)
1999.....	\$45.1
2000.....	47.6
2001.....	43.2
2002.....	40.5
2003.....	39.9
Thereafter.....	202.0

Rental expense of \$64.8 million, \$65.8 million and \$44.2 million for 1998, 1997 and 1996, respectively, has been charged to operations.

Contingencies

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996 (Continued)

## 10. FINANCIAL DATA BY BUSINESS SEGMENT

The following represents the Company's significant business segments, "Cable Communications" and "Electronic Retailing." The components of net income (loss) below operating income (loss) are not separately evaluated by the Company's management on a segment basis (see the Company's consolidated statement of operations) (dollars in millions).

	Cable Communications	Electronic Retailing	Corporate and Other(1)	Total
<b>1998</b>				
Revenues.....	\$2,277.4	\$2,402.7	\$465.2	\$5,145.3
Operating income (loss) before depreciation and amortization (2).....	1,096.6	434.2	(34.1)	1,496.7
Depreciation and amortization.....	674.2	126.1	139.3	939.6
Operating income (loss).....	422.4	308.1	(173.4)	557.1
Interest expense.....	223.6	51.1	192.0	466.7
Assets.....	6,449.4	2,208.7	6,159.3	14,817.4
Long-term debt.....	3,462.1	626.8	1,375.3	5,464.2
Capital expenditures.....	711.1	67.2	120.6	898.9
<b>1997</b>				
Revenues.....	\$2,073.0	\$2,082.5	\$312.2	\$4,467.7
Operating income (loss) before depreciation and amortization (2).....	987.7	337.7	(32.3)	1,293.1
Depreciation and amortization.....	626.1	115.0	85.4	826.5
Operating income (loss).....	361.6	222.7	(117.7)	466.6
Interest expense.....	227.9	56.3	174.7	458.9
Assets.....	6,057.8	2,268.3	3,000.7	11,326.8
Long-term debt.....	2,554.9	768.8	2,010.4	5,334.1
Capital expenditures.....	497.8	97.3	200.4	795.5
<b>1996</b>				
Revenues.....	\$1,641.0	\$1,835.8	\$135.5	\$3,612.3
Operating income (loss) before depreciation and amortization (2).....	803.8	300.3	(57.1)	1,047.0
Depreciation and amortization.....	420.3	107.7	53.1	581.1
Operating income (loss).....	383.5	192.6	(110.2)	465.9
Interest expense.....	228.3	65.2	154.9	448.4
Assets.....	6,938.3	2,162.7	1,559.4	10,660.4
Long-term debt.....	3,078.1	842.6	2,077.6	5,998.3
Capital expenditures.....	290.9	63.6	199.9	554.4

(1) Other includes segments not meeting certain quantitative guidelines for reporting. Other includes certain operating businesses, including Comcast-Spectacor (effective January 1, 1998), E! Entertainment (effective March 31, 1997), the Company's consolidated UK cable and telecommunications operations (prior to October 29, 1998), the Company's DBS operations (prior to April 1, 1998) and elimination entries related to the segments presented. Corporate and other assets consist primarily of the Company's investments (see Note 4).

(2) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 and 1996 (Concluded)

## 11. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (5)	Total Year
	(Dollars in millions, except per share data)				
1998 (2)					
Revenues.....	\$1,254.5	\$1,205.9	\$1,238.0	\$1,446.9	\$5,145.3
Operating income before depreciation and amortization (1).....	348.8	353.4	373.2	421.3	1,496.7
Operating income.....	109.4	124.1	132.9	190.7	557.1
Income (loss) from continuing operations before extraordinary items (3).....	(68.9)	(79.9)	723.7	432.8	1,007.7
Basic earnings (loss) for common stockholders per common share					
Income (loss) from continuing operations before extraordinary items.....	(0.21)	(0.24)	1.96	1.15	2.67
Net income (loss).....	(0.24)	(0.25)	1.93	1.12	2.57
Diluted earnings (loss) for common stockholders per common share					
Income (loss) from continuing operations before extraordinary items.....	(0.21)	(0.24)	1.80	1.07	2.50
Net income (loss).....	(0.24)	(0.25)	1.78	1.04	2.41
Cash dividends per common share.....	.0233	.0233	.0233	.0233	.0933
1997 (4)					
Revenues.....	\$1,026.9	\$1,068.3	\$1,089.0	\$1,283.5	\$4,467.7
Operating income before depreciation and amortization (1).....	296.0	316.6	313.6	366.9	1,293.1
Operating income.....	111.5	92.2	99.5	163.4	466.6
Loss from continuing operations before extraordinary items.....	(53.1)	(11.8)	(49.3)	(68.7)	(182.9)
Basic loss for common stockholders per common share					
Loss from continuing operations before extraordinary items.....	(0.16)	(0.04)	(0.17)	(0.21)	(0.58)
Net loss.....	(0.20)	(0.12)	(0.19)	(0.25)	(0.75)
Diluted loss for common stockholders per common share					
Loss from continuing operations before extraordinary items.....	(0.16)	(0.04)	(0.17)	(0.21)	(0.58)
Net loss.....	(0.20)	(0.12)	(0.19)	(0.25)	(0.75)
Cash dividends per common share.....	.0233	.0233	.0233	.0233	.0933

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- (1) See Note 10, note 2.
  - (2) Results of operations for 1998 include the results of Comcast-Spectacor which was consolidated effective January 1, 1998 and the results of Comcast UK Cable through October 29, 1998 (see Note 3).
  - (3) Results of operations were affected by the gain on the AT&T Transaction in the third quarter of 1998 and the gains on the NTL Transaction and the Sprint PCS restructuring in the fourth quarter of 1998 (see Note 3).
  - (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) The Company's consolidated results of operations for the fourth quarter of 1998 and 1997 are also affected by the seasonality of the Company's electronic retailing operations.

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

None.

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 our definitive Proxy Statement for our Annual Meeting of Shareholders presently scheduled to be held in June 1999, which shall be filed with the Securities and Exchange Commission within 120 days of the end of our latest fiscal year.

PART IV

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

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

Independent Auditors' Report.....	29
Consolidated Balance Sheet--December 31, 1998 and 1997.....	30
Consolidated Statement of Operations--Years Ended December 31, 1998, 1997 and 1996.....	31
Consolidated Statement of Cash Flows--Years Ended December 31, 1998, 1997 and 1996.....	32
Consolidated Statement of Stockholders' Equity (Deficiency)--Years Ended December 31, 1998, 1997 and 1996...	33
Notes to Consolidated Financial Statements.....	34

(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:  
None.

(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 our 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 our 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 our 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 our 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 our 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 our 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 our 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 our 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 our 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 our Current Report on Form 8-K filed on October 31, 1991).
- 4.4 Form of Debenture relating to our 10-1/4% Senior Subordinated Debentures due 2001 (incorporated by reference to Exhibit 4(19) to our Annual Report on Form 10-K for the year ended December 31, 1991).
- 4.5 Form of Debenture relating to our \$300,000,000 10-5/8% Senior Subordinated Debentures due 2012 (incorporated by reference to Exhibit 4(17) to our Annual Report on Form 10-K for the year ended December 31, 1992).
- 4.6 Form of Debenture relating to our \$200,000,000 9-1/2% Senior Subordinated Debentures due 2008 (incorporated by reference to Exhibit 4(18) to our Annual Report on Form 10-K for the year ended December 31, 1992).
- 4.7 Indenture, dated as of February 20, 1991, between us and Bankers Trust Company, as Trustee (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form S-3 (File No. 33-32830), filed on January 11, 1990).
- 4.8 Form of Debenture relating to our \$250.0 million 9-3/8% Senior Subordinated Debentures due 2005 (incorporated by reference to Exhibit 4.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).
- 4.9 Form of Debenture relating to our \$250.0 million 9-1/8% Senior Subordinated Debentures due 2006 (incorporated by reference to Exhibit 4.13 to our Annual Report on Form 10-K for the year ended December 31, 1995).
- 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 our 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 15, 1998.
- 10.3\* Comcast Corporation 1996 Stock Option Plan, as amended and restated, effective December 15, 1998.
- 10.4\* Comcast Corporation 1996 Deferred Compensation Plan, as amended and restated, effective December 15, 1998.
- 10.5\* Comcast Corporation 1990 Restricted Stock Plan, as amended and restated, effective December 15, 1998.
- 10.6\* 1992 Executive Split Dollar Insurance Plan (incorporated by reference to Exhibit 10(12) to our 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 December 15, 1998.
- 10.8\* Comcast Corporation 1996 Executive Cash Bonus Plan, dated August 15, 1996 (incorporated by reference to Exhibit 10.10 to our 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, as amended and restated, effective August 31, 1998 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
- 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 our 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 our Registration Statement on Form S-8 filed on October 5, 1995).

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 \* Constitutes a management contract or compensatory plan or arrangement.

- 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 our 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 (incorporated by reference to Exhibit 10.13 to our Annual Report on Form 10-K for the year ended December 31, 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 our 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 our 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 our Current Report on Form 8-K filed on December 17, 1992, as amended by Form 8 filed January 8, 1993).
- 10.17 Tax Sharing Agreement, dated December 2, 1992, between the Company and Comcast Storer, Inc. (incorporated by reference to Exhibit 9 to our 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 our 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 our 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 our 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 our 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 our 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 our 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 the Company, 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 our Quarterly Report on Form 10-Q for the quarter ended March 31, 1995).

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 \* Constitutes a management contract or compensatory plan or arrangement.

- 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., the Company and Tele-Communications, Inc. with respect to the tender offer for all outstanding shares of QVC, Inc.).
- 10.25(b)\*\* 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, the Company (incorporated by reference to Exhibit 10.1 to our 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 our Current Report on Form 8-K filed on January 6, 1995).
- 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 our 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 our 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 the Company, 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 our 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 the Company and The California Public Employees' Retirement System (incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K filed on January 6, 1995).
- 10.32\*\* 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.
- 10.33 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, 8-1/2% Notes due 2027 and 6.20% Notes due 2008 (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.).

\* Constitutes a management contract or compensatory plan or arrangement.

\*\* 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.

- 10.34 Purchase and Sale Agreement dated as of January 19, 1999 among SBC Communications Inc., Comcast Cellular Holdings Corporation, Comcast Financial Corporation and Comcast Corporation.
- 21 List of Subsidiaries.
- 23.1 Consent of Deloitte & Touche LLP.
- 23.2 Consent of KPMG LLP.
- 27.1 Financial Data Schedule.
- 99.1 Report of Independent Public Accountants to QVC, Inc., as of December 31, 1998 and 1997 and for the years ended December 31, 1998, 1997 and 1996.

## 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 February 26, 1999.

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	Dated
/s/ Ralph J. Roberts ----- Ralph J. Roberts	Chairman of the Board of Directors; Director	February 26, 1999
/s/ Julian A. Brodsky ----- Julian A. Brodsky	Vice Chairman of the Board of Directors; Director	February 26, 1999
/s/ Brian L. Roberts ----- Brian L. Roberts	President; Director (Principal Executive Officer)	February 26, 1999
/s/ Lawrence S. Smith ----- Lawrence S. Smith	Executive Vice President (Principal Accounting Officer)	February 26, 1999
/s/ John R. Alchin ----- John R. Alchin	Senior Vice President, Treasurer (Principal Financial Officer)	February 26, 1999
/s/ Gustave G. Amsterdam ----- Gustave G. Amsterdam	Director	February 26, 1999
/s/ Sheldon M. Bonovitz ----- Sheldon M. Bonovitz	Director	February 26, 1999
/s/ Joseph L. Castle II ----- Joseph L. Castle II	Director	February 26, 1999
/s/ Bernard C. Watson ----- Bernard C. Watson	Director	February 26, 1999
/s/ Irving A. Wechsler ----- Irving A. Wechsler	Director	February 26, 1999
/s/ Anne Wexler ----- Anne Wexler	Director	February 26, 1999

COMCAST CORPORATION AND SUBSIDIARIES  
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF  
REGISTRANT UNCONSOLIDATED (PARENT ONLY)  
CONDENSED BALANCE SHEET  
(In millions, except share data)

	December 31,	
ASSETS	1998	1997
Cash and cash equivalents.....	\$31.2	\$12.8
Other current assets.....	18.4	5.9
	-----	-----
Total current assets.....	49.6	18.7
Investments in and amounts due from subsidiaries eliminated upon consolidation.....	5,679.6	3,487.0
Property and equipment, net.....	14.0	38.5
Other assets, net.....	23.5	45.5
	-----	-----
	\$5,766.7	\$3,589.7
	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Accrued interest.....	\$30.5	\$35.0
Other current liabilities.....	286.3	108.1
	-----	-----
Total current liabilities.....	316.8	143.1
	-----	-----
Long-term debt.....	1,065.3	1,464.9
Deferred income taxes and other.....	458.1	303.8
	-----	-----
Common equity put options.....	111.2	31.4
	-----	-----
Stockholders' equity		
Preferred stock - authorized, 20,000,000 shares; 5% series A convertible, no par value; issued, 6,370 at redemption value.....	31.9	31.9
5.25% series B mandatorily redeemable convertible, \$1,000 par value; issued, 540,690 and 513,211 at redemption value.....	540.7	513.2
Class A special common stock, \$1 par value - authorized, 500,000,000 shares; issued, 328,630,366 and 317,025,969.....	328.6	317.0
Class A common stock, \$1 par value - authorized, 200,000,000 shares; issued, 31,690,063 and 31,793,487.....	31.7	31.8
Class B common stock, \$1 par value - authorized, 50,000,000 shares; issued, 9,444,375 and 8,786,250.....	9.4	8.8
Additional capital.....	3,311.5	3,030.6
Accumulated deficit.....	(1,488.2)	(2,415.9)
Unrealized gains on marketable securities, including securities held by subsidiaries.....	1,049.5	140.7
Cumulative translation adjustments of subsidiaries.....	0.2	(11.6)
	-----	-----
Total stockholders' equity.....	3,815.3	1,646.5
	-----	-----
	\$5,766.7	\$3,589.7
	=====	=====

COMCAST CORPORATION AND SUBSIDIARIES  
SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF  
REGISTRANT UNCONSOLIDATED (PARENT ONLY)  
CONDENSED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT  
(In millions, except per share data)

	1998	Year Ended December 31, 1997	1996
REVENUES, principally intercompany fees eliminated upon consolidation.....	\$320.1	\$286.8	\$212.0
GENERAL AND ADMINISTRATIVE EXPENSES.....	83.2	69.5	55.6
OPERATING INCOME.....	236.9	217.3	156.4
OTHER (INCOME) EXPENSE			
Interest expense, including intercompany interest, net.....	239.1	231.2	263.6
Equity in net (income) losses of affiliates and other.....	(976.2)	238.6	(16.3)
	(737.1)	469.8	247.3
INCOME (LOSS) BEFORE INCOME TAX BENEFIT AND EXTRAORDINARY ITEMS.....	974.0	(252.5)	(90.9)
INCOME TAX BENEFIT.....	(2.1)	(16.6)	(37.4)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS.....	976.1	(235.9)	(53.5)
EXTRAORDINARY ITEMS.....	(4.0)	(2.8)	-----
NET INCOME (LOSS).....	972.1	(238.7)	(53.5)
ACCUMULATED DEFICIT			
Beginning of year.....	(2,415.9)	(2,127.1)	(1,914.3)
Retirement of common stock.....	(10.0)	(17.7)	(133.2)
Cash dividends, \$.0933 per share per year.....	(34.4)	(32.4)	(26.1)
End of year.....	(\$1,488.2)	(\$2,415.9)	(\$2,127.1)
	=====	=====	=====

COMCAST CORPORATION AND SUBSIDIARIES  
SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF  
REGISTRANT UNCONSOLIDATED (PARENT ONLY)  
CONDENSED STATEMENT OF CASH FLOWS  
(In millions)

	1998	Year Ended December 31, 1997	1996
<b>OPERATING ACTIVITIES</b>			
Net income (loss).....	\$972.1	(\$238.7)	(\$53.5)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	13.2	7.0	8.9
Non-cash interest expense, net.....	3.7	106.8	136.2
Equity in net (income) losses of affiliates.....	(976.6)	275.2	(15.2)
Extraordinary items.....	4.0	2.8	
Deferred income taxes and other.....	104.2	88.9	68.4
	-----	-----	-----
	120.6	242.0	144.8
Changes in working capital.....	155.2	(80.1)	41.3
	-----	-----	-----
Net cash provided by operating activities.....	275.8	161.9	186.1
	-----	-----	-----
<b>FINANCING ACTIVITIES</b>			
Retirement and repayment of debt .....	(50.6)	(59.5)	
Issuance of preferred stock.....		500.0	
Issuances (repurchases) of common stock, net.....	28.9	470.2	(175.9)
Dividends.....	(36.0)	(34.0)	(26.8)
Other.....	(32.8)	12.7	43.0
	-----	-----	-----
Net cash (used in) provided by financing activities..	(90.5)	889.4	(159.7)
	-----	-----	-----
<b>INVESTING ACTIVITIES</b>			
Net transactions with affiliates.....	(164.0)	(1,026.4)	9.5
Capital expenditures.....	(2.9)	(18.6)	(20.8)
Other.....		(3.2)	(13.0)
	-----	-----	-----
Net cash used in investing activities.....	(166.9)	(1,048.2)	(24.3)
	-----	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS.....	18.4	3.1	2.1
CASH AND CASH EQUIVALENTS, beginning of year.....	12.8	9.7	7.6
	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of year.....	\$31.2	\$12.8	\$9.7
	=====	=====	=====

COMCAST CORPORATION AND SUBSIDIARIES  
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996  
(In millions)

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions from Reserves(A)	Balance at End of Year
Allowance for Doubtful Accounts				
1998.....	\$108.8	\$52.2	\$40.3	\$120.7
1997.....	94.0	55.1	40.3	108.8
1996.....	78.0	45.2	29.2	94.0
Allowance for Obsolete Electronic Retailing Inventories				
1998.....	\$44.5	\$39.0	\$22.6	\$60.9
1997.....	34.7	37.0	27.2	44.5
1996.....	28.5	29.7	23.5	34.7

(A) Uncollectible accounts and obsolete inventory written off.

## 1987 STOCK OPTION PLAN

(As Amended and Restated, Effective December 15, 1998)

1. Purpose. COMCAST CORPORATION, a Pennsylvania corporation (the "Company"), adopts the Comcast Corporation 1987 Stock Option Plan effective January 5, 1987 (the "Plan"). The Plan is intended as an additional incentive to employees and non-employee members of the Board of Directors (together the "Optionees") to enter into or remain in the employ of the Company or any Affiliate (as defined below) or to serve on the Board of Directors of the Company or any Affiliate and to devote themselves to the Company's success by providing them with an opportunity to acquire or increase their proprietary interest in the Company through receipt of rights (the "Options") to acquire the Company's Class A Special Common Stock, par value, \$1.00 per share (except as otherwise provided in Section 12, the "Common Stock"). Each Option granted under the Plan to an employee of the Company or an Affiliate is intended to be an incentive stock option ("ISO") within the meaning of Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code") for federal income tax purposes, except to the extent any such ISO grant would exceed the limitation of subsection 6(a) and except for any Option specifically designated at the time of grant as not being an ISO. No Option granted to a person who is not an employee of the Company or any Affiliate on the date of grant shall be an ISO. For purposes of the Plan, except as otherwise provided in Section 14, the term "Affiliate" shall mean a corporation which is a parent corporation or a subsidiary corporation with respect to the Company within the meaning of Section 424(e) or (f) of the Code.

2. Administration. The Plan shall be administered by the Subcommittee on Performance Based Compensation of the Compensation Committee or any other committee or subcommittee designated by the Board of Directors of the Company, provided it is composed of two or more non-employee members of the Board of Directors each of whom is an "outside director" within the meaning of Section 162(m)(4)(C) of the Code and applicable Treasury Regulations thereunder (the "Committee"). Notwithstanding the foregoing, in the case non-employee directors who are granted Options in accordance with the provisions of Section 8, the directors to whom such Options will be granted, the timing of grants of such Options, the Option Price (as such term is defined in subsection 6(b)) of such Options and the number of Option Shares (as such term is defined in Section 4) included in such Options shall be as specifically set forth in Section 8.

(a) Meetings. The Committee shall hold meetings at such times and places as it may determine. Acts approved at a meeting by a majority of the members of the Committee or acts approved in writing by the unanimous consent of the members of the Committee shall be the valid acts of the Committee.

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(b) Grants. Except with respect to options granted to non-employee directors pursuant to Section 8, the Committee shall from time to time at its discretion direct the Company to grant Options pursuant to the terms of the Plan. The Committee shall have plenary authority to determine the Optionees to whom and the times at which Options shall be granted, the number of Option Shares (as defined in Section 4) to be granted and the price and other terms and conditions thereof, including a specification with respect to whether an Option is intended to be an ISO, subject, however, to the express provisions of the Plan. In making such determinations the Committee may take into account the nature of the Optionee's services and responsibilities, the Optionee's present and potential contribution to the Company's success and such other factors as it may deem relevant. Notwithstanding the foregoing, grants of Options to non-employee directors shall be made in accordance with Section 8. The interpretation and construction by the Committee of any provision of the Plan or of any Option granted under it shall be final, binding and conclusive.

(c) Exculpation. No member of the Board of Directors or of the Committee shall be personally liable for monetary damages as such for any action taken or any failure to take any action in connection with the administration of the Plan or the granting of Options under it unless (i) the director or member of the Committee has breached or failed to perform the duties of his office and (ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness; provided, however, that the provisions of this subsection 2(c) shall not apply to the responsibility or liability of a director or a member of the Committee pursuant to any criminal statute.

(d) Indemnification. Each member of the Board of Directors or of the Committee shall be entitled without further act on his part to indemnity from the Company to the fullest extent provided by applicable law and the Company's by-laws in connection with or arising out of any action, suit or proceeding with respect to the administration of the Plan or the granting of Options under it in which he may be involved by reason of his being or having been a member of the Board of Directors or the Committee, whether or not he continues to be such member of the Board or the Committee at the time of the action, suit or proceeding.

3. Eligibility. All employees of the Company or its Affiliates (who may also be directors of the Company or its Affiliates) shall be eligible to receive ISOs hereunder. All Optionees shall be eligible to receive Options hereunder. The Committee, in its sole discretion, shall determine whether an individual qualifies as an employee or as an Optionee. An Optionee may receive more than one Option, but only on the terms and subject to the restrictions of the Plan,

provided, however, that non-employee directors may receive Options only pursuant to Section 8.

4. Option Shares. The aggregate maximum number of shares of the Common Stock for which Options may be issued under the Plan is 19,500,000 shares, adjusted as provided in Section 9 (the "Option Shares"). Option Shares shall be issued from authorized and unissued

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Common Stock or Common Stock held in or hereafter acquired for the treasury of the Company. If any outstanding Option granted under the Plan expires, lapses or is terminated for any reason, the Option Shares allocable to the unexercised portion of such Option may again by the subject of an Option granted pursuant to the Plan. The maximum number of shares of the Common Stock for which Options may be issued to any single employee of the Company or its Affiliates in any calendar year, adjusted as provided in Section 9, shall be, in 1994, 2,300,000 shares, and thereafter 500,000 shares.

5. Term of Plan. The Plan is effective as of January 5, 1987. No Option may be granted under the Plan after January 4, 1997.

6. Terms and Conditions of Options. Options granted pursuant to the Plan shall be evidenced by written documents (the "Option Documents") in such form as the Committee shall from time to time approve, which Option Documents shall comply with and be subject to the following terms and conditions and such other terms and conditions which the Committee shall from time to time require which are not inconsistent with the terms of the Plan. However, the provisions of this Section 6 shall not be applicable to Options granted to non-employee directors, except as otherwise provided in subsection 8(c).

(a) Number of Option Shares. Each Option Document shall state the number of Option Shares to which it pertains. Notwithstanding that any such Option is intended to be an ISO, such option shall not be an ISO to the extent that it would not be so treated under the rules contained in Section 422(d) of the Code, and the Regulations thereunder (dealing with the annual vesting limit).

(b) Option Price. Each Option Document shall state the price at which Option Shares may be purchased (the "Option Price"), which shall be at least 100% of the fair market value of the Common Stock at the time the Option is granted as determined by the Committee; provided, however, that if an ISO is granted to an Optionee who then owns, directly or by attribution under Section 424(d) of the Code, shares possessing more than ten percent of the total combined voting power of all classes of stock of the Company or an Affiliate, then the Option Price shall be at least 110% of the fair market value of the Option Shares at the time the Option is granted.

(c) Medium of Payment. An Optionee shall pay for Option Shares (i) in cash, (ii) by certified check payable to the order of the company, or (iii) by a combination of the foregoing. In addition, the Committee may provide in an Option Document that payment may be made all or in part in Other Available Shares held by the Optionee (a) in the case of payment for ISOs outstanding as of March 28, 1990, for more than one year, or (b) in the case of payment for all other Options (unless otherwise provided in an Option Document), for more than six months or such shorter period of time as shall not, in the Committee's sole discretion, have an adverse effect on the Company's financial statements; provided, however, that Option Shares may not be

paid for in shares of Class A Common Stock if such method of payment would result in liability under Section 16(b) of the Securities Exchange Act of 1934 to an Optionee. Except as otherwise provided by the Committee, if payment is made in whole or in part in shares of the Common Stock or Class A Common Stock of the Company, then the Optionee shall deliver to the Company certificates registered in the name of such Optionee representing shares of Common Stock or Class A Common Stock legally and beneficially owned by such Optionee, free of all liens, claims and encumbrances of every kind and having a fair market value on the date of delivery that is not greater than the Option Price of the Option Shares with respect to which such Option is to be exercised, accompanied by stock powers duly endorsed in blank by the record holder of the shares represented by such certificates. Notwithstanding the foregoing, the Committee, in its sole discretion, may refuse to accept shares of Common Stock or Class A Common Stock in payment of the Option Price. In that event, any certificates representing shares of Common Stock or Class A Common Stock which were delivered to the Company shall be returned to the Optionee with notice of the refusal of the Committee to accept such shares in payment of the Option Price. The Committee may impose such limitations and prohibitions on the use of shares of the Common Stock or Class A Common Stock to exercise an Option as it deems appropriate.

(d) Termination of Options. No Option shall be exercisable after the first to occur of the following:

(i) Expiration of the Option term specified in the Option Document, which for an ISO, shall not exceed (A) ten years from the date of grant, or (B) five years from the date of grant if the Optionee on the date of grant owns, directly or by attribution under Section 424(d) of the Code, shares possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of an Affiliate, and which for any other Option shall not exceed ten years and six months from the date of grant;

(ii) Expiration of three months from the date the Optionee's employment with the Company or its Affiliates terminates for any reason other than disability (within the meaning of Section 22(e)(3) of the Code) ("Disability"), death or as specified in subsection 6(d)(iv) or (v) below, provided, however, that the Committee may specify in an Option Document that an Option may be exercisable during a longer period following the date the Optionee's employment with the Company or its Affiliates so terminates, but in no event later than the expiration of the Option Term specified in such Option Document;

(iii) Expiration of one year from the date the Optionee's employment with the Company or its Affiliates terminates by reason of the Optionee's Disability or death;

(iv) The date set by the Committee pursuant to Section 13 in connection with a Terminating Event; or

(v) A finding by the Committee, after full consideration of the facts presented on behalf of both the Company and the Optionee, that the Optionee has breached his employment contract with the Company or an Affiliate, or has been engaged in any sort of disloyalty to the Company or an Affiliate, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his employment or has disclosed trade secrets of the Company or an Affiliate. In such event, in addition to immediate termination of the Option, the Optionee, upon a determination by the Committee shall automatically forfeit all Option Shares for which the Company has not yet delivered the share certificates upon refund by the Company of the Option Price.

(e) Transfers. This subsection 6(e) shall not apply to Options described in Section 6.1.

(i) In General. Except as provided in subsection 6(e)(ii), no Option granted under the Plan may be transferred, except by will or by the laws of descent and distribution. During the lifetime of the person to whom an Option is granted, such Option may be exercised only by him.

(ii) Transferable Options. The Committee may, in its discretion, at the time of grant of an Option that is not an ISO (an "NQO") or by amendment of an Option Document for an ISO or an NQO, provide that Options granted to or held by an Optionee may be transferred, in whole or in part, to one or more transferees and exercised by any such transferee; provided further that (A) any such transfer is without consideration and (B) each transferee is a member of such Optionee's Immediate Family (as hereinafter defined); and provided further that any ISO granted pursuant to an Option Document which is amended to permit transfers during the lifetime of the Optionee shall, upon the effectiveness of such amendment, be treated thereafter as an NQO. No transfer of an Option shall be effective unless the Committee is notified of the terms and conditions of the transfer and the Committee determines that the transfer complies with the requirements for transfers of Options under the Plan and the Option Document. Any person to whom an Option has been transferred may exercise any Options only in accordance with the provisions of subsections 6(c), 6(d), 6(f) and this subsection 6(e). For purposes of this subsection 6(e), the term "Immediate Family" shall mean an Optionee's spouse and lineal descendants, any trust all beneficiaries of which are any of such persons and any partnership all partners of which are any of such persons.

(f) Other Provisions. The Option Documents shall contain such other provisions including, without limitation, additional restrictions upon the exercise of the Option or additional limitations upon the term of the Option, as the Committee shall deem advisable.

(g) Amendment. The Committee shall have the right to amend Option Documents issued to an Optionee subject to his consent, except that the consent of the Optionee shall not be required for any amendment made under subsection 6(d)(iv).

(h) Exercisability. To the extent that the grant of an Option would be subject to Section 16(b) of the Securities Exchange Act of 1934 unless the requirements for exemption therefrom in Rule 16b-3(c)(1), under such Act, or any successor provision, are met, the Option Documents shall provide that such Option is not exercisable until not less than six months have elapsed from the date of grant.

6.1 Certain Options Awarded to Ralph J. Roberts. With respect to those Options awarded to Ralph J. Roberts on January 8, 1992 (options to purchase 249,441 shares of Class A Special Common Stock at \$16.25 per share), and January 6, 1993 (options to purchase 249,545 shares of Class A Special Common Stock at \$18.125 per share), and notwithstanding subsection 6(e) of this Plan, the Committee may, in its discretion, amend such Options to provide that such Options may be transferred by Mr. Roberts, in whole or in part, to one or more transferees and exercised by any such transferee, provided that (i) any such transfer is without consideration, and (ii) each transferee is a member of Mr. Roberts' Immediate Family. "Immediate Family" shall mean Mr. Roberts' spouse, children, grandchildren, any trust all beneficiaries of which are such persons, and any partnership all partners of which are such persons. In the event the Committee so amends such Options, the Committee shall include in such amended Options such further provisions as it determines are necessary or appropriate at the time of such amendment to permit the Company to deduct compensation expenses recognized upon exercise of such options for federal or state income tax purposes.

7. Exercise. No Option shall be deemed to have been exercised prior to the receipt by the Company of written notice of such exercise and of payment in full of the Option Price for the Option Shares to be purchased. Each such notice shall specify the number of Option Shares to be purchased and shall (unless the Option Shares are covered by a then current registration statement or a Notification under Regulation A under the Securities Act of 1933 (the "Act")), contain the Optionee's acknowledgment in form and substance satisfactory to the Company that (2) such Option Shares are being purchased for investment and not for distribution or resale (other than a distribution or resale which, in the opinion of counsel satisfactory to the Company, may be made without violating the registration provisions of the Act), (b) the Optionee has been advised and understands that (i) the Option Shares have not be registered under the Act and are "restricted securities" within the meaning of Rule 144 under the Act and are subject to restrictions on transfer and (ii) the Company is under no obligation to register the Option Shares under the Act or to take any action which would make available to the Optionee any exemption from such registration, and (c) such Option Shares may not be transferred without compliance with all applicable federal and state securities laws. Notwithstanding the above, should the Company be advised by counsel that issuance of shares should be delayed pending (A) registration under federal or state securities laws or (B) the receipt of an opinion that an appropriate exemption therefrom is available, the Company may defer exercise of any Option granted hereunder until either such event in (A) or (B) has occurred.

8. Special Provisions Relating to Grants of Options to Non-employee Directors. Options granted pursuant to the Plan to non-employee directors shall be granted, without any further action by the Committee, in accordance with the terms and conditions set forth in this Section 8. Options granted pursuant to this Section 8 shall be evidenced by Option Documents in such form as the Committee shall from time to time approve, which Option Documents shall comply with and be subject to the following terms and conditions and such other terms and conditions as the Committee shall from time to time require which are not inconsistent with the terms of the Plan.

(a) Timing of Grants; Number of Shares Subject of Options; Exercisability of Options; Option Price. Each non-employee director shall be granted, commencing on February 1, 1995 and on each successive February 1 (the "Grant Date") thereafter, an Option to purchase five thousand four hundred (5,400) shares of Common Stock. Notwithstanding anything herein to the contrary, each newly elected non-employee director who is first elected to the Board of Directors after February 1, 1994 shall (i) be granted an Option to purchase nine thousand (9,000) shares of Common Stock on the date on which such non-employee director is elected to the Board of Directors (the "Election Date") and (ii) not be entitled to the grant of an Option hereunder on the Grant Date immediately following the non-employee director's Election Date if such Election Date is within ninety (90) days of the Grant Date. No such Option shall be an ISO, and each such Option shall first become exercisable six months after the date of grant and shall then be exercisable in its entirety. The Option Price shall be equal to 100% of the fair market value of the Common Stock on the date the Option is granted.

(b) Termination of Options Granted Pursuant to Section 8.

(i) All options granted pursuant to this Section 8 shall be exercisable until the first to occur of the following:

(A) Expiration of five (5) years from the date of grant;

(B) Expiration of ninety (90) days from the date the Optionee's service as a non-employee director terminates for any reason other than Disability or death or as otherwise specified in subsection 8(b)(i)(D) below;

(C) Expiration of one (1) year from the date the Optionee's service with Company as a non-employee director terminates due to the Optionee's Disability or death; or

(D) The date the Optionee's directorship is terminated, if the directorship is terminated on account of (1) any act of fraud, intentional misrepresentation, embezzlement or theft, (2) commission of a felony or (3) disclosure of

trade secrets of the Company or an Affiliate. In such event, in addition to the immediate termination of the Option, the Optionee shall automatically forfeit all Option Shares for which the Company has not yet delivered the share certificates upon refund by the Company of the Option Price.

(c) Applicability of Certain Provisions of Section 6 to Options Granted Pursuant to Section 8. The following provisions of Section 6 shall be applicable to Options granted pursuant to this Section 8: Subsection 6(a) (provided that no Option granted pursuant to this Section 8 shall be an ISO); subsection 6(c) (provided that Option Documents relating to options granted pursuant to this Section 8 shall provide that payment may be made in whole or part in shares of Common Stock or Class A Common Stock held by the Optionee for more than six months, subject to the limitation on payment in shares of Class A Common Stock set forth in subsection 6(c) if such method of payment would result in liability under Section 16(b) of the Securities Exchange Act of 1934); subsection 6(e); subsection 6(g); and subsection 6(h).

9. Adjustments on Changes in Capitalization. The aggregate number of shares and class of shares as to which Options may be granted hereunder, the number of shares covered by each outstanding Option, and the Option Price thereof shall be appropriately adjusted in the event of a stock dividend, stock split, recapitalization or other change in the number or class of issued and outstanding equity securities of the Company resulting from a subdivision or consolidation of the Common Stock and/or other outstanding equity security or a recapitalization or other capital adjustment (not including the issuance of Common Stock on the conversion of other securities of the Company which are convertible into Common Stock) affecting the Common Stock which is effected without receipt of consideration by the Company. The Committee shall have authority to determine the adjustments to be made under this Section and any such determination by the Committee shall be final, binding and conclusive; provided, however, that no adjustment shall be made which will cause an ISO to lose its status as such without the consent of the Optionee and no adjustment shall be made to the number of shares set forth in subsection 8(a). However, an Option granted pursuant to subsection 8(a). However, an Option granted pursuant to subsection 8(a) shall be subject to adjustment in accordance with the provisions of this Section 9 after the date of grant.

10. Amendment of the Plan. The Board or the Committee may amend the Plan from time to time in such manner as it may deem advisable. Nevertheless, neither the Board nor the Committee may, without within twelve months before or after such action obtaining approval by such vote of shareholders as may be required by Pennsylvania law for any action requiring shareholder approval, or by a majority of votes cast at a duly held shareholders' meeting at which a majority of all voting stock is present and voting on such amendment, either in person or in proxy (but not, in any event, less than the vote required pursuant to Rule 16b-3(b) under the Securities Exchange Act of 1934), change the class of individuals eligible to receive an ISO, extend the expiration date of the Plan, decrease the minimum Option Price of an ISO granted under the Plan or increase the maximum number of shares as to which Options may be granted,

except as provided in Section 9 hereof. In addition, the provisions of Section 8 that determine (i) which directors shall be granted Options pursuant to Section 8; (ii) the number of Option Shares subject to Options granted pursuant to Section 8; (iii) the Option Price of Option Shares subject to Options granted pursuant to Section 8; and (iv) the timing of grants of Options pursuant to Section 8 shall not be amended more than once every six months, other than to comport with changes in the Code or the Employee Retirement Income Security Act of 1974, as amended, if applicable.

11. Continued Employment. The grant of an Option pursuant to the Plan shall not be construed to imply or to constitute evidence of any agreement, express or implied, on the part of the Company or any Affiliate to retain the Optionee in the employ of the Company or an Affiliate or as a member of the Company's Board of Directors or in any other capacity.

12. Withholding of Taxes.

(a) Whenever the Company proposes or is required to deliver or transfer Option Shares in connection with the exercise of an Option, the Company shall have the right to (i) require the recipient to remit to the Company an amount sufficient to satisfy any federal, state and/or local withholding tax requirements prior to the delivery or transfer of any certificate or certificates for such Option Shares or (ii) take any action whatever that it deems necessary to protect its interests with respect to tax liabilities. The Company's obligation to make any delivery or transfer of Option Shares shall be conditioned on the recipient's compliance, to the Company's satisfaction, with any withholding requirement.

(b) Except as otherwise provided in this Section 12(b), any tax liabilities incurred in connection with the exercise of an Option under the Plan other than an ISO shall be satisfied by the Company's withholding a portion of the Option Shares underlying the Option exercised having a fair market value approximately equal to the minimum amount of taxes required to be withheld by the Company under applicable law, unless otherwise determined by the Committee with respect to any participant. Notwithstanding the foregoing, the Committee may permit an Optionee to elect one or both of the following: (i) to have taxes withheld in excess of the minimum amount required to be withheld by the Company under applicable law; provided that the Optionee certifies in writing to the Company that the Optionee owns a number of Other Available Shares that is at least equal to the number to be withheld by the Company for the then-current exercise on account of withheld taxes in excess of such minimum amount, and (ii) to pay to the Company in cash all or a portion of the taxes to be withheld upon the exercise of an Option. In all cases, the Option Shares so withheld by the Company shall have a fair market value that does not exceed the amount of taxes to be withheld minus the cash payment, if any, made by the Optionee. The fair market value of such shares shall be determined based on the last reported sale price of a share of Common Stock on the principal exchange on which the Common Stock is listed or, if not so listed, on the Nasdaq Stock Market on the last trading day prior to the date on which the Option is exercised. Any election pursuant to this Section 12(b) must be in

writing made prior to the date specified by the Committee, and in any event prior to the date the amount of tax to be withheld or paid is determined. An election pursuant to this Section may be made only by an Optionee or, in the event of the Optionee's death, by the Optionee's legal representative. No shares withheld pursuant to this Section 12(b) shall be available for subsequent grants under the Plan. The Committee may add such other requirements and limitations regarding elections pursuant to this Section 12(b) as it deems appropriate.

#### 13. Terminating Events.

(a) The Sponsor shall give Optionees at least thirty (30) days' notice (or, if not practicable, such shorter notice as may be reasonably practicable) prior to the anticipated date of the consummation of a Terminating Event. Upon receipt of such notice, and for a period of ten (10) days thereafter (or such shorter period as the Board shall reasonably determine and so notify the Optionees), each Optionee shall be permitted to exercise the Option to the extent the Option are then exercisable; provided that, the Sponsor may, by similar notice, require the Optionee to exercise the Option, to the extent the Option is then exercisable, or to forfeit the Option (or portion thereof, as applicable). The Committee may, in its discretion, provide that upon the Optionee's receipt of the notice of a Terminating Event under this Section 13(a), the entire number of Shares covered by Options shall become immediately exercisable. Upon the close of the period described in this Section 13(a) during which an Option may be exercised in connection with a Terminating Event, such Option (including such portion thereof that is not exercisable) shall terminate to the extent that such Option have not theretofore been exercised.

(b) Notwithstanding Section 13(a), in the event the Terminating Event is not consummated, the Option shall be deemed not to have been exercised and shall be exercisable thereafter to the extent it would have been exercisable if no such notice had been given.

#### 14. Additional Definitions.

(a) "Affiliate." For purposes of this Section 14, "Affiliate" means, with respect to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, the term "control," including its correlative terms "controlled by" and "under common control with," mean, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

(b) "Board" means the board of directors of the Sponsor.

(c) "Change of Control" means any transaction or series of transactions as a result of which any Person who was a Third Party immediately before such transaction or series of transactions owns then-outstanding securities of the Sponsor having more than 50 percent of the voting power for the election of directors of the Sponsor.

(d) "Comcast Plan" means any restricted stock, stock bonus, stock option or other compensation plan, program or arrangement established or maintained by the Company or an Affiliate, including but not limited to this Plan, the Comcast Corporation 1996 Stock Option Plan and the 1990 Restricted Stock Plan.

(e) "Common Stock." For purposes of the definition of the term "Other Available Shares" in Section 12(f), "Common Stock" means:

- (i) the Sponsor's Class A Common Stock, par value, \$1.00 per share; and
- (ii) the Sponsor's Class A Special Common Stock, par value, \$1.00 per share

(f) "Other Available Shares" means, as of any date, the excess, if any of:

- (i) the total number of shares of Common Stock owned by an Optionee; over
- (ii) the sum of:
  - (x) the number of shares of Common Stock owned by such Optionee for less than six months; plus
  - (y) the number of shares of Common Stock owned by such Optionee that has, within the preceding six months, been the subject of a withholding certification pursuant to Section 12(b) or any similar withholding certification under any other Comcast Plan; plus
  - (z) the number of shares of Common Stock owned by such Optionee that has, within the preceding six months, been received in exchange for Shares surrendered as payment, in full or in part, of the exercise price for an option to purchase any

securities of the Sponsor or an Affiliate under any Comcast Plan, but only to the extent of the number of Shares surrendered.

For purposes of Section 6(c), the number of Other Available Shares shall be determined separately for the Company's Class A Special Common Stock, par value, \$1.00 per share, and for the Company's Class A Common Stock, par value, \$1.00 per share.

(g) "Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization.

(h) "Roberts Family." Each of the following is a member of the Roberts Family:

(i) Ralph J. Roberts;

(ii) a lineal descendant of Ralph J. Roberts; or

(iii) a trust established for the benefit of any of Ralph J. Roberts and/or a lineal descendant or descendants of Ralph J. Roberts.

(i) "Sponsor" means Comcast Corporation, a Pennsylvania corporation, including any successor thereto by merger, consolidation, acquisition of all or substantially all the assets thereof, or otherwise.

(j) "Terminating Event" means any of the following events:

(i) the liquidation of the Sponsor; or

(ii) a Change of Control.

(k) "Third Party" means any Person other than a Company, together with such Person's Affiliates, provided that the term "Third Party" shall not include the Sponsor, an Affiliate of the Sponsor or any member or members of the Roberts Family.

Executed as of the 15th day of December, 1998

COMCAST CORPORATION

BY: /s/ Stanley Wang

ATTEST: /s/ Arthur R. Block

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(As Amended and Restated, Effective December 15, 1998)

## 1. Purpose of Plan

The purpose of the Plan is to assist the Company in retaining valued employees, officers and directors by offering them a greater stake in the Company's success and a closer identity with it, and to aid in attracting individuals whose services would be helpful to the Company and would contribute to its success.

## 2. Definitions

(a) "Affiliate" means, with respect to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, the term "control," including its correlative terms "controlled by" and "under common control with," mean, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

(b) "Board" means the board of directors of the Sponsor.

(c) "Cash Right" means any right to receive cash in lieu of Shares granted under the Plan and described in Paragraph 3(a)(iii).

(d) "Cause" means:

(i) for an employee of a Company, a finding by the Committee, after full consideration of the facts presented on behalf of both the Company and the employee, that the employee has breached his employment contract with a Company, has disclosed trade secrets of a Company or has been engaged in any sort of disloyalty to a Company, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his employment.

(ii) for a Non-Employee Director, a finding by the Committee, after full consideration of the facts presented on behalf of both the Company and the Director, that such Non-Employee Director has disclosed trade secrets of a Company, or has been engaged in any sort of disloyalty to a Company, including, without

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limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his service as a Non-Employee Director.

(e) "Change of Control" means any transaction or series of transactions as a result of which any Person who was a Third Party immediately before such transaction or series of transactions owns then-outstanding securities of the Sponsor having more than 50 percent of the voting power for the election of directors of the Sponsor.

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Comcast Plan" means any restricted stock, stock bonus, stock option or other compensation plan, program or arrangement established or maintained by the Company or an Affiliate, including but not limited to this Plan, the Comcast Corporation 1997 Deferred Stock Option Plan, the Comcast Corporation 1990 Restricted Stock Plan and the Comcast Corporation 1987 Stock Option Plan.

(h) "Committee" means the committee described in Paragraph 5.

(i) "Common Stock" means the Sponsor's Class A Special Common Stock, par value, \$1.00.

(j) "Company" means the Sponsor and each of the Parent Companies and Subsidiary Companies.

(k) "Date of Grant" means the date as of which an Option is granted.

(l) "Disability" means a disability within the meaning of section 22(e)(3) of the Code.

(m) "Election Date" means the date on which an individual is first elected to the Board as a Non-Employee Director, or is elected to the Board as a Non-Employee Director following a period of one year or more during which such individual was not a member of the Board.

(n) "Fair Market Value." If Shares are listed on a stock exchange, Fair Market Value shall be determined based on the last reported sale price of a Share on the principal exchange on which Shares are listed on the last trading day prior to the date of determination, or, if Shares are not so listed, but trades of Shares are reported on the Nasdaq National Market, the last quoted sale price of a Share on the Nasdaq National Market on the last trading day prior to the date of determination.

(o) "Grant Date" means each February 1st after the date of adoption of the Plan by the Board.

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(p) "Immediate Family" means an Optionee's spouse and lineal descendants, any trust all beneficiaries of which are any of such persons and any partnership all partners of which are any of such persons.

(q) "Incentive Stock Option" means an Option granted under the Plan, designated by the Committee at the time of such grant as an Incentive Stock Option within the meaning of section 422 of the Code and containing the terms specified herein for Incentive Stock Options; provided, however, that to the extent an Option granted under the Plan and designated by the Committee at the time of grant as an Incentive Stock Option fails to satisfy the requirements for an incentive stock option under section 422 of the Code for any reason, such Option shall be treated as a Non-Qualified Option.

(r) "Non-Employee Director" means an individual who is a member of the Board, and who is not an employee of a Company, including an individual who is a member of the Board and who previously was an employee of a Company.

(s) "Non-Qualified Option" means:

(i) an Option granted under the Plan, designated by the Committee at the time of such grant as a Non-Qualified Option and containing the terms specified herein for Non-Qualified Options; and

(ii) an Option granted under the Plan and designated by the Committee at the time of grant as an Incentive Stock Option, to the extent such Option fails to satisfy the requirements for an incentive stock option under section 422 of the Code for any reason.

(t) "Option" means any stock option granted under the Plan and described in either Paragraph 3(a)(i) or Paragraph 3(a)(ii).

(u) "Optionee" means a person to whom an Option has been granted under the Plan, which Option has not been exercised in full and has not expired or terminated.

(v) "Other Available Shares" means, as of any date, the excess, if any of:

(i) the total number of Shares owned by an Optionee; over

(ii) the sum of:

(x) the number of Shares owned by such Optionee for less than six months; plus

- (y) the number of Shares owned by such Optionee that has, within the preceding six months, been the subject of a withholding certification pursuant to Paragraph 16(b) or any similar withholding certification under any other Comcast Plan; plus
- (z) the number of Shares owned by such Optionee that has, within the preceding six months, been received in exchange for Shares surrendered as payment, in full or in part, of the exercise price for an option to purchase any securities of the Sponsor or an Affiliate under any Comcast Plan, but only to the extent of the number of Shares surrendered.

For purposes of this Paragraph 2(v), a Share that is subject to a deferral election pursuant to another Comcast Plan shall not be treated as owned by an Optionee until all conditions to the delivery of such Share have lapsed. For purposes of Paragraphs 7(d), 8(d) and 16(b), the number of Other Available Shares shall be determined separately for the Sponsor's Class A Special Common Stock, par value, \$1.00, and for the Sponsor's Class A Common Stock, par value, \$1.00.

(w) "Outside Director" means a member of the Board who is an "outside director" within the meaning of section 162(m)(4)(C) of the Code and applicable Treasury Regulations issued thereunder.

(x) "Parent Company" means all corporations that, at the time in question, are parent corporations of the Sponsor within the meaning of section 424(e) of the Code.

(y) "Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization.

(z) "Plan" means the Comcast Corporation 1996 Stock Option Plan.

(aa) "Roberts Family." Each of the following is a member of the Roberts Family:

(i) Ralph J. Roberts;

(ii) a lineal descendant of Ralph J. Roberts; or

(iii) a trust established for the benefit of any of Ralph J. Roberts and/or a lineal descendant or descendants of Ralph J. Roberts.

(bb) "Share" or "Shares" means:

(i) for all purposes of the Plan, a share or shares of Common Stock or such other securities issued by the Sponsor as may be the subject of an adjustment under Paragraph 11.

(ii) solely for purposes of Paragraphs 2(n), 2(v), 7(d), 8(d) and 16(b), the term "Share" or "Shares" also means a share or shares of the Sponsor's Class A Common Stock, par value, \$1.00.

(cc) "Sponsor" means Comcast Corporation, a Pennsylvania corporation, including any successor thereto by merger, consolidation, acquisition of all or substantially all the assets thereof, or otherwise.

(dd) "Subsidiary Companies" means all corporations that, at the time in question, are subsidiary corporations of the Sponsor within the meaning of section 424(f) of the Code.

(ee) "Ten Percent Shareholder" means a person who on the Date of Grant owns, either directly or within the meaning of the attribution rules contained in section 424(d) of the Code, stock possessing more than 10% of the total combined voting power of all classes of stock of his employer corporation or of its parent or subsidiary corporations, as defined respectively in sections 424(e) and (f) of the Code, provided that the employer corporation is a Company.

(ff) "Terminating Event" means any of the following events:

(i) the liquidation of the Sponsor; or

(ii) a Change of Control.

(gg) "Third Party" means any Person other than a Company, together with such Person's Affiliates, provided that the term "Third Party" shall not include the Sponsor, an Affiliate of the Sponsor or any member or members of the Roberts Family.

(hh) "1933 Act" means the Securities Act of 1933, as amended.

(ii) "1934 Act" means the Securities Exchange Act of 1934, as amended.

### 3. Rights To Be Granted

(a) Types of Options and Other Rights Available for Grant. Rights that may be granted under the Plan are:

(i) Incentive Stock Options, which give an Optionee who is an employee of a Company the right for a specified time period to purchase a specified number of Shares for a price not less than the Fair Market Value on the Date of Grant;

(ii) Non-Qualified Options, which give the Optionee the right for a specified time period to purchase a specified number of Shares for a price determined by the Committee; and

(iii) Cash Rights, which give an Optionee the right for a specified time period, and subject to such conditions, if any, as shall be determined by the Committee and stated in the option document, to receive a cash payment of such amount per Share as shall be determined by the Committee and stated in the option document, in lieu of exercising a Non-Qualified Option.

(b) Limit on Grant of Options. The maximum number of Shares for which Options may be granted to any single individual in any calendar year, adjusted as provided in Section 11, shall be 1,000,000 Shares.

(c) Presumption of Incentive Stock Option Status. Each Option granted under the Plan to an employee of a Company is intended to be an Incentive Stock Option, except to the extent any such grant would exceed the limitation of Paragraph 9 and except for any Option specifically designated at the time of grant as an Option that is not an Incentive Stock Option.

### 4. Shares Subject to Plan

Subject to adjustment as provided in Paragraph 11, not more than 20,000,000 Shares in the aggregate may be issued pursuant to the Plan upon exercise of Options. Shares delivered pursuant to the exercise of an Option may, at the Sponsor's option, be either treasury Shares or Shares originally issued for such purpose. If an Option covering Shares terminates or expires without having been exercised in full, other Options may be granted covering the Shares as to which the Option terminated or expired.

## 5. Administration of Plan

(a) Committee. The Plan shall be administered by the Subcommittee on Performance Based Compensation of the Compensation Committee of the Board or any other committee or subcommittee designated by the Board, provided that the committee administering the Plan is composed of two or more non-employee members of the Board, each of whom is an Outside Director. Notwithstanding the foregoing, if Non-Employee Directors are granted Options in accordance with the provisions of Paragraph 8, the directors to whom such Options will be granted, the timing of grants of such Options, the Option Price of such Options and the number of Option Shares included in such Options shall be as specifically set forth in Paragraph 8. No member of the Committee shall participate in the resolution of any issue that exclusively involves an Option granted to such member.

(b) Meetings. The Committee shall hold meetings at such times and places as it may determine. Acts approved at a meeting by a majority of the members of the Committee or acts approved in writing by the unanimous consent of the members of the Committee shall be the valid acts of the Committee.

(c) Exculpation. No member of the Committee shall be personally liable for monetary damages for any action taken or any failure to take any action in connection with the administration of the Plan or the granting of Options thereunder unless (i) the member of the Committee has breached or failed to perform the duties of his office, and (ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness; provided, however, that the provisions of this Paragraph 5(c) shall not apply to the responsibility or liability of a member of the Committee pursuant to any criminal statute.

(d) Indemnification. Service on the Committee shall constitute service as a member of the Board. Each member of the Committee shall be entitled without further act on his part to indemnity from the Sponsor to the fullest extent provided by applicable law and the Sponsor's By-laws in connection with or arising out of any actions, suit or proceeding with respect to the administration of the Plan or the granting of Options thereunder in which he may be involved by reasons of his being or having been a member of the Committee, whether or not he continues to be such member of the Committee at the time of the action, suit or proceeding.

## 6. Eligibility

(a) Eligible individuals to whom Options may be granted shall be employees, officers or directors of a Company who are selected by the Committee for the grant of Options. Eligible individuals to whom Cash Rights may be granted shall be individuals who are employees of a Company on the Date of Grant. The terms and conditions of Options granted to individuals other than Non-Employee Directors shall be determined by the Committee, subject to Paragraph 7. The terms and conditions of Cash Rights shall be determined by the Committee,

subject to Paragraph 7. The terms and conditions of Options granted to Non-Employee Directors shall be determined by the Committee, subject to Paragraph 8.

(b) An Incentive Stock Option shall not be granted to a Ten Percent Shareholder except on such terms concerning the option price and term as are provided in Paragraph 7(b) and 7(g) with respect to such a person. An Option designated as Incentive Stock Option granted to a Ten Percent Shareholder but which does not comply with the requirements of the preceding sentence shall be treated as a Non-Qualified Option. An Option designated as an Incentive Stock Option shall be treated as a Non-Qualified Option if the Optionee is not an employee of a Company on the Date of Grant.

#### 7. Option Documents and Terms - In General

All Options granted to Optionees other than Non-Employee Directors shall be evidenced by option documents. The terms of each such option document shall be determined from time to time by the Committee, consistent, however, with the following:

(a) Time of Grant. All Options shall be granted within 10 years from the earlier of (i) the date of adoption of the Plan by the Board, or (ii) approval of the Plan by the shareholders of the Sponsor.

(b) Option Price. The option price per Share with respect to any Option shall be determined by the Committee, provided, however, that with respect to any Incentive Stock Options, the option price per share shall not be less than 100% of the Fair Market Value of such Share on the Date of Grant, and provided further that with respect to any Incentive Stock Options granted to a Ten Percent Shareholder, the option price per Share shall not be less than 110% of the Fair Market Value of such Share on the Date of Grant.

(c) Restrictions on Transferability. No Option granted under this Paragraph 7 shall be transferable otherwise than by will or the laws of descent and distribution and, during the lifetime of the Optionee, shall be exercisable only by him or for his benefit by his attorney-in-fact or guardian; provided that the Committee may, in its discretion, at the time of grant of a Non-Qualified Option or by amendment of an option document for an Incentive Stock Option or a Non-Qualified Option, provide that Options granted to or held by an Optionee may be transferred, in whole or in part, to one or more transferees and exercised by any such transferee; provided further that (i) any such transfer is without consideration and (ii) each transferee is a member of such Optionee's Immediate Family; and provided further that any Incentive Stock Option granted pursuant to an option document which is amended to permit transfers during the lifetime of the Optionee shall, upon the effectiveness of such amendment, be treated thereafter as a Non-Qualified Option. No transfer of an Option shall be effective unless the Committee is notified of the terms and conditions of the transfer and the Committee determines that the transfer complies with the requirements for transfers of Options under the Plan and the option document. Any person to whom an Option has been transferred may

exercise any Options only in accordance with the provisions of Paragraph 7(g) and this Paragraph 7(c).

(d) Payment Upon Exercise of Options. Full payment for Shares purchased upon the exercise of an Option shall be made in cash, by certified check payable to the order of the Sponsor, or, at the election of the Optionee and as the Committee may, in its sole discretion, approve, by surrendering Shares with an aggregate Fair Market Value equal to the aggregate option price, or by delivering such combination of Shares and cash as the Committee may, in its sole discretion, approve; provided, however, that Shares may be surrendered in satisfaction of the option price only if the Optionee certifies in writing to the Sponsor that the Optionee owns a number of Other Available Shares as of the date the Option is exercised that is at least equal to the number of Shares to be surrendered in satisfaction of the Option Price; provided further, however, that the option price may not be paid in Shares if the Committee determines that such method of payment would result in liability under section 16(b) of the 1934 Act to an Optionee. Except as otherwise provided by the Committee, if payment is made in whole or in part in Shares, the Optionee shall deliver to the Sponsor certificates registered in the name of such Optionee representing Shares legally and beneficially owned by such Optionee, free of all liens, claims and encumbrances of every kind and having a Fair Market Value on the date of delivery that is not greater than the option price accompanied by stock powers duly endorsed in blank by the record holder of the Shares represented by such certificates. If the Committee, in its sole discretion, should refuse to accept Shares in payment of the option price, any certificates representing Shares which were delivered to the Sponsor shall be returned to the Optionee with notice of the refusal of the Committee to accept such Shares in payment of the option price. The Committee may impose such limitations and prohibitions on the use of Shares to exercise an Option as it deems appropriate.

(e) Issuance of Certificate Upon Exercise of Options; Payment of Cash. Only whole Shares shall be issuable upon exercise of Options. Any right to a fractional Share shall be satisfied in cash. Upon satisfaction of the conditions of Paragraph 10, a certificate for the number of whole Shares and a check for the Fair Market Value on the date of exercise of any fractional Share to which the Optionee is entitled shall be delivered to such Optionee by the Sponsor.

(f) Termination of Employment. For purposes of the Plan, a transfer of an employee between two employers, each of which is a Company, shall not be deemed a termination of employment. For purposes of Paragraph 7(g), an Optionee's termination of employment shall be deemed to occur on the date an Optionee ceases to serve as an active employee of a Company, as determined by the Committee in its sole discretion, or, if the Optionee is a party to an employment agreement with a Company, on the effective date of the Optionee's termination of employment as determined under such agreement.

(g) Periods of Exercise of Options. An Option shall be exercisable in whole or in part at such time or times as may be determined by the Committee and stated in the

option document, provided, however, that if the grant of an Option would be subject to section 16(b) of the 1934 Act, unless the requirements for exemption therefrom in Rule 16b-3(c)(1), under such Act, or any successor provision, are met, the option document for such Option shall provide that such Option is not exercisable until not less than six months have elapsed from the Date of Grant. Except as otherwise provided by the Committee in its discretion, no Option shall first become exercisable following an Optionee's termination of employment for any reason; provided further, that:

(i) In the event that an Optionee terminates employment with the Company for any reason other than death or Cause, any Option held by such Optionee and which is then exercisable shall be exercisable for a period of 90 days following the date the Optionee terminates employment with the Company (unless a longer period is established by the Committee); provided, however, that if such termination of employment with the Company is due to the Disability of the Optionee, he shall have the right to exercise those of his Options which are then exercisable for a period of one year following such termination of employment (unless a longer period is established by the Committee); provided, however, that in no event shall an Incentive Stock Option be exercisable after five years from the Date of Grant in the case of a grant to a Ten Percent Shareholder, nor shall any other Option be exercisable after ten years from the Date of Grant.

(ii) In the event that an Optionee terminates employment with the Company by reason of his death, any Option held at death by such Optionee which is then exercisable shall be exercisable for a period of one year from the date of death (unless a longer period is established by the Committee) by the person to whom the rights of the Optionee shall have passed by will or by the laws of descent and distribution; provided, however, that in no event shall an Incentive Stock Option be exercisable after five years from the Date of Grant in the case of a grant to a Ten Percent Shareholder, nor shall any other Option be exercisable after ten years from the Date of Grant.

(iii) In the event that an Optionee's employment with the Company is terminated for Cause, each unexercised Option held by such Optionee shall terminate and cease to be exercisable; provided further, that in such event, in addition to immediate termination of the Option, the Optionee, upon a determination by the Committee shall automatically forfeit all Shares otherwise subject to delivery upon exercise of an Option but for which the Sponsor has not yet delivered the Share certificates, upon refund by the Sponsor of the option price.

(h) Date of Exercise. The date of exercise of an Option shall be the date on which written notice of exercise, addressed to the Sponsor at its main office to the

attention of its Secretary, is hand delivered, telecopied or mailed first class postage prepaid; provided, however, that the Sponsor shall not be obligated to deliver any certificates for Shares pursuant to the exercise of an Option until the Optionee shall have made payment in full of the option price for such Shares. Each such exercise shall be irrevocable when given. Each notice of exercise must (i) specify the Incentive Stock Option, Non-Qualified Option or combination thereof being exercised; and (ii) include a statement of preference (which shall be binding on and irrevocable by the Optionee but shall not be binding on the Committee) as to the manner in which payment to the Sponsor shall be made (Shares or cash or a combination of Shares and cash). Each notice of exercise shall also comply with the requirements of Paragraph 15.

(i) Cash Rights. The Committee may, in its sole discretion, provide in an option document for an eligible Optionee that Cash Rights shall be attached to Non-Qualified Options granted under the Plan. All Cash Rights that are attached to Non-Qualified Options shall be subject to the following terms:

(i) Such Cash Right shall expire no later than the Non-Qualified Option to which it is attached.

(ii) Such Cash Right shall provide for the cash payment of such amount per Share as shall be determined by the Committee and stated in the option document.

(iii) Such Cash Right shall be subject to the same restrictions on transferability as the Non-Qualified Option to which it is attached.

(iv) Such Cash Right shall be exercisable only when such conditions to exercise as shall be determined by the Committee and stated in the option document, if any, have been satisfied.

(v) Such Cash Right shall expire upon the exercise of the Non-Qualified Option to which it is attached.

(vi) Upon exercise of a Cash Right that is attached to a Non-Qualified Option, the Option to which the Cash Right is attached shall expire.

#### 8. Option Documents and Terms - Non-Employee Directors

Options granted pursuant to the Plan to Non-Employee Directors shall be granted, without any further action by the Committee, in accordance with the terms and conditions set forth in this Paragraph 8. Options granted pursuant to Paragraph 8(a) shall be evidenced by option documents. The terms of each such option document shall be consistent with Paragraphs 8(b) through 8(g), as follows:

(a) Grant of Options to Non-Employee Directors. Each Non-Employee Director shall be granted, commencing on the Grant Date next following the adoption of this Plan by the Board and on each successive Grant Date thereafter, a Non-Qualified Option to purchase 5,400 Shares. Notwithstanding the preceding sentence, each newly elected Non-Employee Director:

(i) shall be granted a Non-Qualified Option to purchase 9,000 Shares on the Election Date; and

(ii) shall not be entitled to the grant of an Option hereunder on the Grant Date immediately following the Non-Employee Director's Election Date if such Election Date is within ninety (90) days of the Grant Date.

(b) Option Price. The option price per Share with respect to any Option granted under this Paragraph 8 shall be 100% of the Fair Market Value of such Share on the Grant Date.

(c) Restrictions on Transferability. No Option granted under this Paragraph 8 shall be transferable otherwise than by will or the laws of descent and distribution and, during the lifetime of the Optionee, shall be exercisable only by him or for his benefit by his attorney-in-fact or guardian; provided that the Committee may, in its discretion, at the time of grant of an Option or by amendment of an option document for an Option, provide that Options may be transferred, in whole or in part, to one or more transferees and exercised by any such transferee; provided further that (i) any such transfer is without consideration, and (ii) each transferee is a member of such Optionee's Immediate Family. No transfer of an Option shall be effective unless the Committee is notified of the terms and conditions of the transfer and the Committee determines that the transfer complies with the requirements for transfers of Options under the Plan and the option document. Any person to whom an Option has been transferred may exercise any Options only in accordance with the provisions of Paragraph 8(f) and this Paragraph 8(c).

(d) Payment Upon Exercise of Options. Full payment for Shares purchased upon the exercise of an Option shall be made in cash, by certified check payable to the order of the Sponsor, or, at the election of the Optionee and as the Committee may, in its sole discretion, approve, by surrendering Shares with an aggregate Fair Market Value equal to the aggregate option price, or by delivering such combination of Shares and cash as the Committee may, in its sole discretion, approve; provided, however, that Shares may be surrendered in satisfaction of the option price only if the Optionee certifies in writing to the Sponsor that the Optionee owns a number of Other Available Shares as of the date the Option is exercised that is at least equal to the number of Shares to be surrendered in satisfaction of the Option Price; provided further, however, that the option price may not be paid in Shares if the Committee determines that such method of payment would result in liability under section 16(b) of the 1934 Act to an Optionee. Except as otherwise provided by the Committee, if payment is made in

whole or in part in Shares, the Optionee shall deliver to the Sponsor certificates registered in the name of such Optionee representing Shares legally and beneficially owned by such Optionee, free of all liens, claims and encumbrances of every kind and having a Fair Market Value on the date of delivery that is not greater than the option price accompanied by stock powers duly endorsed in blank by the record holder of the Shares represented by such certificates. If the Committee, in its sole discretion, should refuse to accept Shares in payment of the option price, any certificates representing Shares which were delivered to the Sponsor shall be returned to the Optionee with notice of the refusal of the Committee to accept such Shares in payment of the option price. The Committee may impose such limitations and prohibitions on the use of Shares to exercise an Option as it deems appropriate.

(e) Issuance of Certificate Upon Exercise of Options; Payment of Cash. Only whole Shares shall be issuable upon exercise of Options granted under this Paragraph 8. Any right to a fractional Share shall be satisfied in cash. Upon satisfaction of the conditions of Paragraph 10, a certificate for the number of whole Shares and a check for the Fair Market Value on the date of exercise of any fractional Share to which the Optionee is entitled shall be delivered to such Optionee by the Sponsor.

(f) Periods of Exercise of Options. An Option granted under this Paragraph 8 shall not be exercisable for six months after the Date of Grant, and shall then be exercisable in its entirety. No Option shall first become exercisable following an Optionee's termination of service as a Non-Employee Director for any reason; provided further, that:

(i) In the event that an Optionee terminates service as a Non-Employee Director for any reason other than death or Cause, any Option held by such Optionee and which is then exercisable shall be exercisable for a period of 90 days following the date the Optionee terminates service as a Non-Employee Director; provided, however, that if such termination of employment with the Company is due to the Disability of the Optionee, he shall have the right to exercise those of his Options which are then exercisable for a period of one year following the date the Optionee terminates service as a Non-Employee Director; provided, however, that in no event shall an Option be exercisable after five years from the Grant Date.

(ii) In the event that an Optionee terminates service as a Non-Employee Director by reason of his death, any Option held at death by such Optionee which is then exercisable shall be exercisable for a period of one year from the date of death by the person to whom the rights of the Optionee shall have passed by will or by the laws of descent and distribution; provided, however, that in no event shall an Option be exercisable after five years from the Grant Date.

(iii) In the event that an Optionee's service as a Non-Employee Director is terminated for Cause, each unexercised Option shall

terminate and cease to be exercisable; provided further, that in such event, in addition to immediate termination of the Option, the Optionee shall automatically forfeit all Shares otherwise subject to delivery upon exercise of an Option but for which the Sponsor has not yet delivered the Share certificates, upon refund by the Sponsor of the option price.

(g) Date of Exercise. The date of exercise of an Option granted under this Paragraph 8 shall be the date on which written notice of exercise, addressed to the Sponsor at its main office to the attention of its Secretary, is hand delivered, telecopied or mailed first class postage prepaid; provided, however, that the Sponsor shall not be obligated to deliver any certificates for Shares pursuant to the exercise of an Option until the Optionee shall have made payment in full of the option price for such Shares. Each such exercise shall be irrevocable when given. Each notice of exercise must (i) specify the Option being exercised; and (ii) include a statement as to the manner in which payment to the Sponsor shall be made (Shares or cash or a combination of Shares and cash). Each notice of exercise shall also comply with the requirements of Paragraph 15.

9. Limitation on Exercise of Incentive Stock Options.

The aggregate Fair Market Value (determined as of the time Options are granted) of the Shares with respect to which Incentive Stock Options may first become exercisable by an Optionee in any one calendar year under the Plan and any other plan of the Company shall not exceed \$100,000. The limitations imposed by this Paragraph 9 shall apply only to Incentive Stock Options granted under the Plan, and not to any other options or stock appreciation rights. In the event an individual receives an Option intended to be an Incentive Stock Option which is subsequently determined to have exceeded the limitation set forth above, or if an individual receives Options that first become exercisable in a calendar year (whether pursuant to the terms of an option document, acceleration of exercisability or other change in the terms and conditions of exercise or any other reason) that have an aggregate Fair Market Value (determined as of the time the Options are granted) that exceeds the limitations set forth above, the Options in excess of the limitation shall be treated as Non-Qualified Options.

10. Rights as Shareholders

An Optionee shall not have any right as a shareholder with respect to any Shares subject to his Options until the Option shall have been exercised in accordance with the terms of the Plan and the option document and the Optionee shall have paid the full purchase price for the number of Shares in respect of which the Option was exercised and the Optionee shall have made arrangements acceptable to the Sponsor for the payment of applicable taxes consistent with Paragraph 16.

## 11. Changes in Capitalization

(a) Except as provided in Paragraph 11(b), in the event that Shares are changed into or exchanged for a different number or kind of shares of stock or other securities of the Sponsor, whether through merger, consolidation, reorganization, recapitalization, stock dividend, stock split-up or other substitution of securities of the Sponsor, the Board shall make appropriate equitable anti-dilution adjustments to the number and class of shares of stock available for issuance under the Plan, and subject to outstanding Options, and to the option prices and the amounts payable pursuant to any Cash Rights. Any reference to the option price in the Plan and in option documents shall be a reference to the option price as so adjusted. Any reference to the term "Shares" in the Plan and in option documents shall be a reference to the appropriate number and class of shares of stock available for issuance under the Plan, as adjusted pursuant to this Paragraph 11. The Board's adjustment shall be effective and binding for all purposes of this Plan.

(b) Paragraph 11(a) shall not apply to the number of Shares that become subject to the grant of Options under Paragraph 8(a). Paragraph 11(a) shall apply for the purpose of making appropriate equitable anti-dilution adjustments to Options granted pursuant to Paragraph 8(a) before the effective date of the relevant event giving rise to the adjustment under Paragraph 11(a).

## 12. Terminating Events

(a) The Sponsor shall give Optionees at least thirty (30) days' notice (or, if not practicable, such shorter notice as may be reasonably practicable) prior to the anticipated date of the consummation of a Terminating Event. Upon receipt of such notice, and for a period of ten (10) days thereafter (or such shorter period as the Board shall reasonably determine and so notify the Optionees), each Optionee shall be permitted to exercise the Option to the extent the Option are then exercisable; provided that, the Sponsor may, by similar notice, require the Optionee to exercise the Option, to the extent the Option is then exercisable, or to forfeit the Option (or portion thereof, as applicable). The Committee may, in its discretion, provide that upon the Optionee's receipt of the notice of a Terminating Event under this Paragraph 12(a), the entire number of Shares covered by Options shall become immediately exercisable. Upon the close of the period described in this Paragraph 12(a) during which an Option may be exercised in connection with a Terminating Event, such Option (including such portion thereof that is not exercisable) shall terminate to the extent that such Option have not theretofore been exercised.

(b) Notwithstanding Paragraph 12(a), in the event the Terminating Event is not consummated, the Option shall be deemed not to have been exercised and shall be exercisable thereafter to the extent it would have been exercisable if no such notice had been given.

### 13. Interpretation

The Committee shall have the power to interpret the Plan and to make and amend rules for putting it into effect and administering it. It is intended that the Incentive Stock Options granted under the Plan shall constitute incentive stock options within the meaning of section 422 of the Code, and that Shares transferred pursuant to the exercise of Non-Qualified Options shall constitute property subject to federal income tax pursuant to the provisions of section 83 of the Code. The provisions of the Plan shall be interpreted and applied insofar as possible to carry out such intent.

### 14. Amendments

The Board or the Committee may amend the Plan from time to time in such manner as it may deem advisable. Nevertheless, neither the Board nor the Committee may, without obtaining approval within twelve months before or after such action by such vote of shareholders as may be required by Pennsylvania law for any action requiring shareholder approval, or by a majority of votes cast at a duly held shareholders' meeting at which a majority of all voting stock is present and voting on such amendment, either in person or in proxy (but not, in any event, less than the vote required pursuant to Rule 16b-3(b) under the 1934 Act) change the class of individuals eligible to receive an Incentive Stock Option, extend the expiration date of the Plan, decrease the minimum option price of an Incentive Stock Option granted under the Plan or increase the maximum number of shares as to which Options may be granted, except as provided in Paragraph 11 hereof. In addition, the provisions of Paragraph 8 that determine (i) which directors shall be granted Options; (ii) the number of Shares subject to Options; (iii) the option price of Shares subject to Options; and (iv) the timing of grants of Options shall not be amended more than once every six months, other than to comport with changes in the Code or the Employee Retirement Income Security Act of 1974, as amended, if applicable. No outstanding Option shall be affected by any such amendment without the written consent of the Optionee or other person then entitled to exercise such Option.

### 15. Securities Law

(a) In General. The Committee shall have the power to make each grant under the Plan subject to such conditions as it deems necessary or appropriate to comply with the then-existing requirements of the 1933 Act or the 1934 Act, including Rule 16b-3 (or any similar rule) of the Securities and Exchange Commission.

(b) Acknowledgment of Securities Law Restrictions on Exercise. To the extent required by the Committee, unless the Shares subject to the Option are covered by a then current registration statement or a Notification under Regulation A under the 1933 Act, each notice of exercise of an Option shall contain the Optionee's acknowledgment in form and substance satisfactory to the Committee that:

(i) the Shares subject to the Option are being purchased for investment and not for distribution or resale (other than a distribution or resale which, in the opinion of counsel satisfactory to the Sponsor, may be made without violating the registration provisions of the Act);

(ii) the Optionee has been advised and understands that (A) the Shares subject to the Option have not been registered under the 1933 Act and are "restricted securities" within the meaning of Rule 144 under the 1933 Act and are subject to restrictions on transfer and (B) the Sponsor is under no obligation to register the Shares subject to the Option under the 1933 Act or to take any action which would make available to the Optionee any exemption from such registration;

(iii) the certificate evidencing the Shares may bear a restrictive legend; and

(iv) the Shares subject to the Option may not be transferred without compliance with all applicable federal and state securities laws.

(c) Delay of Exercise Pending Registration of Securities. Notwithstanding any provision in the Plan or an option document to the contrary, if the Committee determines, in its sole discretion, that issuance of Shares pursuant to the exercise of an Option should be delayed pending registration or qualification under federal or state securities laws or the receipt of a legal opinion that an appropriate exemption from the application of federal or state securities laws is available, the Committee may defer exercise of any Option until such Shares are appropriately registered or qualified or an appropriate legal opinion has been received, as applicable.

#### 16. Withholding of Taxes on Exercise of Option

(a) Whenever the Company proposes or is required to deliver or transfer Shares in connection with the exercise of an Option, the Company shall have the right to (i) require the recipient to remit to the Sponsor an amount sufficient to satisfy any federal, state and local withholding tax requirements prior to the delivery or transfer of any certificate or certificates for such Shares or (ii) take any action whatever that it deems necessary to protect its interests with respect to tax liabilities. The Sponsor's obligation to make any delivery or transfer of Shares on the exercise of an Option shall be conditioned on the recipient's compliance, to the Sponsor's satisfaction, with any withholding requirement. In addition, if the Committee grants Options or amends option documents to permit Options to be transferred during the life of the Optionee, the Committee may include in such option documents such provisions as it determines are necessary or appropriate to permit the Company to deduct compensation expenses recognized upon exercise of such Options for federal or state income tax purposes.

(b) Except as otherwise provided in this Paragraph 16(b), any tax liabilities incurred in connection with the exercise of an Option under the Plan other than an Incentive Stock Option shall be satisfied by the Sponsor's withholding a portion of the Shares underlying the Option exercised having a Fair Market Value approximately equal to the minimum amount of taxes required to be withheld by the Sponsor under applicable law, unless otherwise determined by the Committee with respect to any Optionee. Notwithstanding the foregoing, the Committee may permit an Optionee to elect one or both of the following: (i) to have taxes withheld in excess of the minimum amount required to be withheld by the Sponsor under applicable law; provided that the Optionee certifies in writing to the Sponsor that the Optionee owns a number of Other Available Shares having a Fair Market Value that is at least equal to the Fair Market Value of Option Shares to be withheld by the Company for the then-current exercise on account of withheld taxes in excess of such minimum amount, and (ii) to pay to the Sponsor in cash all or a portion of the taxes to be withheld upon the exercise of an Option. In all cases, the Shares so withheld by the Company shall have a Fair Market Value that does not exceed the amount of taxes to be withheld minus the cash payment, if any, made by the Optionee. Any election pursuant to this Paragraph 16(b) must be in writing made prior to the date specified by the Committee, and in any event prior to the date the amount of tax to be withheld or paid is determined. An election pursuant to this Paragraph 16(b) may be made only by an Optionee or, in the event of the Optionee's death, by the Optionee's legal representative. No Shares withheld pursuant to this Paragraph 16(b) shall be available for subsequent grants under the Plan. The Committee may add such other requirements and limitations regarding elections pursuant to this Paragraph 16(b) as it deems appropriate.

#### 17. Effective Date and Term of Plan

This amendment and restatement of the Plan is effective as of December 15, 1998. The Plan shall expire no later than the tenth anniversary of the date the Plan was initially adopted by the Board, unless sooner terminated by the Board. Any Option granted before the approval of the Plan by the Sponsor's shareholders shall be expressly conditioned upon, and shall not be exercisable until, such approval. If such shareholder approval is not received within 12 months before or after the date of the initial adoption of the Plan by the Board, all Options granted under the Plan shall expire.

#### 18. General

Each Option shall be evidenced by a written instrument containing such terms and conditions not inconsistent with the Plan as the Committee may determine. The issuance of Shares on the exercise of an Option shall be subject to all of the applicable requirements of the corporation law of the Sponsor's state of incorporation and other applicable laws, including

federal or state securities laws, and all Shares issued under the Plan shall be subject to the terms and restrictions contained in the Articles of Incorporation and By-Laws of the Sponsor, as amended from time to time.

Executed as of the 15th day of December, 1998.

COMCAST CORPORATION

By: /s/ Stanley Wang

Attest: /s/ Arthur R. Block

COMCAST CORPORATION  
1996 DEFERRED COMPENSATION PLAN

(As Amended and Restated, Effective December 15, 1998)

1. ESTABLISHMENT OF PLAN

COMCAST CORPORATION, a Pennsylvania corporation, hereby amends and restates the Comcast Corporation 1996 Deferred Compensation Plan (the "Plan"), effective as of December 15, 1998. The Plan was adopted effective as of August 15, 1996, to permit outside directors and eligible employees to defer the receipt of compensation otherwise payable to such outside directors and eligible employees in accordance with the terms of the Plan. The Plan is a continuation of the Prior Plan, which was initially effective as of February 12, 1974. The Plan is unfunded and is maintained primarily for the purpose of providing deferred compensation to outside directors and to a select group of management or highly compensated employees.

2. DEFINITIONS

2.1 "Account" means the bookkeeping accounts established pursuant to Section 5.1 and maintained by the Administrator in the names of the respective Participants, to which all amounts deferred and earnings allocated under the Plan shall be credited, and from which all amounts distributed under the Plan shall be debited.

2.2 "Active Participant" means:

2.2.1 Each Participant who is in active service as an Outside Director; and

2.2.2 Each Participant who is actively employed by a Participating Company as an Eligible Employee.

2.3 "Administrator" means the Committee.

2.4 "Affiliate" means, with respect to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, the term "control," including its correlative terms "controlled by" and "under common control with," mean, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management

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and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

2.5 "Annual Rate of Pay" means, as of any date, an employee's annualized base pay rate. An employee's Annual Rate of Pay shall not include sales commissions or other similar payments or awards.

2.6 "Applicable Interest Rate" means:

2.6.1 Except as otherwise provided in Section 2.6.2, the Applicable Interest Rate means 12% per annum, compounded annually as of the last day of the Plan Year.

2.6.2 Except to the extent otherwise required by Section 9.2, effective for the period extending from a Participant's employment termination date to the date the Participant's Account is distributed in full, the Administrator, in its sole discretion, may designate the term "Applicable Interest Rate" for such Participant's Account to mean the lesser of (1) the rate in effect under Section 2.6.1 or (2) the Prime Rate plus one percent, compounded annually as of the last day of the Plan Year. Notwithstanding the foregoing, the Administrator may delegate its authority to determine the Applicable Interest Rate under this Section 2.6.2 to an officer of the Company or committee of two or more officers of the Company.

2.7 "Board" means the Board of Directors of the Company, or the Executive Committee of the Board of Directors of the Company.

2.8 "Change of Control" means any transaction or series of transactions as a result of which any Person who was a Third Party immediately before such transaction or series of transactions directly or indirectly owns then-outstanding securities of the Company having more than 50 percent of the voting power for the election of directors of the Company.

2.9 "Committee" means the Subcommittee on Performance Based Compensation of the Compensation Committee of the Board of Directors of the Company.

2.10 "Company" means Comcast Corporation, a Pennsylvania corporation, including any successor thereto by merger, consolidation, acquisition of all or substantially all the assets thereof, or otherwise.

2.11 "Company Stock" means Comcast Corporation Class A Special Common Stock, par value, \$1.00, including a fractional share, or such other securities issued by Comcast



Corporation as may be the subject to adjustment in the event that shares of Company Stock are changed into or exchanged for a different number or kind of shares of stock or other securities of the Company, whether through merger, consolidation, reorganization, recapitalization, stock dividend, stock split-up or other substitution of securities of the Company. In such event, the Committee shall make appropriate equitable anti-dilution adjustments to the number and class of hypothetical shares of Company Stock credited to Participants' Accounts under the Company Stock Fund. Any reference to the term "Company Stock" in the Plan shall be a reference to the appropriate number and class of shares of stock as adjusted pursuant to this Section 2.12. The Committee's adjustment shall be effective and binding for all purposes of the Plan.

2.12 "Company Stock Fund" means a hypothetical investment fund pursuant to which income, gains and losses are credited to a Participant's Account as if the Account, to the extent deemed invested in the Company Stock Fund, were invested in hypothetical shares of Company Stock, and all dividends and other distributions paid with respect to Company Stock were held uninvested in cash, and reinvested in additional hypothetical shares of Company Stock as of the next succeeding December 31 (to the extent the Account continues to be deemed invested in the Company Stock Fund through such December 31), based on the Fair Market Value for such December 31.

2.13 "Compensation" means:

2.13.1 In the case of an Outside Director, the total cash remuneration for services as a member of the Board and as a member of any Committee of the Board; and

2.13.2 In the case of an Eligible Employee, the total cash remuneration for services payable by a Participating Company, excluding sales commissions or other similar payments or awards.

2.14 "Deceased Participant" means:

2.14.1 A Participant whose employment, or, in the case of a Participant who was an Outside Director, a Participant whose service as an Outside Director, is terminated by death; or

2.14.2 An Inactive Participant who dies following termination of active service.

2.15 "Disabled Participant" means:

2.15.1 A Participant whose employment or, in the case of a Participant who is an Outside Director, a Participant whose service as an Outside Director, is terminated by reason of disability;

- 2.15.2 An Inactive Participant who becomes disabled (as determined by the Committee) following termination of active service; or
- 2.15.3 The duly-appointed legal guardian of an individual described in Section 2.15.1 or 2.15.2 acting on behalf of such individual.

2.16 "Election" means a written election on a form provided by the Administrator, filed with the Administrator in accordance with Article 3, pursuant to which an Outside Director or an Eligible Employee may:

- 2.16.1 Elect to defer all or any portion of the Compensation payable for the performance of services as an Outside Director or as an Eligible Employee following the time that such election is filed;
- 2.16.2 Designate the time that part or all of the Account shall be distributed; and
- 2.16.3 Designate the manner in which income, gains and losses will be credited to the Account.

2.17 "Eligible Employee" means:

- 2.17.1 Each employee of a Participating Company who, as of December 31, 1989, was eligible to participate in the Prior Plan;
- 2.17.2 Each employee of a Participating Company who was, at any time before January 1, 1995, eligible to participate in the Prior Plan and whose Annual Rate of Pay is \$90,000 or more as of both (1) the date on which an Election with respect to the deferral of Compensation is filed with the Administrator and (2) the first day of each calendar year beginning after December 31, 1994.
- 2.17.3 Each employee of a Participating Company whose Annual Rate of Pay is \$125,000 or more as of both (1) the date on which an Election is filed with the Administrator and (2) the first day of the Plan Year in which such Election is filed.
- 2.17.4 Each New Key Employee.
- 2.17.5 Each other employee of a Participating Company who is designated by the Committee, in its discretion, as an Eligible Employee.

2.18 "Fair Market Value."

- 2.18.1 If shares of Company Stock are listed on a stock exchange, Fair Market Value shall be determined based on the last reported sale price of a Share on the principal exchange on which Shares are listed on the last trading day prior to the date of determination; or
- 2.18.2 If shares of Company Stock are not so listed, but trades of Shares are reported on the Nasdaq National Market, the last quoted sale price of a share on the Nasdaq National Market on the last trading day prior to the date of determination.
- 2.18.3 If shares of Company Stock are not so listed nor trades of Shares so reported, Fair Market value shall be determined by the Committee in good faith.

2.19 "Former Eligible Employee" means an employee of a Participating Company who, as of any relevant date, does not satisfy the requirements of an "Eligible Employee" but who previously met such requirements under the Plan or the Prior Plan.

2.20 "Grandfathered Participant" means an Inactive Participant who, on or before December 31, 1991, entered into a written agreement with the Company to terminate service to the Company or gives written notice of intention to terminate service to the Company, regardless of the actual date of termination of service.

2.21 "Hardship" means a Participant's serious financial hardship, as determined by the Board on a uniform and nondiscriminatory basis pursuant to the Participant's request under Section 7.3.

2.22 "Inactive Participant" means each Participant who is not in active service as an Outside Director and is not actively employed by a Participating Company.

2.23 "Income Fund" means a hypothetical investment fund pursuant to which income, gains and losses are credited to a Participant's Account as if the Account, to the extent deemed invested in the Income Fund, were credited with interest at the Applicable Interest Rate.

2.24 "Insider" means an Eligible Employee or Outside Director who is subject to the short-swing profit recapture rules of section 16(b) of the Securities Exchange Act of 1934, as amended.

2.25 "New Key Employee" means each employee of a Participating Company hired on or after August 15, 1996 whose annual rate of pay on his date of hire is \$125,000 or more.

2.26 "Normal Retirement" means:

2.26.1 For a Participant who is an employee of a Participating Company immediately preceding his termination of employment, a termination of employment that is treated by the Participating Company as a retirement under its employment policies and practices as in effect from time to time; and

2.26.2 For a Participant who is an Outside Director immediately preceding his termination of service, his normal retirement from the Board.

2.27 "Outside Director" means a member of the Board who is not an employee of a Participating Company.

2.28 "Parent Company" means all corporations that, at the time in question, are parent corporations of the Company within the meaning of section 424(e) of the Code.

2.29 "Participant" means each individual who has made an Election, and who has an undistributed amount credited to an Account under the Plan, including an Active Participant, a Deceased Participant, a Disabled Participant, a Grandfathered Participant and an Inactive Participant.

2.30 "Participating Company" means:

2.30.1 the Company;

2.30.2 Comcast Cable Communications, Inc. and its subsidiaries;

2.30.3 Comcast Cellular Communications, Inc. and its subsidiaries;

2.30.4 Comcast International Holdings, Inc.;

2.30.5 Comcast UK Cable Partners Consulting, Inc.;

2.30.6 Comcast Online Communications, Inc.;

2.30.7 Comcast Satellite Communications, Inc.;

2.30.8 Comcast Telephony Communications, Inc. and its subsidiaries; and

2.30.9 any other entities identified in the discretion of the Subcommittee.

2.31 "Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization.

2.32 "Plan" means the Comcast Corporation 1996 Deferred Compensation Plan, as set forth herein, and as may be amended from time to time.

2.33 "Plan Year" means the calendar year.

2.34 "Prime Rate" means the annual rate of interest identified by PNC Bank as its prime rate as of a Participant's employment termination date and as of the first day of each calendar year beginning thereafter.

2.35 "Prior Plan" means the Comcast Corporation Deferred Compensation Plan.

2.36 "Retired Participant" means a Participant who has terminated service pursuant to a Normal Retirement.

2.37 "Roberts Family." Each of the following is a member of the Roberts Family:

2.37.1 Ralph J. Roberts;

2.37.2 A lineal descendant of Ralph J. Roberts; or

2.37.3 A trust established for the benefit of any of Ralph J. Roberts and/or a lineal descendant or descendants of Ralph J. Roberts.

2.38 "Severance Pay" means any amount identified by a Participating Company as severance pay, or any amount which is payable on account of periods beginning after the last date on which an employee (or former employee) is required to report for work for a Participating Company.

2.39 "Subsidiary Companies" means all corporations that, at the time in question, are subsidiary corporations of the Company within the meaning of section 424(f) of the Code.

2.40 "Terminating Event" means any of the following events:

2.40.1 The liquidation of the Company; or

2.40.2 A Change of Control.

2.41 "Third Party" means any Person, together with such Person's Affiliates, provided that the term "Third Party" shall not include the Company, an Affiliate of the Company or any member or members of the Roberts Family.

### 3. ELECTION TO DEFER COMPENSATION

3.1 Elections. Each Outside Director and Eligible Employee shall have the right to defer all or any portion of the Compensation (including bonuses, if any) which he or she shall receive in the following Plan Year by filing an Election at the time and in the manner described in this Article 3; provided that Severance Pay shall be included as "Compensation" for purposes of this Section 3.1 only to the extent permitted by the Administrator in its sole discretion. The amount of Compensation deferred by a Participant for a Plan Year pursuant to an Election shall be withheld on a pro-rata basis from each periodic installment payment of the Participant's Compensation for the Plan Year (in accordance with the general pay practices of the Participating Companies), and credited to the Participant's Account in accordance with Section 5.1. Except to the extent permitted by the Administrator in its sole discretion, no Election filed by a Former Eligible Employee shall be valid or effective.

3.2 Filing of Elections. An Election to defer all or any portion of the Compensation payable for the performance of services as an Outside Director or as an Eligible Employee shall be made on the form provided by the Administrator for this purpose. Except as provided in Section 3.3, no such Election shall be effective unless it is filed with the Administrator on or before the close of business on December 31 of the Plan Year preceding the Plan Year to which the Election applies.

3.3 Filing of Elections by New Key Employees. Notwithstanding Section 3.1 and Section 3.2, a New Key Employee may elect to defer all or any portion of his or her compensation to be earned in the Plan Year in which the New Key Employee was hired, beginning with the payroll period next following the filing of an Election with the Administrator and before the close of such Plan Year by making and filing the Election with the Administrator within 30 days of such New Key Employee's date of hire. Elections by such New Key Employee for succeeding Plan Years shall be made in accordance with Section 3.1 and Section 3.2.

3.4 Plan Years to which Elections May Apply. A separate Election may be made for each Plan Year as to which an Outside Director or Eligible Employee desires to defer all or any portion of his or her Compensation, but the failure of an Outside Director or Eligible Employee to make an Election for any Plan Year shall not affect such Employee's right to make an Election for any other Plan Year.

3.5 Election of Distribution Date. Each Participant who elects to defer all or any portion of his or her Compensation for any Plan Year shall, on the Election, also elect the time of payment and form of distribution of the amount of the deferred Compensation to which the particular Election relates; provided, however, that, subject to acceleration pursuant to

Section 3.6.3, Section 3.6.4, Section 7.1, Section 7.2 or Section 7.3, no distribution may commence earlier than January 2nd of the second calendar year beginning after the date the Election is filed with the Administrator, nor later than January 2nd of the eleventh calendar year beginning after the date the Election is filed with the Administrator. Each Participant may select a form of distribution in accordance with Article 4.

### 3.6 Designation of Payment Date.

- 3.6.1 The designation of the time for distribution of benefits to begin under the Plan may vary with each separate Election, provided that except as otherwise provided in Section 3.6.3 or 3.6.4, no portion of a Participant's Account subject to distribution in installments pursuant to Section 4.1.2 or Section 4.1.3 may be deferred to a later date after such distribution has begun.
- 3.6.2 Each Active Participant who has previously elected to receive a distribution of part or all of his or her Account, or who, pursuant to this Section 3.6.2, has elected to defer payment for an additional period from the originally-elected payment date, may elect to change the form of distribution or defer the time of payment of such amount to begin for a minimum of one and a maximum of ten additional years from the previously-elected payment date, by filing an Election with the Administrator on or before the close of business on June 30 of the Plan Year preceding the Plan Year in which the distribution would otherwise be made, provided that an Election applicable to the 1997 Plan Year shall not be effective unless it is filed with the Administrator on or before the close of business on October 15, 1996.
- 3.6.3 A Deceased Participant's estate or beneficiary to whom the right to payment under the Plan shall have passed may elect to change the form of distribution from the form of distribution that payment of the Deceased Participant's Account would otherwise be made, and
  - 3.6.3.1 Defer the time of payment of the Deceased Participant's Account to begin for a minimum of one additional year from the date payment would otherwise begin (provided that if an Election is made pursuant to this Section 3.6.3.1, the Deceased Participant's Account shall be distributed in full on or before the fifth anniversary of the Deceased Participant's death);  
or

3.6.3.2 Accelerate the time of payment of such amount to begin from the date payment would otherwise be made to January 2nd of the calendar year beginning after the Deceased Participant's death.

An Election pursuant to this Section 3.6.3 must be filed with the Administrator on or before the close of business on (i) the June 30 following the Participant's death on or before May 1 of a calendar year, (ii) the 60th day following the Participant's death after May 1 and before November 2 of a calendar year or (iii) the December 31 following the Participant's death after November 1 of a calendar year. Such estate or beneficiary, as applicable, shall be entitled to one and only one Election pursuant to this Section 3.6.3 with respect to a Participant's Account, but shall otherwise be treated as the Participant for all other purposes of the Plan.

3.6.4 A Disabled Participant may elect to:

3.6.4.1 Change the form of distribution from the form of distribution that payment of the Disabled Participant's Account would otherwise be made; and

3.6.4.2 Accelerate the time of payment of the Disabled Participant's Account to begin from the date payment would otherwise be made to January 2nd of the calendar year beginning after the Participant became disabled.

An Election pursuant to this Section 3.6.4 must be filed with the Administrator on or before the close of business on the later of (i) the June 30 following the date the Participant becomes a Disabled Participant if the Participant becomes a Disabled Participant on or before May 1 of a calendar year, (ii) the 60th day following the date the Participant becomes a Disabled Participant if the Participant becomes a Disabled Participant after May 1 and before November 2 of a calendar year or (iii) the December 31 following the date the Participant becomes a Disabled Participant if the Participant becomes a Disabled Participant after November 1 of a calendar year.

3.6.5 A Retired Participant may elect to:

- 3.6.5.1 Change the form of distribution from the form of distribution that payment of the Retired Participant's Account would otherwise be made, and
- 3.6.5.2 Defer the time of payment of the Retired Participant's Account to begin for a minimum of one additional year from the date payment would otherwise begin (provided that if an Election is made pursuant to this Section 3.6.5.2, the Retired Participant's Account shall be distributed in full on or before the fifth anniversary of the Retired Participant's Normal Retirement).

An Election pursuant to this Section 3.6.5 must be filed with the Administrator on or before the close of business on the later of (i) the June 30 following the Participant's Normal Retirement on or before May 1 of a calendar year, (ii) the 60th day following the Participant's Normal Retirement after May 1 and before November 2 of a calendar year or (iii) the December 31 following a Participant's Normal Retirement after November 1 of a calendar year.

- 3.6.6 Except as provided in Section 3.6.4, Section 3.6.5 or Section 3.6.7, or if permitted by the Administrator in its sole discretion pursuant to this Section 3.6.6, no Inactive Participant who has previously elected to receive a distribution of part or all of his her Account, or who, pursuant to this Section 3.6.6, has elected to defer payment for an additional period from the originally elected payment date, may elect to defer the payment of such amount to any subsequent date. An Inactive Participant, if permitted by the Administrator in its sole discretion, may elect to defer the payment of such amount for a minimum of one and a maximum of ten additional years from the previously-elected payment date, but not later than the date permitted by the Administrator, by filing an Election with the Administrator on or before the close of business on June 30 of the Plan Year preceding the Plan Year in which the distribution would otherwise be made.
- 3.6.7 Except as provided in Section 3.6.4 or Section 3.6.6, no Grandfathered Participant who has previously elected to receive a distribution of part or all of his or her Account, or who, pursuant to this Section 3.6, has elected to defer payment for an additional period from the originally-elected payment date, may elect to defer the payment of such amount to any subsequent date.

3.6.8 Subject to acceleration pursuant to Section 3.6.3, Section 3.6.4, Section 7.1, Section 7.2 or Section 7.3, no distribution of the amounts deferred by a Participant for any Plan Year shall be made before the payment date designated by the Participant on the most recently filed Election with respect to such deferred amounts. Distribution of the amounts deferred for any Plan Year by a Participant (other than a Grandfathered Participant and an Inactive Participant who makes an Election under Section 3.6.5) who ceases to be an Active Participant shall be made on the payment date designated by the Participant on the last Election filed with respect to such deferred amounts before the Participant ceased to be an Active Participant.

3.7 Distribution in Full Upon Terminating Event. The Company shall give Participants at least thirty (30) days' notice (or, if not practicable, such shorter notice as may be reasonably practicable) prior to the anticipated date of the consummation of a Terminating Event. The Committee may, in its discretion, provide in such notice that notwithstanding any other provision of the Plan or the terms of any Election, upon the consummation of a Terminating Event, the Account balance of each Participant shall be distributed in full.

#### 4. FORMS OF DISTRIBUTION

4.1 Forms of Distribution. Amounts credited to an Account shall be distributed, pursuant to an Election, from among the following forms of distribution:

- 4.1.1 A lump sum payment.
- 4.1.2 Substantially equal annual installments over a five (5), ten (10) or fifteen (15) year period.
- 4.1.3 Substantially equal monthly installments over a period not exceeding fifteen (15) years.

Notwithstanding any Election to the contrary, distributions pursuant to Elections made after December 10, 1996 shall be made in the form of a lump sum payment unless the portion of a Participant's Account subject to distribution pursuant to Section 4.1.2 or Section 4.1.3, as of both the date of the Election and the benefit commencement date, is more than \$10,000.

4.2 Valuation of Account For Purposes of Distribution. The amount of any distribution made pursuant to Section 4.1 shall be based on the value of the Participant's Account on the date of distribution and the applicable distribution period. For this purpose, the value of a Participant's Account shall be calculated by crediting income, gains and losses under the

Company Stock Fund and the Income Fund, as applicable, through the date immediately preceding the date of distribution.

## 5. BOOK ACCOUNTS

5.1 Deferred Compensation Account. A deferred Compensation Account shall be established for each Outside Director and Eligible Employee when such Outside Director or Eligible Employee becomes a Participant. The balance of each Participant's Account as of January 1, 1997 shall include the balance of such Participant's account under the Prior Plan as of December 31, 1996. Compensation deferred pursuant to the Plan shall be credited to the Account on the date such Compensation would otherwise have been payable to the Participant. Income, gains and losses on the balance of the Account shall be credited to the Account as provided in Section 5.2.

### 5.2 Crediting of Income, Gains and Losses on Accounts.

5.2.1 In General. Except as otherwise provided in this Section 5.2, the Administrator shall credit income, gains and losses with respect to each Participant's Account as if it were invested in the Income Fund.

#### 5.2.2 Investment Fund Elections.

5.2.2.1 Each Active Participant, other than an Active Participant who is an Insider, may elect to have all or any portion of his Account (to the extent credited through the December 31 preceding the effective date of such Election) credited with income, gains and losses as if it were invested in the Company Stock Fund or the Income Fund.

5.2.2.2 An investment fund Election shall continue in effect until revoked or superseded, provided that notwithstanding any investment fund Election to the contrary, as of the valuation date (as determined under Section 4.2) for the distribution of all or any portion of a Participant's Account that is subject to distribution in the form of installments described in Section 4.1.2 or 4.1.2, such Account, or portion thereof, shall be deemed invested in the Income Fund (and transferred from the Company Stock Fund to the Income Fund, to the extent necessary) until such Account, or portion thereof, is distributed in full.

- 5.2.2.3 In the absence of an effective Election, a Participant shall be deemed to have elected to have the Account credited with income, gains and losses as if it were invested in the Income Fund.
  - 5.2.2.4 Investment fund Elections under this Section 5.2.2 shall be effective as of the first day of each Plan Year beginning on and after January 1, 1997, provided that the election is filed with the Committee on or before the close of business on December 31 of the Plan Year preceding such Plan Year. An Active Participant may only make an investment fund Election with respect to the Participant's accumulated Account as of December 31, and not with respect to Compensation to be deferred for a Plan Year.
  - 5.2.2.5 If an Active Participant who was not an Insider becomes an Insider, then, notwithstanding the foregoing, such Active Participant may elect to transfer the portion of his Account, if any, deemed invested in the Company Stock Fund to be deemed invested in the Income Fund, effective as of the first day of any calendar month beginning after such Active Participant becomes an Insider.
  - 5.2.2.6 If a Participant ceases to continue in service as an Active Participant, then, notwithstanding any Election to the contrary, such Participant's Account shall be deemed invested in the Income Fund, effective as of the first day of any calendar year beginning after such Participant ceases to continue in service as an Active Participant.
- 5.2.3 Timing of Credits. Compensation deferred pursuant to the Plan shall be deemed invested in the Income Fund on the date such Compensation would otherwise have been payable to the Participant. Accumulated Account balances subject to an investment fund Election under Section 5.2.2 shall be deemed invested in the applicable investment fund as of the effective date of such Election. The value of amounts deemed invested in the Company Stock Fund shall be based on hypothetical purchases and sales of Company Stock at Fair Market Value as of the effective date of an investment Election.

5.3 Status of Deferred Amounts. Regardless of whether or not the Company is a Participant's employer, all Compensation deferred under this Plan shall continue for all purposes to be a part of the general funds of the Company.

5.4 Participants' Status as General Creditors. Regardless of whether or not the Company is a Participant's employer, an Account shall at all times represent the general obligation of the Company. The Participant shall be a general creditor of the Company with respect to this obligation, and shall not have a secured or preferred position with respect to his or her Accounts. Nothing contained herein shall be deemed to create an escrow, trust, custodial account or fiduciary relationship of any kind. Nothing contained herein shall be construed to eliminate any priority or preferred position of a Participant in a bankruptcy matter with respect to claims for wages.

#### 6. NON-ASSIGNABILITY, ETC.

The right of each Participant in or to any account, benefit or payment hereunder shall not be subject in any manner to attachment or other legal process for the debts of such Participant; and no Account, benefit or payment shall be subject to anticipation, alienation, sale, transfer, assignment or encumbrance.

#### 7. DEATH OR DISABILITY OF PARTICIPANT

7.1 Death of Participant. A Deceased Participant's Account shall be distributed in accordance with the last Election made by the Deceased Participant before the Deceased Participant's death, unless the Deceased Participant's estate or beneficiary to whom the right to payment under the Plan shall have passed timely elects to accelerate or defer the time or change the form of payment pursuant to Section 3.6.3.

7.2 Disability of Participant. A Disabled Participant's Account shall be distributed in accordance with the last Election made by the Disabled Participant before the Disabled Participant's termination of service or date of disability, as applicable, unless the Disabled Participant timely elects to accelerate the time or change the form of payment pursuant to Section 3.6.4.

7.3 Hardship Distributions. Notwithstanding the terms of an Election, if, at the Participant's request, the Board determines that the Participant has incurred a Hardship, the Board may, in its discretion, authorize the immediate distribution of all or any portion of the Participant's Account.

7.4 Designation of Beneficiaries. Each Participant shall have the right to designate one or more beneficiaries to receive distributions in the event of the Participant's death by filing with the Administrator a beneficiary designation on the form provided by the Administrator for such purpose. The designation of beneficiary or beneficiaries may be changed

by a Participant at any time prior to his or her death by the delivery to the Administrator of a new beneficiary designation form. If no beneficiary shall have been designated, or if no designated beneficiary shall survive the Participant, the Participant's estate shall be deemed to be the beneficiary.

#### 8. INTERPRETATION

8.1 Authority of Committee. The Committee shall have full and exclusive authority to construe, interpret and administer this Plan and the Committee's construction and interpretation thereof shall be binding and conclusive on all persons for all purposes.

8.2 Claims Procedure. The Committee shall administer a reasonable claims procedure with respect to the Plan in accordance with Department of Labor Regulation section 2560.503-1, or any successor provision.

#### 9. AMENDMENT OR TERMINATION

9.1 Amendment or Termination. Except as otherwise provided by Section 9.2, the Company, by action of the Board or by action of the Committee, reserves the right at any time, or from time to time, to amend or modify this Plan. The Company, by action of the Board, reserves the right at any time, or from time to time terminate this Plan.

9.2 Amendment of Rate of Credited Earnings. No amendment shall change the Applicable Interest Rate with respect to the portion of a Participant's Account that is attributable to an Election made with respect to Compensation earned in a Plan Year and filed with the Administrator before the date of adoption of such amendment by the Board. For purposes of this Section 9.2, an Election to defer the payment of part or all of an Account for an additional period after a previously-elected payment date (as described in Section 3.6) shall be treated as a separate Election from any previous Election with respect to such Account.

#### 10. MISCELLANEOUS PROVISIONS

10.1 No Right to Continued Employment. Nothing contained herein shall be construed as conferring upon any Participant the right to remain in service as an Outside Director or in the employment of a Participating Company as an executive or in any other capacity.

10.2 Governing Law. This Plan shall be interpreted under the laws of the Commonwealth of Pennsylvania.

11. EFFECTIVE DATE

The effective date of the Plan this amendment and restatement of the Plan shall be December 15, 1998.

IN WITNESS WHEREOF, COMCAST CORPORATION has caused this Plan to be executed by its officers thereunto duly authorized, and its corporate seal to be affixed hereto, as of the 15th day of December, 1998.

COMCAST CORPORATION

BY: /s/ Stanley Wang

ATTEST: /s/ Arthur R. Block

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COMCAST CORPORATION  
1990 RESTRICTED STOCK PLAN

(As Amended and Restated, Effective December 15, 1998)

1. PURPOSE

The purpose of the Plan is to promote the ability of Comcast Corporation (the "Company") to retain certain key employees and enhance the growth and profitability of the Company by providing the incentive of long-term awards for continued employment and the attainment of performance objectives.

2. DEFINITIONS

(a) "Active Grantee" means each Grantee who is actively employed by a Participating Company.

(b) "Affiliate" means, with respect to any Person, any other person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, the term "control," including its correlative terms "controlled by" and "under common control with," mean, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

(c) "Award" means an award of Restricted Stock granted under the Plan.

(d) "Board" means the Board of Directors of the Company.

(e) "Change of Control" means any transaction or series of transactions as a result of which any Person who was a Third Party immediately before such transaction or series of transactions directly or indirectly owns then-outstanding securities of the Company having more than 50 percent of the voting power for the election of directors of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Comcast Plan" means any restricted stock, stock bonus, stock option or other compensation plan, program or arrangement established or maintained by the Company or an Affiliate, including but not limited to this Plan, the Comcast Corporation 1997 Deferred Stock Option Plan, the Comcast Corporation 1996 Stock Option Plan and the Comcast Corporation 1987 Stock Option Plan.

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(h) "Committee" means the Subcommittee on Performance Based Compensation of the Compensation Committee of the Board.

(i) "Company" means Comcast Corporation, a Pennsylvania corporation, including any successor thereto by merger, consolidation, acquisition of all or substantially all the assets thereof, or otherwise.

(j) "Date of Grant" means the date on which an Award is granted.

(k) "Deceased Grantee" means:

(i) A Grantee whose employment by a Participating Company is terminated by death; or

(ii) A Grantee who dies following termination of employment by a Participating Company.

(l) "Disabled Grantee" means:

(i) A Grantee whose employment by a Participating Company is terminated by reason of disability;

(ii) A Grantee who becomes disabled (as determined by the Committee) following termination of employment by a Participating Company; or

(iii) The duly-appointed legal guardian of an individual described in Paragraph 2(l)(i) or 2(l)(ii) acting on behalf of such individual.

(m) "Election" means a written election on a form provided by the Committee, filed with the Committee in accordance with Paragraph 8, pursuant to which a Grantee:

(i) Elects, within the time or times specified in Paragraph 8, to defer the distribution date of Restricted Stock; and

(ii) Designates the distribution date of Restricted Stock.

(n) "Eligible Employee" means a management employee of a Participating Company, as determined by the Committee.

(o) "Grantee" means an Eligible Employee who is granted an Award.



(p) "Normal Retirement" means a Grantee's termination of employment that is treated by the Participating Company as a retirement under its employment policies and practices as in effect from time to time.

(q) "Other Available Shares" means, as of any date, the excess, if any of:

(i) the total number of Shares owned by a Grantee; over

(ii) the sum of:

(x) the number of Shares owned by such Grantee for less than six months; plus

(y) the number of Shares owned by such Grantee that has, within the preceding six months, been the subject of a withholding certification pursuant to Paragraph 9(c)(ii) or any similar withholding certification under any other Comcast Plan; plus

(z) the number of Shares owned by such Grantee that has, within the preceding six months, been received in exchange for Shares surrendered as payment, in full or in part, of the exercise price for an option to purchase any securities of the Company or an Affiliate under any Comcast Plan, but only to the extent of the number of Shares surrendered.

For purposes of this Paragraph 2(q), a Share that is subject to a deferral election pursuant to Paragraph 8 or another Comcast Plan shall not be treated as owned by a Grantee until all conditions to the delivery of such Share have lapsed. For purposes of Paragraph 9(c), the number of Other Available Shares shall be determined separately for the Company's Class A Special Common Stock, par value, \$1.00, and for the Company's Class A Common Stock, par value, \$1.00.

(r) "Parent Company" means all corporations that, at the time in question, are parent corporations of the Company within the meaning of section 424(e) of the Code.

(s) "Participating Company" means the Company and each of the Parent Companies and Subsidiary Companies.

(t) "Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization.

(u) "Plan" means the Comcast Corporation 1990 Restricted Stock Plan, as set forth herein, and as amended from time to time.

(v) "Plan Year" means the 365-day period (or the 366-day period) extending from January 3 to the next following January 2.

(w) "Restricted Stock" means Shares subject to restrictions as set forth in an Award.

(x) "Retired Grantee" means a Grantee who has terminated employment pursuant to a Normal Retirement.

(y) "Roberts Family." Each of the following is a member of the Roberts Family:

(i) Ralph J. Roberts;

(ii) a lineal descendant of Ralph J. Roberts; or

(iii) a trust established for the benefit of any of Ralph J. Roberts and/or a lineal descendant or descendants of Ralph J. Roberts.

(z) "Rule 16b-3" means Rule 16b-3 promulgated under the 1934 Act, as in effect from time to time.

(aa) "Share" or "Shares" means:

(i) for all purposes of the Plan, a share or shares of Class A Special Common Stock, \$1.00 par value, of the Company.

(ii) solely for purposes of Paragraphs 2(q) and 9(c), the term "Share" or "Shares" also means a share or shares of the Company's Class A Common Stock, par value, \$1.00.

(bb) "Subsidiary Companies" means all corporations that, at the time in question, are subsidiary corporations of the Company within the meaning of section 424(f) of the Code.

(cc) "Terminating Event" means any of the following events:

(i) the liquidation of the Company; or

(ii) a Change of Control.

(dd) "Third Party" means any Person, together with such Person's Affiliates, provided that the term "Third Party" shall not include the Company, an Affiliate of the Company or any member or members of the Roberts Family.

(ee) "1933 Act" means the Securities Act of 1933, as amended.

(ff) "1934 Act" means the Securities Exchange Act of 1934, as amended.

### 3. RIGHTS TO BE GRANTED

Rights that may be granted under the Plan are rights to Restricted Stock, which gives the Grantee ownership rights in the Shares subject to the Award, subject to a substantial risk of forfeiture, as set forth in Paragraph 7, and to deferred payment, as set forth in Paragraph 8.

### 4. SHARES SUBJECT TO THE PLAN

(a) Not more than 4,875,000 Shares in the aggregate may be issued under the Plan pursuant to the grant of Awards, subject to adjustment in accordance with Paragraph 10. The Shares issued under the Plan may, at the Company's option, be either Shares held in treasury or Shares originally issued for such purpose.

(b) If Restricted Stock is forfeited pursuant to the terms of an Award, other Awards with respect to such Shares may be granted.

### 5. ADMINISTRATION OF THE PLAN

(a) Administration. The Plan shall be administered by the Committee.

(b) Grants. Subject to the express terms and conditions set forth in the Plan, the Committee shall have the power, from time to time, to:

(i) select those Employees to whom Awards shall be granted under the Plan, to determine the number of Shares to be granted pursuant to each Award, and, pursuant to the provisions of the Plan, to determine the terms and conditions of each Award, including the restrictions applicable to such Shares; and

(ii) interpret the Plan's provisions, prescribe, amend and rescind rules and regulations for the Plan, and make all other determinations necessary or advisable for the administration of the Plan.

The determination of the Committee in all matters as stated above shall be conclusive.

(c) Meetings. The Committee shall hold meetings at such times and places as it may determine. Acts approved at a meeting by a majority of the members of the Committee or acts approved in writing by the unanimous consent of the members of the Committee shall be the valid acts of the Committee.

(d) Exculpation. No member of the Committee shall be personally liable for monetary damages for any action taken or any failure to take any action in connection with the administration of the Plan or the granting of Awards thereunder unless (i) the member of the Committee has breached or failed to perform the duties of his office, and (ii) the breach or failure to perform constitutes self-dealing, wilful misconduct or recklessness; provided, however, that the provisions of this Paragraph 5(d) shall not apply to the responsibility or liability of a member of the Committee pursuant to any criminal statute.

(e) Indemnification. Service on the Committee shall constitute service as a member of the Board. Each member of the Committee shall be entitled without further act on his part to indemnity from the Company to the fullest extent provided by applicable law and the Company's Articles of Incorporation and By-laws in connection with or arising out of any action, suit or proceeding with respect to the administration of the Plan or the granting of Awards thereunder in which he may be involved by reason of his being or having been a member of the Committee, whether or not he continues to be such member of the Committee at the time of the action, suit or proceeding.

## 6. ELIGIBILITY

Awards may be granted only to Eligible Employees, as determined by the Committee. No Awards shall be granted to an individual who is not an employee of a Participating Company.

## 7. RESTRICTED STOCK AWARDS

The Committee may grant Awards in accordance with the Plan. The terms and conditions of Awards shall be set forth in writing as determined from time to time by the Committee, consistent, however, with the following:

(a) Time of Grant. All Awards shall be granted within ten (10) years from the date of adoption of the Plan by the Board.

(b) Shares Awarded. The provisions of Awards need not be the same with respect to each Grantee. No cash or other consideration shall be required to be paid by the Grantee in exchange for an Award.

(c) Awards and Agreements. A certificate shall be issued to each Grantee in respect of Shares subject to an Award. Such certificate shall be registered in the name of the Grantee and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Award. The Company may require that the certificate evidencing such Restricted Stock be held by the Company until all restrictions on such Restricted Stock have lapsed.

(d) Restrictions. Subject to the provisions of the Plan and the Award, during a period set by the Committee commencing with the Date of Grant, which, for Grantees who are subject

to the short-swing profit recapture rules of section 16(b) of the 1934 Act by virtue of their position as either a director, officer or holder of more than 10 percent of any class of equity securities of the Company, shall extend for at least six (6) months from the Date of Grant, the Grantee shall not be permitted to sell, transfer, pledge or assign Restricted Stock awarded under the Plan.

(e) Lapse of Restrictions. Subject to the provisions of the Plan and the Award, restrictions upon Shares subject to an Award shall lapse at such time or times and on such terms and conditions as the Committee may determine and as are set forth in the Award; provided, however, that the restrictions upon such Shares shall lapse only if the Grantee on the date of such lapse is, and has been an employee of a Participating Company continuously from the Date of Grant. The Award may provide for the lapse of restrictions in installments, as determined by the Committee. The Committee may, in its sole discretion, waive, in whole or in part, any remaining restrictions with respect to such Grantee's Restricted Stock.

(f) Rights of the Grantee. Grantees may have such rights with respect to Shares subject to an Award as may be determined by the Committee and set forth in the Award, including the right to vote such Shares, and the right to receive dividends paid with respect to such Shares.

(g) Termination of Grantee's Employment. A transfer of an Eligible Employee between two employers, each of which is a Participating Company, shall not be deemed a termination of employment. In the event that a Grantee terminates employment with all Participating Companies, all Shares remaining subject to restrictions shall be forfeited by the Grantee and deemed canceled by the Company.

(h) Delivery of Shares. Except as otherwise provided by Paragraph 8, when the restrictions imposed on Restricted Stock lapse with respect to one or more Shares, the Company shall notify the Grantee that such restrictions no longer apply, and shall deliver to the Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) a certificate for the number of Shares for which restrictions have lapsed without any legend or restrictions (except those that may be imposed by the Committee, in its sole judgment, under Paragraph 9(a)). The right to payment of any fractional Shares that may have accrued shall be satisfied in cash, measured by the product of the fractional amount times the fair market value of a Share at the time the applicable restrictions lapse, as determined by the Committee.

## 8. DEFERRAL ELECTIONS

Effective for Awards granted after September 16, 1997, a Grantee may elect to defer the receipt of Restricted Stock as to which restrictions have lapsed as provided by the Committee in the Award, consistent, however, with the following:

(a) Deferral Election.

- (i) Election. Each Grantee shall have the right to defer the receipt of all or any portion of the Restricted Stock as to which the Award provides for the potential lapse of applicable restrictions by filing an Election to defer the receipt of such Restricted Stock on a form provided by the Committee for this purpose.
- (ii) Deadline for Deferral Election. No Election to defer the receipt of Restricted Stock as to which the Award provides for the potential lapse of applicable restrictions shall be effective unless it is filed with the Committee on or before the last day of the calendar year ending before the first day of the Plan Year in which the applicable restrictions may lapse; provided that an Election to defer the receipt of Restricted Stock as to which the Award provides for the potential lapse of applicable restrictions within the same Plan Year as the Plan Year in which the Award is granted shall be effective if it is filed with the Committee on or before the earlier of (A) the 30th day following the Date of Grant or (B) the last day of the month that precedes the month in which the applicable restrictions may lapse.

(b) Effect of Failure of Restrictions on Shares to Lapse. An Election shall be null and void if the restrictions on Restricted Stock do not lapse before the distribution date for such Restricted Stock identified in such Election by reason of the failure to satisfy any condition precedent to the lapse of the restrictions.

(c) Deferral Period. Except as otherwise provided in Paragraph 8(d), all Restricted Stock that is subject to an Election shall be delivered to the Grantee (or the person to whom ownership rights may have passed by will or the laws of descent and distribution) without any legend or restrictions (except those that may be imposed by the Committee, in its sole judgment, under Paragraph 9(a)), on the distribution date for such Restricted Stock designated by the Grantee on the most recently filed Election. Subject to acceleration or deferral pursuant to Paragraph 8(d) or Paragraph 11, no distribution may be made earlier than January 2nd of the second calendar year beginning after the date on which the applicable restrictions may lapse, nor later than January 2nd of the tenth calendar year beginning after the date on which the applicable restrictions may lapse. The distribution date may vary with each separate Election.

(d) Additional Deferral Election.

- (i) Each Active Grantee who has previously made an Election to receive a distribution of part or all of his or her Account, or who, pursuant to this Paragraph 8(d)(i) has made an Election to defer the distribution date for Restricted Stock for an additional period from the originally-elected distribution date, may elect to defer the distribution date for a minimum of two and a maximum of ten additional years from the previously-elected

distribution date, by filing an Election with the Committee on or before the close of business on June 30 of the calendar year preceding the calendar year in which the distribution would otherwise be made.

- (ii) A Deceased Grantee's estate or beneficiary to whom the right to payment under the Plan shall have passed may elect to (A) defer the distribution date for the Deceased Grantee's Restricted Stock for a minimum of two additional years from the date payment would otherwise be made (provided that if an Election is made pursuant to this Paragraph 8(d)(ii)(A), the Deceased Grantee's deferred Restricted Stock shall be distributed in full on or before the fifth anniversary of the Deceased Grantee's death); or (B) accelerate the distribution date for the Deceased Grantee's Restricted Stock from the date payment would otherwise be made to January 2nd of the calendar year beginning after the Deceased Grantee's death. An Election pursuant to this Paragraph 8(d)(ii) must be filed with the Committee on or before the close of business on (x) the June 30 following the Grantee's death on or before May 1 of a calendar year, (y) the 60th day following the Grantee's death after May 1 and before November 2 of a calendar year or (z) the December 31 following the Grantee's death after November 1 of a calendar year. One and only one Election shall be permitted pursuant to this Paragraph 8(d)(ii) with respect to a Deceased Grantee.
  
- (iii) A Disabled Grantee may elect to accelerate the distribution date of the Disabled Grantee's Restricted Stock from the date payment would otherwise be made to January 2nd of the calendar year beginning after the Grantee became disabled. An Election pursuant to this Paragraph 8(d)(iii) must be filed with the Committee on or before the close of business on the (x) the June 30 following the date the Grantee becomes a Disabled Grantee if the Grantee becomes a Disabled Grantee on or before May 1 of a calendar year, (y) the 60th day following the date the Grantee becomes a Disabled Grantee if the Grantee becomes a Disabled Grantee after May 1 and before November 2 of a calendar year or (z) the December 31 following the date the Grantee becomes a Disabled Grantee if the Grantee becomes a Disabled Grantee after November 2 of a calendar year.
  
- (iv) A Retired Grantee may elect to defer the distribution date of the Retired Grantee's Restricted Stock for a minimum of two additional years from the date payment would otherwise be made (provided that if an Election is made pursuant to this Paragraph 8(d)(iv), the Retired Grantee's Account shall be distributed in full on or before the fifth anniversary of the Retired Grantee's Normal Retirement). An Election pursuant to this Paragraph 8(d)(iv) must be filed with the Committee on or before the close of

business on the later of (x) the June 30 following the Grantee's Normal Retirement on or before May 1 of a calendar year, (y) the 60th day following the Grantee's Normal Retirement after May 1 and before November 2 of a calendar year or (z) the December 31 following the Grantee's Normal Retirement after November 1 of a calendar year.

(e) Status of Deferred Shares. A Grantee's right to delivery of Shares subject to an Election under this Paragraph 8 shall at all times represent the general obligation of the Company. The Grantee shall be a general creditor of the Company with respect to this obligation, and shall not have a secured or preferred position with respect to such obligation. Nothing contained in the Plan or an Award shall be deemed to create an escrow, trust, custodial account or fiduciary relationship of any kind. Nothing contained in the Plan or an Award shall be construed to eliminate any priority or preferred position of a Grantee in a bankruptcy matter with respect to claims for wages.

(f) Non-Assignability, Etc. The right of a Grantee to receive Shares subject to an Election under this Paragraph 8 shall not be subject in any manner to attachment or other legal process for the debts of such Grantee; and no right to receive Shares hereunder shall be subject to anticipation, alienation, sale, transfer, assignment or encumbrance.

#### 9. SECURITIES LAWS; TAXES

(a) Securities Laws. The Committee shall have the power to make each grant of Awards under the Plan subject to such conditions as it deems necessary or appropriate to comply with the then-existing requirements of the 1933 Act and the 1934 Act, including Rule 16b-3. Such conditions may include the delivery by the Grantee of an investment representation to the Company in connection with the lapse of restrictions on Shares subject to an Award, or the execution of an agreement by the Grantee to refrain from selling or otherwise disposing of the Shares acquired for a specified period of time or on specified terms.

(b) Taxes. Subject to the rules of Paragraph 9(c), the Company shall be entitled, if necessary or desirable, to withhold the amount of any tax, charge or assessment attributable to the grant of any Award or lapse of restrictions under any Award. The Company shall not be required to deliver Shares pursuant to any Award until it has been indemnified to its satisfaction for any such tax, charge or assessment.

(c) Payment of Tax Liabilities; Election to Withhold Shares or Pay Cash to Satisfy Tax Liability.

(i) In connection with the grant of any Award or the lapse of restrictions under any Award, the Company shall have the right to (A) require the Grantee to remit to the Company an amount sufficient to satisfy any federal, state and/or local withholding tax requirements prior to the

delivery or transfer of any certificate or certificates for Shares subject to such Award, or (B) take any action whatever that it deems necessary to protect its interests with respect to tax liabilities. The Company's obligation to make any delivery or transfer of Shares shall be conditioned on the Grantee's compliance, to the Company's satisfaction, with any withholding requirement.

- (ii) Except as otherwise provided in this Paragraph 9(c)(ii), any tax liabilities incurred in connection with grant of any Award or the lapse of restrictions under any Award under the Plan shall be satisfied by the Company's withholding a portion of the Shares subject to such Award having a fair market value approximately equal to the minimum amount of taxes required to be withheld by the Company under applicable law, unless otherwise determined by the Committee with respect to any Grantee. Notwithstanding the foregoing, the Committee may permit a Grantee to elect one or both of the following: (A) to have taxes withheld in excess of the minimum amount required to be withheld by the Company under applicable law; provided that the Grantee certifies in writing to the Company at the time of such election that the Grantee owns Other Available Shares having a fair market value that is at least equal to the fair market value to be withheld by the Company in payment of withholding taxes in excess of such minimum amount; and (B) to pay to the Company in cash all or a portion of the taxes to be withheld in connection with such grant or lapse of restrictions. In all cases, the Shares so withheld by the Company shall have a fair market value that does not exceed the amount of taxes to be withheld minus the cash payment, if any, made by the Grantee. The fair market value of such Shares shall be determined based on the last reported sale price of a Share on the principal exchange on which Shares are listed or, if not so listed, on the NASDAQ Stock Market on the last trading day prior to the date of such grant or lapse of restriction. Any election pursuant to this Paragraph 9(c)(ii) must be in writing made prior to the date specified by the Committee, and in any event prior to the date the amount of tax to be withheld or paid is determined. An election pursuant to this Paragraph 9(c)(ii) may be made only by a Grantee or, in the event of the Grantee's death, by the Grantee's legal representative. No Shares withheld pursuant to this Paragraph 9(c)(ii) shall be available for subsequent grants under the Plan. The Committee may add such other requirements and limitations regarding elections pursuant to this Paragraph 9(c)(ii) as it deems appropriate.

#### 10. CHANGES IN CAPITALIZATION

The aggregate number of Shares and class of Shares as to which Awards may be granted and the number of Shares covered by each outstanding Award shall be appropriately adjusted in the event of a stock dividend, stock split, recapitalization or other change in the number or class of issued and outstanding equity securities of the Company resulting from a subdivision or consolidation of the Shares and/or other outstanding equity security or a recapitalization or other capital adjustment (not including the issuance of Shares and/or other outstanding equity securities on the conversion of other securities of the Company which are convertible into Shares and/or other outstanding equity securities) affecting the Shares which is effected without receipt of consideration by the Company. The Committee shall have authority to determine the adjustments to be made under this Paragraph 10 and any such determination by the Committee shall be final, binding and conclusive.

#### 11. TERMINATING EVENTS

The Committee shall give Grantees at least thirty (30) days' notice (or, if not practicable, such shorter notice as may be reasonably practicable) prior to the anticipated date of the consummation of a Terminating Event. The Committee may, in its discretion, provide in such notice that upon the consummation of such Terminating Event, any restrictions on Restricted Stock (other than Restricted Stock that has previously been forfeited) shall be eliminated, in full or in part. Further, the Committee may, in its discretion, provide in such notice that notwithstanding any other provision of the Plan or the terms of any Election made pursuant to Paragraph 8, upon the consummation of a Terminating Event, all Restricted Stock subject to an Election made pursuant to Paragraph 8 shall be transferred to the Grantee.

#### 12. AMENDMENT AND TERMINATION

The Plan may be terminated by the Board at any time. The Plan may be amended by the Board or the Committee at any time. No Award shall be affected by any such termination or amendment without the written consent of the Grantee.

#### 13. EFFECTIVE DATE

The effective date of this amendment and restatement of the Plan is the date on which it is adopted by the Board. The adoption of this amendment and restatement of the Plan and the grant of Awards pursuant to this amendment and restatement of the Plan is subject to the approval of the shareholders of the Company to the extent that the Committee determines that such approval (a) is required pursuant to the By-laws of the National Association of Securities Dealers, Inc., and the schedules thereto, in connection with issuers whose securities are included in the NASDAQ National Market System, or (b) is required to satisfy the conditions on Rule 16b-3. If the Committee determines that shareholder approval is required to satisfy the foregoing conditions, the Board shall submit the Plan to the shareholders the Company for their approval at the first annual meeting of shareholders held after the adoption of the Plan by the Board.

14. GOVERNING LAW

The Plan and all determinations made and actions taken pursuant to the Plan shall be governed in accordance with Pennsylvania law.

Executed as of the 15th day of December, 1998

COMCAST CORPORATION

BY: /s/ Stanley Wang

ATTEST: /s/ Arthur R. Block

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(Amended and Restated, Effective December 15, 1998)

## 1. PURPOSE

The purpose of the Plan is to promote the ability of Comcast Corporation (the "Company") and its Subsidiaries (as defined below) to retain and recruit employees and enhance the growth and profitability of the Company by providing the incentive of short-term and long-term cash bonus awards for continued employment and the attainment of performance objectives.

## 2. DEFINITIONS

(a) "Affiliate" means, with respect to any Person, any other person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, the term "control," including its correlative terms "controlled by" and "under common control with," mean, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

(b) "Applicable Percent" means the percentage that corresponds to a Modified Target, as identified in Exhibit A.

(c) "Annual Amount at Risk" means the amount designated by the Committee for each Plan Year as the maximum portion of the Award payable for such Plan Year, provided that the "Annual Amount at Risk" for the last Plan Year of an Award shall not include the Last Year Amount at Risk.

(d) "Award" or "Cash Bonus Award" means a cash bonus award granted under the Plan.

(e) "Award Period" means the period extending from January 1 of the first Plan Year for which there is an Annual Amount at Risk through December 31 of the last Plan Year for which there is an Annual Amount at Risk.

(f) "Base Year" means 1995, except as otherwise provided by the Committee and provided in an Award.

(g) "Board" means the Board of Directors of the Company.

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(h) "C" means the Consolidated Operating Cash Flow of the Company, the Cable Division or the Cellular Division, as applicable, for the Base Year.

(i) "Cable Division" means the Company's cable television business, as determined by the Committee in its sole discretion.

(j) "Cellular Division" means the Company's cellular telephone business, as determined by the Committee in its sole discretion.

(k) "Change of Control" means any transaction or series of transactions as a result of which any Person who was a Third Party immediately before such transaction or series of transactions directly or indirectly owns then-outstanding securities of the Company having more than 50 percent of the voting power for the election of directors of the Company.

(l) "Committee" means the Subcommittee on Performance Based Compensation of the Compensation Committee of the Board.

(m) "Company."

(i) Except as otherwise provided in Paragraph 2(m)(ii), "Company" means Comcast Corporation, a Pennsylvania corporation, including any successor thereto by merger, consolidation, acquisition of all or substantially all the assets thereof, or otherwise.

(ii) For purposes of determining an Eligible Employee's employer, "Company" means Comcast Corporation, a Pennsylvania corporation.

(n) "Compounded Annual Growth Rate" means the value determined under the following mathematical formula:

$$C [(1+r)^n]$$

where C, r and n have the definitions provided in this Paragraph 2 of the Plan.

(o) "Consolidated Operating Cash Flow" means the consolidated operating income plus depreciation and amortization, of the Company, the Cable Division or the Cellular Division, as applicable, for a Plan Year, as determined by the Committee in accordance with generally accepted accounting principles. If the results of operations of a business acquired or disposed of after December 31 of the Base Year would, under generally accepted accounting principles, be included (in the case of an acquisition) or excluded (in the case of a disposition) from the consolidated financial statements of the Company, the



Division, as applicable, from the date of acquisition or disposition, and, in such event, the Committee decides in its sole discretion that such inclusion or exclusion will materially affect the comparability of such amount for the Plan Year in which the acquisition or disposition occurs and each Plan Year thereafter to that for the Base Year, then for the purpose of determining whether the Target has been met for the Plan Year in which the acquisition or disposition occurs and each Plan Year thereafter only, the Consolidated Operating Cash Flow for the Base Year shall be restated to account for such acquisition or disposition as if it had occurred on January 1 of the Base Year, using actual historical financial information for the acquired or disposed of business. The Committee may also decide in its sole discretion that an event (such as a non-recurring item or the results of a start-up or development stage business) in a Plan Year will materially affect the comparability of the results of operations for such Plan Year to that for the Base Year, in which case the Committee may restate the results of operations for such Plan Year to make an equitable adjustment thereto.

(p) "Cumulative Annual Amount at Risk" means, for any Plan Year, the sum of the Annual Amount at Risk for such Plan Year and each preceding Plan Year in the Award Period.

(q) "Date of Grant" means the date on which an Award is granted.

(r) "Eligible Employee" means an employee of the Company or a Subsidiary, as determined by the Committee.

(s) "Grantee" means an Eligible Employee who is granted an Award.

(t) "Last Year Amount at Risk" means the amount designated by the Committee as the portion of the Award at risk for the last Plan Year in the Award Period, provided that the "Last Year Amount at Risk" shall not include the portion of the Award designated by the Committee as the Annual Amount at Risk for the such Plan Year.

(u) "Modified Target" means for any Plan Year beginning after 1996, Consolidated Operating Cash Flow for the Company, the Cable Division or the Cellular Division, as applicable, which equals or exceeds a percentage of the Compounded Annual Growth Rate for such Plan Year as established by the Committee for the Company, the Cable Division or the Cellular Division, as applicable; provided that any fractional percentage shall be rounded to the nearest identified percentage.

(v) "n" means a value applied for purposes of determining the Compounded Annual Growth Rate for the Company, the Cable Division or the Cellular Division, as applicable, as follows:

(i) for purposes of determining Compounded Annual Growth Rate for the first Plan Year beginning after the Base Year,  $n = 1$ .

(ii) for purposes of determining Compounded Annual Growth Rate for the second Plan Year beginning after the Base Year, n = 2.

(iii) for purposes of determining Compounded Annual Growth Rate for the third Plan Year beginning after the Base Year, n = 3.

(iv) for purposes of determining Compounded Annual Growth Rate for the fourth Plan Year beginning after the Base Year, n = 4.

(v) for purposes of determining Compounded Annual Growth Rate for the fifth Plan Year beginning after the Base Year, n = 5.

(w) "Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization.

(x) "Plan" means the Comcast Corporation 1996 Cash Bonus Plan, as set forth herein, and as amended from time to time.

(y) "Plan Year" means the calendar year.

(z) "r" means the interest rate established by the Committee for purposes of determining the Compounded Annual Growth Rate for the Company, the Cable Division or the Cellular Division, as applicable.

(aa) "Roberts Family." Each of the following is a member of the Roberts Family:

(i) Ralph J. Roberts;

(ii) a lineal descendant of Ralph J. Roberts; or

(iii) a trust established for the benefit of any of Ralph J. Roberts and/or a lineal descendant or descendants of Ralph J. Roberts.

(bb) "Subsidiary" means a corporation that, at the time in question, is a subsidiary corporation of the Company, within the meaning of section 424(f) of the Code.

(cc) "Target" means, for any Plan Year beginning after the Base Year, Consolidated Operating Cash Flow for the Company, the Cable Division or the Cellular Division, as applicable, which equals or exceeds the Compounded Annual Growth Rate for such Plan Year, based on the annualized interest rate, "r," established by the Committee for the Company, the Cable Division or the Cellular Division, as applicable.

(dd) "Terminating Event" means any of the following events:

(i) the liquidation of the Sponsor; or

(ii) a Change of Control.

(ee) "Third Party" means any Person, together with such Person's Affiliates, provided that the term "Third Party" shall not include the Company, an Affiliate of the Company or any member or members of the Roberts Family.

(ff) "Total Annual Amounts at Risk" means the sum of the Annual Amounts at Risk for an Award.

### 3. RIGHTS TO BE GRANTED

Rights that may be granted under the Plan are rights to cash payments, payable in accordance with the terms of the Plan and the Award document.

### 4. ADMINISTRATION OF THE PLAN

(a) Administration. The Plan shall be administered by the Committee.

(b) Grants. Subject to the express terms and conditions set forth in the Plan, the Committee shall have the power, from time to time, to:

(i) select those Eligible Employees to whom Awards shall be granted under the Plan, to determine the amount of cash to be paid pursuant to each Award, and, pursuant to the provisions of the Plan, to determine the terms and conditions of each Award; and

(ii) interpret the Plan's provisions, prescribe, amend and rescind rules and regulations for the Plan, and make all other determinations necessary or advisable for the administration of the Plan.

The determination of the Committee in all matters as stated above shall be conclusive.

(c) Meetings. The Committee shall hold meetings at such times and places as it may determine. Acts approved at a meeting by a majority of the members of the Committee or acts approved in writing by the unanimous consent of the members of the Committee shall be the valid acts of the Committee.

(d) Exculpation. No member of the Committee shall be personally liable for monetary damages for any action taken or any failure to take any action in connection with the administration of the Plan or the granting of Awards thereunder unless (i) the member of

the Committee has breached or failed to perform the duties of his office, and (ii) the breach or failure to perform constitutes self-dealing, wilful misconduct or recklessness; provided, however, that the provisions of this Paragraph 4(d) shall not apply to the responsibility or liability of a member of the Committee pursuant to any criminal statute.

(e) Indemnification. Service on the Committee shall constitute service as a member of the Board. Each member of the Committee shall be entitled without further act on his part to indemnify from the Company to the fullest extent provided by applicable law and the Company's Articles of Incorporation and By-laws in connection with or arising out of any action, suit or proceeding with respect to the administration of the Plan or the granting of Awards thereunder in which he may be involved by reason of his being or having been a member of the Committee, whether or not he continues to be such member of the Committee at the time of the action, suit or proceeding.

#### 5. ELIGIBILITY

Awards may be granted only to Eligible Employees of the Company and its Subsidiaries, as determined by the Committee. No Awards shall be granted to an individual who is not an Eligible Employee of the Company or a Subsidiary.

#### 6. CASH BONUS AWARDS

The Committee may grant Awards in accordance with the Plan. The terms and conditions of Awards shall be set forth in writing as determined from time to time by the Committee, consistent, however, with the following:

(a) Time of Grant. All Awards shall be granted within five years from the date of adoption of the Plan by the Board.

(b) Non-uniformity of Awards. The provisions of Awards need not be the same with respect to each Grantee.

(c) Awards and Agreements. The terms of each Award shall be reflected in an Award document in form and substance satisfactory to the Committee.

(d) Conditions to Payment of Awards. The Committee shall establish such conditions on the payment of a bonus pursuant to an Award as it may, in its sole discretion, deem appropriate. The conditions shall be set forth in the Award document. The Award may provide for the payment of Awards in installments, or upon the satisfaction of divisional or Company-wide performance targets, as determined by the Committee. The Committee may, in its sole discretion, waive, in whole or in part, any remaining conditions to payment of a Grantee's Award. The Grantee shall not be permitted to sell, transfer, pledge or assign any amount payable

pursuant to the Plan or an Award (provided that the right to payment under an Award may pass by will or the laws of descent and distribution).

(e) Termination of Grantee's Employment.

(1) A transfer of an Eligible Employee between two employers, each of which is the Company or a Subsidiary (a "Transfer"), shall not be deemed a termination of employment. The Committee may grant Awards pursuant to which the Committee reserves the right to modify the calculation of an Award in connection with a Transfer. In general, except as otherwise provided by the Committee at the time an Award is granted or in connection with a Transfer, upon the Transfer of a Grantee between divisions while an Award is outstanding and unexpired, the outstanding Award shall be treated as having terminated and expired, and a new Award shall be treated as having been made, effective as of the effective date of the Transfer, for the portion of the Award which had not expired or been paid, but subject to the performance and payment conditions applicable generally to Awards for Grantees who are employees of the transferee division, all as shall be determined by the Committee in an equitable manner.

(2) In the event that a Grantee terminates employment with the Company and its Subsidiaries, all Awards remaining subject to conditions to payment shall be forfeited by the Grantee and deemed canceled by the Company.

(f) Time of Grant. Subject to Paragraph 11, and as further provided in Paragraphs 7, 8, 9 and 10, following the satisfaction of the conditions to payment of an Award, the Company shall pay the Grantee (or the person to whom the right to payment may have passed by will or the laws of descent and distribution) the amount payable in connection with the lapse of such restrictions.

7. CONDITIONS TO PAYMENT OF CASH BONUS AWARDS

Except as otherwise determined by the Committee and provided in the terms of an Award:

(a) The restrictions on the payment of Awards of Grantees employed by the Company shall be determined pursuant to Paragraph 8.

(b) The conditions to the payment of Awards of Grantees employed by the Cable Division shall be determined pursuant to Paragraph 9.

(c) The conditions to the payment of Awards of Grantees employed by the Cellular Division shall be determined pursuant to Paragraph 10.

8. CORPORATE TARGET AND CASH BONUS

(a) Amount of Cash Bonus Award. The amount of an Award to Eligible Employees of the Company shall be determined by the Committee.

(b) Target. The Target for Eligible Employees of the Company shall be met for each Plan Year beginning after the Base Year if Consolidated Operating Cash Flow for the Company equals or exceeds the Compounded Annual Growth Rate for such Plan Year, where "r" equals 12 percent (0.12); provided that the Modified Target and Applicable Percent for purposes of this Paragraph 8 shall be determined in accordance with Exhibit A.

(c) Awards with Dates of Grant Before July 1, 1996. Except as otherwise determined by the Committee and provided in the terms of an Award, the following rules shall apply if the Date of Grant of the Award is before July 1, 1996.

(i) Payment of Cash Bonus Award. The Cash Bonus Award shall be paid to a Grantee at the following times if the following conditions are satisfied:

(v) 15 percent of the Award shall be paid on or before March 15, 1997 if the Target is met for the 1996 Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 1996.

(w) 30 percent of the Award (less any portion of the Award previously paid to Grantee) (the "1997 Basic Award") shall be paid on or before March 15, 1998 if the Target is met for the 1997 Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 1997; provided, however, that if a Modified Target is met for the 1997 Plan Year, the Applicable Percent of the 1997 Award shall be paid.

(x) 45 percent of the Award (less any portion of the Award previously paid to Grantee) (the "1998 Basic Award") shall be paid on or before March 15, 1999 if the Target is met for the 1998 Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 1998; provided, however, that if a Modified Target is met for the 1998 Plan Year, the Applicable Percent of the 1998 Award shall be paid.

- (y) 60 percent of the Award (less any portion of the Award previously paid to Grantee) (the "1999 Basic Award") shall be paid on or before March 15, 2000 if the Target is met for the 1999 Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 1999; provided, however, that if a Modified Target is met for the 1999 Plan Year, the Applicable Percent of the 1999 Award shall be paid.
- (z) 75 percent of the Award (less any portion of the Award previously paid to Grantee) (the "2000 Basic Award") shall be paid on or before March 15, 2001 if the Target is met for the 2000 Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 2000; provided, however, that if a Modified Target is met for the 2000 Plan Year, the Applicable Percent of the 2000 Award shall be paid.

(ii) Payment of Supplemental Cash Bonus Award. If the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 2000, the Grantee shall be paid an additional portion of the Cash Bonus Award on or before March 15, 2001. Such additional portion of the Cash Bonus Award shall be equal to the sum of the following amounts, provided that the amount determined under any of (v), (w), (x), (y) or (z) below shall not be less than zero.

- (v) 5 percent of the Award if the Target was met for the 1996 Plan Year or, if a Modified Target was met for the 1996 Plan Year, the Applicable Percent of 5 percent of the Award.
- (w) 10 percent of the Award (less the amount described in Paragraph 8(c)(ii)(v)) (the "1997 Supplemental Award") if the Target was met for the 1997 Plan Year or, if a Modified Target was met for the 1997 Plan Year, the Applicable Percent of the 1997 Supplemental Award.
- (x) 15 percent of the Award (less the sum of the amounts described in Paragraphs 8(c)(ii)(v) and

(w)) (the "1998 Supplemental Award") if the Target was met for the 1998 Plan Year or, if a Modified Target was met for the 1998 Plan Year, the Applicable Percent of the 1998 Supplemental Award.

(y) 20 percent of the Award (less the sum of the amounts described in Paragraphs 8(c)(ii)(v), (w) and (x)) (the "1999 Supplemental Award") if the Target was met for the 1999 Plan Year or, if a Modified Target was met for the 1999 Plan Year, the Applicable Percent of the 1999 Supplemental Award.

(z) 25 percent of the Award (less the sum of the amounts described in Paragraphs 8(c)(ii)(v), (w), (x) and (y)) (the "2000 Supplemental Award") if the Target was met for the 2000 Plan Year or, if a Modified Target was met for the 2000 Plan Year, the Applicable Percent of the 2000 Supplemental Award.

(d) Awards With Dates of Grant After June 30, 1996. Except as otherwise determined by the Committee and provided in the terms of an Award, the following rules shall apply if the Date of Grant of an Award is after June 30, 1996.

(i) For the first Plan Year in the Award Period, the Annual Amount at Risk for such Plan Year shall be paid on or before March 15 next following such Plan Year if the Target is met for such Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31 of such Plan Year; provided, however, that if a Modified Target is met for such Plan Year, the Applicable Percent of the Annual Amount at Risk for such Plan Year shall be paid.

(ii) For each succeeding Plan Year in the Award Period, the Cumulative Annual Amount at Risk (less any portion of the Award previously paid to the Grantee) (the "Succeeding Plan Year Basic Award") shall be paid on or before March 15 next following such Plan Year if the Target is met for such Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31 of such Plan Year; provided, however, that if a Modified Target is met for such succeeding Plan Year, the Applicable Percent of the Succeeding Plan Year Basic Award shall be paid.

(iii) If the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31 of the last Plan Year in the

Award Period, the Grantee shall be paid an additional portion of the Cash Bonus Award on or before March 15 of the next succeeding calendar year, determined as the sum of the following amounts:

- (x) A percentage of the Award if the Target was met for the first Plan Year in the Award Period, or, if a Modified Target was met for the first Plan Year in the Award Period, the Applicable Percent of such amount.
- (y) A percentage of the Award (less the sum of the amounts described in Paragraph 8(d)(iii)(x) and this Paragraph 8(d)(iii)(y) for all preceding Plan Years) (the "Supplemental Award") if the Target was met for a succeeding Plan Year in the Award Period, or if a Modified Target was met for such succeeding Plan Year, the Applicable Percent of the Supplemental Award, provided that the applicable amount for any Plan Year shall not be less than zero.
- (z) The portion of the Award assigned to each Plan Year pursuant to this Paragraph 8(d)(iii) shall be equal to the product of (i) the Last Year Amount at Risk times (ii) the quotient obtained by dividing the Cumulative Annual Amount at Risk for such Plan Year by the Total Annual Amounts at Risk.

9. CABLE DIVISION TARGET AND CASH BONUS

(a) Amount of Cash Bonus Award. The amount of an Award to Eligible Employees of the Cable Division shall be determined by the Committee.

(b) Target. The Target for Eligible Employees of the Cable Division shall be met for each Plan Year beginning after the Base Year if Consolidated Operating Cash Flow for the Cable Division equals or exceeds the Compounded Annual Growth Rate for such Plan Year, where "r" equals 10 percent (0.10); provided that the Modified Target and Applicable Percent for purposes of this Paragraph 9 shall be determined in accordance with Exhibit A.

(c) Awards with Dates of Grant Before July 1, 1996. Except as otherwise determined by the Committee and provided in the terms of an Award, the following rules shall apply if the Date of Grant of the Award is before July 1, 1996.

(i) Payment of Cash Bonus Award. The Cash Bonus Award shall be paid to a Grantee at the following times if the following conditions are satisfied:

- (v) 15 percent of the Award shall be paid on or before March 15, 1997 if the Target is met for the 1996 Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 1996.
- (w) 30 percent of the Award (less any portion of the Award previously paid to Grantee) (the "1997 Basic Award") shall be paid on or before March 15, 1998 if the Target is met for the 1997 Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 1997; provided, however, that if a Modified Target is met for the 1997 Plan Year, the Applicable Percent of the 1997 Award shall be paid.
- (x) 45 percent of the Award (less any portion of the Award previously paid to Grantee) (the "1998 Basic Award") shall be paid on or before March 15, 1999 if the Target is met for the 1998 Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 1998; provided, however, that if a Modified Target is met for the 1998 Plan Year, the Applicable Percent of the 1998 Award shall be paid.
- (y) 60 percent of the Award (less any portion of the Award previously paid to Grantee) (the "1999 Basic Award") shall be paid on or before March 15, 2000 if the Target is met for the 1999 Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 1999; provided, however, that if a Modified Target is met for the 1999 Plan Year, the Applicable Percent of the 1999 Award shall be paid.

- (z) 75 percent of the Award (less any portion of the Award previously paid to Grantee) (the "2000 Basic Award") shall be paid on or before March 15, 2001 if the Target is met for the 2000 Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 2000; provided, however, that if a Modified Target is met for the 2000 Plan Year, the Applicable Percent of the 2000 Award shall be paid.

(ii) Payment of Supplemental Cash Bonus Award. If the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 2000, the Grantee shall be paid an additional portion of the Cash Bonus Award on or before March 15, 2001. Such additional portion of the Cash Bonus Award shall be equal to the sum of the following amounts, provided that the amount determined under any of (v), (w), (x), (y) or (z) below shall not be less than zero.

- (v) 5 percent of the Award if the Target was met for the 1996 Plan Year or, if a Modified Target was met for the 1996 Plan Year, the Applicable Percent of 5 percent of the Award.
- (w) 10 percent of the Award (less the amount described in Paragraph 9(c)(ii)(v)) (the "1997 Supplemental Award") if the Target was met for the 1997 Plan Year or, if a Modified Target was met for the 1997 Plan Year, the Applicable Percent of the 1997 Supplemental Award.
- (x) 15 percent of the Award (less the sum of the amounts described in Paragraphs 9(c)(ii)(v) and (w)) (the "1998 Supplemental Award") if the Target was met for the 1998 Plan Year or, if a Modified Target was met for the 1998 Plan Year, the Applicable Percent of the 1998 Supplemental Award.
- (y) 20 percent of the Award (less the sum of the amounts described in Paragraphs 9(c)(ii)(v), (w) and (x)) (the "1999 Supplemental Award") if the Target was met for the 1999 Plan Year or, if a Modified Target was met for the 1999 Plan Year, the

Applicable Percent of the 1999 Supplemental Award.

- (z) 25 percent of the Award (less the sum of the amounts described in Paragraphs 9(c)(ii)(v), (w), (x) and (y)) (the "2000 Supplemental Award") if the Target was met for the 2000 Plan Year or, if a Modified Target was met for the 2000 Plan Year, the Applicable Percent of the 2000 Supplemental Award.

(d) Awards With Dates of Grant After June 30, 1996. Except as otherwise determined by the Committee and provided in the terms of an Award, the following rules shall apply if the Date of Grant of an Award is after June 30, 1996.

(i) For the first Plan Year in the Award Period, the Annual Amount at Risk for such Plan Year shall be paid on or before March 15 next following such Plan Year if the Target is met for such Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31 of such Plan Year; provided, however, that if a Modified Target is met for such Plan Year, the Applicable Percent of the Annual Amount at Risk for such Plan Year shall be paid.

(ii) For each succeeding Plan Year in the Award Period, the Cumulative Annual Amount at Risk (less any portion of the Award previously paid to the Grantee) (the "Succeeding Plan Year Basic Award") shall be paid on or before March 15 next following such Plan Year if the Target is met for such Plan Year and the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31 of such Plan Year; provided, however, that if a Modified Target is met for such succeeding Plan Year, the Applicable Percent of the Succeeding Plan Year Basic Award shall be paid.

(iii) If the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31 of the last Plan Year in the Award Period, the Grantee shall be paid an additional portion of the Cash Bonus Award on or before March 15 of the next succeeding calendar year, determined as the sum of the following amounts:

- (x) A percentage of the Award if the Target was met for the first Plan Year in the Award Period, or, if a Modified Target was met for the first Plan Year in the Award Period, the Applicable Percent of such amount.

- (y) A percentage of the Award (less the sum of the amounts described in Paragraph 9(d)(iii)(x) and this Paragraph 9(d)(iii)(y) for all preceding Plan Years) (the "Supplemental Award") if the Target was met for a succeeding Plan Year in the Award Period, or if a Modified Target was met for such succeeding Plan Year, the Applicable Percent of the Supplemental Award, provided that the applicable amount for any Plan Year shall not be less than zero.
- (z) The portion of the Award assigned to each Plan Year pursuant to this Paragraph 9(d)(iii) shall be equal to the product of (i) the Last Year Amount at Risk times (ii) the quotient obtained by dividing the Cumulative Annual Amount at Risk for such Plan Year by the Total Annual Amounts at Risk.

10. CELLULAR DIVISION TARGET AND CASH BONUS

(a) Amount of Cash Bonus Award. The amount of an Award to Eligible Employees of the Cellular Division shall be determined by the Committee.

(b) Target. The Target for Eligible Employees of the Cellular Division shall be met for each Plan Year beginning after the Base Year if Consolidated Operating Cash Flow for the Cellular Division equals or exceeds the Compounded Annual Growth Rate for such Plan Year, where "r" equals 15 percent (0.15); provided that the Modified Target and Applicable Percent for purposes of this Paragraph 10 shall be determined in accordance with Exhibit A.

(c) Awards with Dates of Grant Before July 1, 1996. Except as otherwise determined by the Committee and provided in the terms of an Award, the following rules shall apply if the Date of Grant of an Award is before July 1, 1996.

(i) Payment of Cash Bonus Award - Performance Target Condition. Half of the Cash Bonus Award (hereinafter, the "Cellular Performance Award") shall be subject to service and performance conditions. If the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 2000, the Grantee shall be paid all or part of the Cellular Performance Award on or before March 15, 2001. The Cellular Performance Award shall be equal to the sum of the following amounts, provided that the amount determined under any of (v), (w), (x), (y) or (z) below shall not be less than zero.

- (v) 20 percent of the Cellular Performance Award if the Target was met for the 1996 Plan Year or, if a

Modified Target was met for the 1996 Plan Year, the Applicable Percent of 20 percent of the Cellular Performance Award.

- (w) 40 percent of the Cellular Performance Award (less the amount described in Paragraph 10(c)(i)(v)) (the "1997 Cellular Performance Award") if the Target was met for the 1997 Plan Year or, if a Modified Target was met for the 1997 Plan Year, the Applicable Percent of the 1997 Cellular Performance Award.
- (x) 60 percent of the Cellular Performance Award (less the sum of the amounts described in Paragraphs 10(c)(i)(v) and (w)) (the "1998 Cellular Performance Award") if the Target was met for the 1998 Plan Year or, if a Modified Target was met for the 1998 Plan Year, the Applicable Percent of the 1998 Cellular Performance Award.
- (y) 80 percent of the Cellular Performance Award (less the amounts described in Paragraphs 10(c)(i)(v), (w) and (x)) (the "1999 Cellular Performance Award") if the Target was met for the 1999 Plan Year or, if a Modified Target was met for the 1999 Plan Year, the Applicable Percent of the 1999 Cellular Performance Award.
- (z) 100 percent of the Cellular Performance Award (less the amounts described in Paragraphs 10(c)(i)(v), (w), (x) and (y)) (the "2000 Cellular Performance Award") if the Target was met for the 2000 Plan Year or, if a Modified Target was met for the 2000 Plan Year, the Applicable Percent of the 2000 Cellular Performance Award.

(ii) Payment of Cash Bonus Award - Service Condition. Half of the Cash Bonus Award (hereinafter, the "Cellular Service Award") shall be subject to service conditions, and shall be paid to a Grantee at the following times if the following conditions are satisfied:

- (v) 20 percent of the Cellular Service Award shall be paid on or before February 29, 1996.

- (w) 20 percent of the Cellular Service Award shall be paid on or before February 28, 1998 if the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 1997.
- (x) 20 percent of the Cellular Service Award shall be paid on or before February 28, 1999 if the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 1998.
- (y) 20 percent of the Cellular Service Award shall be paid on or before February 29, 2000 if the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 1999.
- (z) 20 percent of the Cellular Service Award shall be paid on or before February 28, 2001 if the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31, 2000.

(d) Awards With Dates of Grant After June 30, 1996. Except as otherwise determined by the Committee and provided in the terms of an Award, the following rules shall apply if the Date of Grant of an Award is after June 30, 1996.

(i) Payment of Cash Bonus Award - Performance Target. Half of the Cash Bonus Award (hereinafter, the "Cellular Performance Award") shall be subject to service and performance conditions. If the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31 of the last Plan Year in the Award Period, the Grantee shall be paid all or part of the Cellular Performance Award on or before March 15 of the next succeeding calendar year. The Cellular Performance Award shall be equal to the sum of the following amounts:

- (x) A percentage of the Award if the Target was met for the first Plan Year in the Award Period, or, if a Modified Target was met for the first Plan Year in the Award Period, the Applicable Percent of such amount.

- (y) A percentage of the Award (less the sum of the amounts described in Paragraph 10(d)(i)(x) and this Paragraph 10(d)(i)(y) for all preceding Plan Years) (the "Performance Award Amount") if the Target was met for a succeeding Plan Year in the Award Period, or if a Modified Target was met for such succeeding Plan Year, the Applicable Percent of such Performance Award Amount, provided that the applicable amount for any Plan Year shall not be less than zero.
- (z) The portion of the Award assigned to each Plan Year pursuant to this Paragraph 10(d)(i) shall be equal to the "Cumulative Cellular Performance Award." For purposes of this Paragraph 10(d)(i), the term "Cumulative Cellular Performance Award" means the product of the Cellular Performance Award times a fraction, the numerator of which is the value "n" assigned to such Plan Year pursuant to Paragraph 2(v), and the denominator of which is the total number of Plan Years in the Award Period.

(ii) Payment of Cash Bonus Award - Service Condition. Half of the

Cash Bonus Award (hereinafter, the "Cellular Service Award") shall be subject to service conditions, and shall be paid to a Grantee at the following times if the following conditions are satisfied, provided that no payment of a Cellular Service Award shall be made unless the Grantee shall have delivered to the Company a duly executed employment agreement in form and substance satisfactory to the Company:

- (w) A percentage of the Cellular Service Award shall be paid as soon as reasonably practicable following the Date of Grant.
- (x) A percentage of the Cellular Service Award shall be paid on or before the last day of February of the third Plan Year in the Award Period, if any, if the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31 of the second Plan Year in the Award Period.
- (y) A percentage of the Cellular Service Award shall be paid on or before the last day of February of each

succeeding Plan Year in the Award Period, if any, if the Grantee is an active employee of the Company or a Subsidiary continuously from the Date of Grant to December 31 of the Plan Year preceding such succeeding Plan Year in the Award Period.

- (z) The percentage of the Cellular Service Award assigned to each Plan Year pursuant to this Paragraph 10(d)(ii) shall be equal to the quotient obtained by dividing the Cellular Service Award by the number of Plan Years in the Award Period.

#### 11. TAXES

The Company shall withhold the amount of any federal, state, local or other tax, charge or assessment attributable to the grant of any Award or lapse of restrictions under any Award as it may deem necessary or appropriate, in its sole discretion.

#### 12. TERMINATING EVENTS

The Committee shall give Grantees at least thirty (30) days' notice (or, if not practicable, such shorter notice as may be reasonably practicable) prior to the anticipated date of the consummation of a Terminating Event. The Committee may, in its discretion, provide in such notice that upon the consummation of such Terminating Event, any remaining conditions to payment of a Grantee's Award shall be waived, in whole or in part.

#### 13. AMENDMENT AND TERMINATION

The Plan may be terminated by the Board or the Committee at any time. The Plan may be amended by the Board or the Committee at any time. No Award shall be affected by any such termination or amendment without the written consent of the Grantee.

#### 14. EFFECTIVE DATE

The effective date of this amendment and restatement of the Plan is December 15, 1998, the date on which it was adopted by the Committee. To the extent provided by the Committee, the rules of the Plan, as amended and restated, shall apply to the determination of payments to be made pursuant to the Plan on and after the effective date of this amendment and restatement of the Plan.

15. GOVERNING LAW

The Plan and all determinations made and actions taken pursuant to the Plan shall be governed in accordance with Pennsylvania law.

Executed this 15th day of December, 1998.

COMCAST CORPORATION

BY: /s/ Stanley Wang

ATTEST: /s/ Arthur R. Block

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EXHIBIT A

Applicable Percents and Modified Targets

Achievement Range	Percent Vested
100%	100%
95 - 99%	95%
90 - 94%	90%
85 - 89%	80%
80 - 84%	70%
75 - 79%	50%
70 - 74%	30%
less than 70%	0%

PURCHASE AND SALE AGREEMENT

dated as of

January 19, 1999

among

SBC COMMUNICATIONS INC.,

COMCAST CELLULAR HOLDINGS CORPORATION

COMCAST FINANCIAL CORPORATION

and

COMCAST CORPORATION

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PURCHASE AND SALE AGREEMENT

AGREEMENT dated as of January 19, 1999 among SBC Communications Inc., a Delaware corporation ("Buyer"), Comcast Cellular Holdings Corporation, a Delaware corporation ("Holdings") and Comcast Financial Corporation, a Delaware corporation ("Comcast Financial") (collectively, "Sellers" and, each individually, a "Seller") and Comcast Corporation, a Pennsylvania corporation ("Seller Guarantor").

W I T N E S S E T H :

WHEREAS, Buyer desires to purchase from Sellers, and Sellers desire to sell to Buyer, all the issued and outstanding shares of capital stock of Comcast Cellular Corporation, a Delaware corporation (the "Company"); and

WHEREAS, Buyer desires to pay Seller Guarantor, and Seller Guarantor desires to receive payment from Buyer, for Seller Guarantor's agreement not to compete set forth in Section 5.05 hereof.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1  
DEFINITIONS

SECTION 1.01. Definitions. (a) The following terms, as used herein, have the following meanings:

"Administrative Agent" means the Administrative Agent under the Credit Agreement.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; provided that neither the Company nor any Included Subsidiary shall be considered an Affiliate of either Seller or of Seller Guarantor. For purposes hereof, "control" (and the derivative terms "controlling" and "controlled") shall have the meaning assigned to such terms in Rule 405 promulgated under the Securities Act.

"Agreed Rate" means the rate of interest announced from time to time by Morgan Guaranty Trust Company of New York as its prime rate in New York City.

"Bank Debt Amount" means the aggregate principal amount of all loans outstanding under the Credit Agreement as of the Closing Date, together with interest thereon.

"Base Balance Sheet" means the consolidated balance sheet of the Company and the Included Subsidiaries as of September 30, 1998, attached hereto as Schedule 1.1 hereto.

"Base Balance Sheet Date" means September 30, 1998.

"Base Working Capital Amount" means thirty six million one hundred eighty six thousand U.S. dollars (\$36,186,000); provided that if the Illinois Properties are transferred to one or more of Sellers' Affiliates pursuant to Section 7.06 hereof, the Base Working Capital Amount shall equal thirty five million six hundred nineteen thousand seven hundred and fifty U.S. dollars (\$35,619,750).

"Base Working Capital Report" means the report of the Company Working Capital Amount as of the Base Balance Sheet Date set forth on Schedule 1.2 hereto.

"Benefit Arrangement" means any employment, severance or similar contract or arrangement or any plan, policy, fund, program or contract or arrangement providing for compensation, bonus, profit-sharing, stock option, or other stock related rights or other forms of incentive or deferred compensation, vacation benefits, insurance coverage (including any self-insured arrangements), health or medical benefits, disability benefits, worker's compensation, supplemental unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension, health, medical or life insurance or other benefits) that (i) is not an Employee Plan, (ii) is entered into, maintained, administered or contributed to, as the case may be, by Sellers, any of their Affiliates or the Company or any of the Included Subsidiaries and (iii) covers any employee or former employee of the Company or any Included Subsidiary.

"Buyer Group" means, with respect to Federal Taxes, the affiliated group of corporations (as defined in Section 1504(a) of the Code) of which the Buyer is a member, and with respect to Combined State Taxes, the consolidated, combined or unitary group of which Buyer or any of its Affiliates is a member.

"Cellular Telephone System" means any business that provides, operates or manages commercial mobile radio service systems, as defined in 47 C.F.R. ss.20.3 and ss.20.9 as in effect on the date hereof ("CMRS"), consisting of cellular radiotelephone service or broadband Personal Communications Services (each as defined in 47 C.F.R. ss.22.99 and ss.24.5 as in effect on the date hereof), but shall exclude any business that provides, resells, operates or manages paging, long distance, wireline telephony or transport services, any fixed wireless services used for purposes other than the provision of CMRS or any non-CMRS services in the Wireless Communications Services (as defined in 47 C.F.R. ss.27.4 as in effect on the date hereof).

"Closing Date" means the date of the Closing.

"Closing Date Balance Sheet" means the consolidated balance sheet of the Company and the Included Subsidiaries as of the Closing Date.

"Closing Long Term Debt" means the Company Long Term Debt as of the Closing Date.

"Closing Working Capital Amount" means the Company Working Capital Amount as of the Closing Date.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Combined State Tax" means, with respect to each such state or any local taxing jurisdiction and with respect to any Person, any income or franchise Tax payable to any state or local taxing jurisdiction in which such Person or its Subsidiaries file Returns with (i) a member of the Seller Group, if such Person is the Company, and (ii) a member of the Buyer Group, if such Person is Buyer, on a consolidated, combined or unitary basis for purposes of such income or franchise Tax.

"Common Stock" means the common stock, par value \$0.01 share, of the Company.

"Communications Act" means the Communications Act of 1934, as amended, and any rules and regulations promulgated thereunder.

"Company Group" means the Company and the Included Subsidiaries, taken as a whole.

"Company Long Term Debt" means, as of the date in question, without duplication and disregarding any obligations of the Company or any of the Included Companies, on the one hand, to the Company or any other Included Subsidiary, on the other hand, (i) all obligations of the Company and the Included Subsidiaries for borrowed money, including any accrued interest thereon and the current portion thereof (for the avoidance of doubt, the 9 1/2% Senior Notes due 2007 issued pursuant to the Indenture and the Bank Debt Amount and the current portions thereof and any accrued interest thereon are included in the Company Long Term Debt), (ii) all obligations of the Company and the Included Subsidiaries in respect of letters of credit, bankers' acceptances or other similar instruments or reimbursement obligations with respect thereto, (iii) all obligations of the Company and the Included Subsidiaries to pay the deferred purchase price of property (excluding any trade payables in the ordinary course of business), (iv) all obligations of the Company and the Included Subsidiaries under capitalized leases and (v) all obligations of other Persons of the types described in clauses (i) through (iv) above guaranteed by the Company or any Included Subsidiary, except, in each case, any obligations under performance bonds or similar bonds for the benefit of municipalities arising in the ordinary course of business and listed on Schedule 1.3 hereto or any such obligation arising on or after the date hereof in the ordinary course of business consistent with past practices.

"Company Tax Indemnification Period" means (a) with respect to any Tax described in clause (i) of the definition of "Tax," any Pre-Closing Tax Period of the Company or any Included Subsidiary, (b) with respect to any Tax described in clause (ii) of the definition of "Tax," any Pre-Closing Tax Period and the Tax year of any member of a group described in such clause (ii) that includes (but does not end on) the Closing Date, and (c) with respect to any Tax described in clause (iii) of the definition of "Tax," the survival period of the obligation under the applicable contract or arrangement.

"Company Tax Sharing Agreements" means all existing Tax sharing agreements or arrangements (whether or not written) binding the Company or its Subsidiaries including the Tax Sharing Agreement among Seller Guarantor and the Company dated as of October 14, 1997 (the "Tax Sharing Agreement") and any agreements or arrangements which afford any other person the benefit of any Tax Asset of the Company or its Subsidiaries, afford the Company or its Subsidiaries the benefit of any Tax Asset of any other person or require or permit the transfer or assignment of income, revenues, receipts, or gains.

"Company Working Capital Amount" means, as of the date in question, (i) the consolidated current assets (other than deferred taxes (as defined under SFAS 109) and any intercompany balances) of the Company and the Included Subsidiaries, minus (ii) without duplication, all debts, liabilities and obligations of

the Company and the Included Subsidiaries (other than (v) all liabilities and obligations arising under Article 9 hereof, (w) all liabilities and obligations related to taxes, (x) all intercompany balances, (y) all minority interests and (z) the Company Long Term Debt), determined in each case (other than in case of clauses (v) and (z)) in accordance with generally accepted accounting principles consistent with past practice and the principles applied in preparation of the Base Balance Sheet, plus (iii) each Excess Investment Amount, if any, minus (iv) each Shortfall Investment Amount, if any.

"Credit Agreement" means the Credit Agreement dated as of October 14, 1997 among Comcast Cellular Communications, Inc., a wholly-owned Subsidiary of the Company, the banks listed therein, The Bank of New York, Barclays Bank PLC, The Chase Manhattan Bank, PNC Bank National Association, and The Toronto-Dominion Bank, as Arranging Agents, and Toronto Dominion (Texas), Inc., as Administrative Agent.

"Employee" means any individual employed by the Company or any Included Subsidiary as of the Closing Date, excluding any Inactive Employees.

"Employee Plan" means any "employee benefit plan", as defined in Section 3(3) of ERISA, that (i) is subject to any provision of ERISA, (ii) is maintained, administered or contributed to by Seller Guarantor, any of its Affiliates, the Company or any Included Subsidiary and (iii) covers any employee or former employee of the Company or any Included Subsidiary.

"Environmental Laws" means any federal, state or local law (including, without limitation, common law), treaty, judicial decision, regulation, rule, judgment, order, decree, injunction, permit or governmental restriction or requirement or any agreement with any governmental authority, in each case as now in effect, relating to the protection of the environment or the effect of Hazardous Substances on human health.

"Environmental Permits" means all permits, licenses, franchises, certificates, approvals and other similar authorizations of governmental authorities relating to or required by Environmental Laws and affecting, or relating in any way to, the business of the Company or any Included Subsidiary.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"ERISA Affiliate" of any entity means any other entity which, together with such entity, would be treated as a single employer under Section 414 of the Code.

"Excess Investment Amount" for each Category means the excess, if any, of (x) the amounts actually expended by the Company and the Included Subsidiaries from the date hereof through the Closing Date in respect of such Category over (y) 105% of the Required Expenditure Amount for such Category, calculated in each case in accordance with generally accepted accounting principles applied on a basis consistent with those used in the 1999 Expenditures Plan and in accordance with the accounting policies and practices used in the preparation of the 1999 Expenditures Plan. The expenditure of any such excess amount shall have been approved by Buyer in accordance with Section 5.12 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Excluded Subsidiaries" means (i) Comcast Publishing Holdings Corporation, a Pennsylvania corporation, (ii) Comcast Directory Services, Inc., a Delaware corporation, (iii) Comcast Publishing Holdings Financial Corporation, a Delaware corporation, and (iv) the Illinois Properties, but only if the Illinois Properties are transferred to one or more of Sellers' Affiliates pursuant to Section 7.06 hereof.

"FAA" means the Federal Aviation Administration or its successor agency.

"FCC" means the Federal Communications Commission or its successor agency.

"FCC License" means any license, authorization, certification or permit issued by the FCC.

"Federal Tax" means any Tax imposed under Subtitle A of the Code.

"Final Determination" means (i) with respect to Federal Taxes, a "determination" as defined in Section 1313(a) of the Code or execution of an Internal Revenue Service Form 870AD and, with respect to Taxes other than Federal Taxes, any final determination of liability in respect of a Tax that, under applicable law, is not subject to further appeal, review or modification through proceedings or otherwise (including the expiration of a statute of limitations or a period for the filing of claims for refunds, amended returns or appeals from adverse determinations) or (ii) the payment of Tax by Buyer, Sellers or any of their Affiliates, whichever is responsible for payment of such Tax under applicable law, with respect to any item disallowed or adjusted by a Taxing

Authority, provided that such responsible party determines that no action should be taken to recoup such payment and the other party agrees.

"Former Employee" means any former employee of the Company or any Included Subsidiary (i) who is not, as of the Closing Date, employed by Sellers or any of their Affiliates, and (ii) whose last employer, among Affiliates of Sellers, was the Company or an Included Subsidiary.

"Governmental Entity" means any governmental or regulatory authority, court, agency, commission, body or other governmental entity.

"Hazardous Substances" means any substance, waste, pollutant, contaminant or any toxic, radioactive or hazardous substance, in each case in any concentrations regulated under, defined in, or identified pursuant to, any Environmental Laws.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Illinois Management Contract" means the Agreement dated January 1, 1989, as amended, by and between Aurora/Elgin Cellular Telephone Company, Inc. and Joliet Cellular Telephone Company, Inc. and Cellular One--Chicago, a division of Southwestern Bell Mobile Systems, Inc.

"Illinois Properties" means (i) all of the capital stock of Aurora/Elgin Cellular Telephone Company, Inc. owned by the Company and the Included Subsidiaries, (ii) all of the capital stock of Joliet Cellular Telephone Company, Inc. owned by the Company and the Included Subsidiaries and (iii) American Cellular Network Corp.'s interest in Kankakee Cellular L.L.C.

"Inactive Employee" means any individual included on the payroll records of the Company or any Included Subsidiary as an employee of such entity as of the Closing Date, but who is absent from active employment on that date by reason of long- or short-term disability, military service or other approved leave of absence.

"Included Subsidiary" means any Subsidiary of the Company other than an Excluded Subsidiary.

"Indenture" means the Indenture dated as of May 8, 1997 by and between the Company and The Bank of New York, as Trustee, respect of the 9 1/2% Senior Notes due 2007.

"Intellectual Property Right" means any trademark, service mark, trade name, mask work, invention, patent, trade secret, copyright, computer software program and applications, know-how (including any registrations or applications for registration of any of the foregoing) or any other similar type of proprietary intellectual property right.

"Knowledge of Sellers," "Sellers' Knowledge" or any other similar knowledge qualification in this Agreement means to the actual knowledge, after due inquiry into the subject matter of the representations and warranties set forth in Article 3, of (i) the senior officers of Holdings and the Company (including, in any event, David Watson, Anna Hillman, David Juliano, Jeffrey Smith, Karen Heisler and Raymond Dombroski); and (ii) any other senior officers of Seller Guarantor or its Subsidiaries that have managerial authority with respect to the subject matter of the representations and warranties set forth in Article 3.

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance in respect of such property or asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any property or asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

"Material Adverse Effect" means, with respect to any Person, a material adverse effect on the business, properties, assets or results of operations of such Person and its Subsidiaries, taken as whole, except any such effect resulting from or arising in connection with (i) this Agreement or the transactions contemplated hereby, (ii) changes or conditions affecting the commercial mobile radio services industry generally, including without limitation changes in the regulation thereof, or (iii) changes in economic or political conditions generally.

"Multiemployer Plan" means each Employee Plan that is a multiemployer plan, as defined in Section 3(37) of ERISA.

"Organizational Documents" means, with respect to an entity, the certificate of incorporation, articles of incorporation, charter, by-laws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement, operating agreement or other similar organizational instrument or document governing such entity.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Person" means an individual, corporation, partnership, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Post-Closing Tax Period" means any Tax period (or portion thereof) beginning after the close of business on the Closing Date.

"Pre-Closing Tax Period" means any Tax period (or portion thereof) ending on or before the close of business on the Closing Date.

"Preferred Stock" means Series A Preferred Stock of the Company.

"Required Expenditure Amount" in respect of any Category means (A) the amount set forth in Schedule 5.12 in the column "Monthly Requirement" in respect of such Category multiplied by (B) the number of days elapsed from the date hereof through the Closing Date divided by 30.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Seller Group" means, with respect to Federal Taxes, the affiliated group of corporations (as defined in Section 1504(a) of the Code) of which Sellers are members, and with respect to Combined State Taxes, the consolidated, combined or unitary group of which Sellers or any of their Affiliates is a member.

"Shares" means all outstanding shares of Common Stock.

"Shortfall Investment Amount" for each Category means the excess if any, of (x) 95% of the Required Expenditure Amount for such Category over (y) the amount actually expended by the Company and the Included Subsidiaries from the date hereof through the Closing Date in respect of such Category, calculated in each case in accordance with generally accepted accounting principles applied on a basis consistent with those used in the 1999 Expenditures Plan and in accordance with the accounting policies and practices used in the preparation of the 1999 Expenditures Plan.

"Subsidiary" means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"Tax" means, with respect to any Person, (i) any net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, value

added, transfer, franchise, profits, license, withholding on amounts paid to or by such Person or its Subsidiaries, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest, penalty, addition to tax or additional amount imposed by any governmental authority (domestic or foreign) responsible for the imposition of any such tax (a "Taxing Authority"), (ii) any liability of such Person or its Subsidiaries for the payment of any amounts of the type described in (i) as a result of being a member of an affiliated, consolidated, combined or unitary group with any other corporation at any time on or prior to the Closing Date, if such Person is the Company, and (iii) liability of such Person or its Subsidiaries for the payment of any amounts as a result of being party to any Tax Sharing Agreement or with respect to the payment of any amounts of the type described in (i) or (ii) as a result of any express or implied obligation to indemnify any other Person.

"Tax Asset" means, with respect to any Person, any net operating loss, net capital loss, excess credit, or any other similar tax attribute of such Person or its Subsidiaries which could reduce Taxes.

"Title IV Plan" means an Employee Plan subject to Title IV of ERISA other than any Multiemployer Plan.

(b) Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
Applicable Tax Rate .....	8.08(c)
Claim .....	11.03(a)
Buyer Post-Retirement Medical Plan .....	9.01(a)
Buyer Thrift Plan .....	9.03(a)
Category .....	5.12
Closing .....	2.02
Closing Date Balance Sheet .....	2.04
Company Intellectual Property Rights ...	3.18(a)
Company Plans .....	9.02(a)
Company Securities .....	3.05(b)(iii)
Company Subsidiary Securities .....	3.07(b)
Damages .....	11.02
Estimated Closing Long Term Debt .....	2.03(a)
Estimated Closing Working Capital Amount	2.03(a)
FAA Rules .....	5.11

Term	Section
FCC Consents .....	10.02(g)(i)
FCC Opinion .....	10.02(g)
FCC Rules .....	5.11
Final Purchase Price .....	2.04(e)
Indemnified Party .....	11.03(a)
Indemnifying Party .....	11.03(a)
Independent Accountants .....	2.04(d)
Initial Purchase Price Adjustment	2.03(b)
Joint Venture Affiliate .....	3.07(c)(i)
Licenses .....	3.23(a)
Loss .....	8.08(a)
1999 Expenditures Plan .....	5.12
1999 Seller Group Return .....	8.02(d)
Permitted Liens .....	3.16
Potential Contributor .....	11.05
Purchase Price .....	2.01
Regulatory Material Adverse Effect	7.01
Restricted Activities .....	5.05(a)
Retention Date .....	9.04
Retention Payment .....	9.04
Returns .....	8.01(a)(i)
SEC Reports .....	3.08(a)
Sections 271 and 272 .....	5.11
Securities Sale .....	8.08(f)
Seller Guarantor Plan .....	9.02(a)
Seller Guarantor Thrift Plan .....	9.03(a)
Seller Guarantor Welfare Plans .....	9.01(c)
Seller Obligations .....	12.01
Seller Trademarks and Tradenames .	7.04(a)
Senior Notes .....	6.04(a)
Tax Attributes .....	8.02(d)
Tax Attribute Shortfall .....	8.08(f)
Tax Benefit .....	8.08(c)
38 GHz Licenses .....	7.05
38 GHz Facilities .....	7.05
Third Party Claim .....	11.03(b)
Transition Period .....	9.01(c)

ARTICLE 2  
PURCHASE AND SALE

SECTION 2.01. Purchase and Sale. Upon the terms and subject to the conditions of this Agreement, each of the Sellers agree to sell to Buyer and Buyer agrees to purchase from Sellers, the Shares at the Closing. The purchase price for the Shares (the "Purchase Price") is one billion five hundred seventy three million seven hundred thousand United States dollars (\$1,573,700,000) in cash. The Purchase Price shall be paid as provided in Section 2.02 and shall be subject to adjustment as provided in (i) Sections 2.03 and 2.04, and (ii) Section 7.06 if Sellers transfer the Illinois Properties to one or more of their Affiliates pursuant to Section 7.06.

SECTION 2.02. Closing. The closing (the "Closing") of the purchase and sale of the Shares hereunder shall take place at the offices of Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York, as soon as possible, but in no event later than five business days after satisfaction (or waiver) of the conditions set forth in Article 10 (except for the conditions which by their terms are to be satisfied at or immediately prior to the Closing, but subject to satisfaction of such conditions), or at such other time or place as Buyer and Holdings may agree. At the Closing:

(a) Buyer shall deliver to the Administrative Agent an amount equal to the Bank Debt Amount in immediately available funds by wire transfer to the account of the Administrative Agent designated by Seller by notice to Buyer not later than two business days prior to the Closing Date.

(b) Buyer shall deliver to Holdings an amount equal to the Purchase Price, as adjusted pursuant to Section 2.03, in immediately available funds by wire transfer to an account of Holdings designated by Holdings by notice to Buyer, not later than two business days prior to the Closing Date (or if not so designated, then by certified or official bank check payable in immediately available funds to the order of Holdings in such amount).

(c) In exchange for Seller Guarantor's agreement set forth in Section 5.05, Buyer shall deliver to Seller Guarantor an amount equal to one hundred million United States dollars (\$100,000,000) in immediately available funds by wire transfer to an account of Seller Guarantor designated by Seller Guarantor by notice to Buyer, not later than two business days prior to the Closing Date (or if not so designated, then by certified or official bank check payable in immediately available funds to the order of Seller Guarantor in such amount).

(d) Sellers shall deliver to Buyer certificates for the Shares duly endorsed in blank for transfer or accompanied by stock powers duly endorsed in blank, with any required transfer stamps affixed thereto.

(e) Holdings shall deliver to Buyer a certificate of a senior officer of Holdings to the effect that the payment by Buyer pursuant to Section 2.02(a) constitutes payment in full of all amounts outstanding at such time under the Credit Agreement.

SECTION 2.03. Initial Purchase Price Adjustment. (a) No later than two days prior to the Closing Date, Holdings shall in good faith prepare, based on the books and records of the Company and the Included Subsidiaries and other information then available, (i) Holdings' best estimate of (A) the Closing Working Capital Amount (the "Estimated Closing Working Capital Amount") and (B) the Closing Long Term Debt (the "Estimated Closing Long Term Debt") and (ii) Holdings' basis for such estimate.

(b) The Purchase Price payable pursuant to Section 2.01 shall be (A) decreased by the amount equal to the Estimated Closing Long Term Debt and (B) increased by the amount by which the Estimated Working Capital Amount exceeds the Base Working Capital Amount or decreased by the amount by which the Base Working Capital Amount exceeds the Estimated Working Capital Amount (such adjustment, the "Initial Purchase Price Adjustment").

SECTION 2.04. Final Purchase Price Adjustment. (a) As promptly as practicable, but no later than 60 days, after the Closing Date, Buyer will cause to be prepared and delivered to Holdings the Closing Date Balance Sheet, and a report of (x) the Closing Working Capital Amount and (y) the Closing Long Term Debt.

(b) The Closing Date Balance Sheet ("Closing Date Balance Sheet") shall fairly present the consolidated financial position of the Company and the Included Subsidiaries as of the close of business on the Closing Date in accordance with generally accepted accounting principles applied on a basis consistent with those used in the preparation of the Base Balance Sheet. The report of the Closing Working Capital Amount shall include line items substantially consistent with those in the Base Working Capital Report, and be prepared in accordance with accounting policies and practices consistent with those used in the preparation of the Base Working Capital Report.

(c) If Holdings disagrees with Buyer's calculations of the Closing Working Capital Amount or the Closing Long Term Debt delivered pursuant to Section 2.04(a), Holdings may, within 30 days after delivery of the documents

referred to in Section 2.04(a), deliver a notice to Buyer disagreeing with such calculations and setting forth Holdings' calculation of such amounts. Any such notice of disagreement shall specify those items or amounts as to which Holdings disagrees, and Holdings shall be deemed to have agreed with all other items and amounts contained in the Closing Date Balance Sheet and the calculation of the Purchase Price Adjustment delivered pursuant to Section 2.04(a).

(d) If a notice of disagreement shall be delivered pursuant to Section 2.04(b), Buyer and Holdings shall, during the 30 days following such delivery, use their best efforts to reach agreement on the disputed items or amounts in order to determine, as may be required, the amount of the Closing Working Capital Amount or of the Closing Long Term Debt. If, during such period, Buyer and Holdings are unable to reach such agreement, they shall promptly thereafter cause Arthur Andersen LLP (the "Independent Accountants"), promptly to review this Agreement and the disputed items or amounts for the purpose of calculating the Purchase Price Adjustment. In making such calculation, the Independent Accountants shall consider only those items or amounts in the Closing Date Balance Sheet or Buyer's calculations of the Closing Working Capital Amount or the Closing Long Term Debt, as the case may be, as to which Holdings has disagreed. The Independent Accountants shall deliver to Buyer and Holdings, as promptly as practicable, a report setting forth such calculations. Such report shall be final and binding upon Buyer and Holdings. The cost of such review and report shall be borne equally by Buyer and Holdings.

(e) Buyer and Holdings agree that they will, and agree to cause their respective independent accountants and the Company and each Included Subsidiary to, cooperate and assist in the preparation of the Closing Date Balance Sheet and the calculation of the Closing Working Capital Amount and the Closing Long Term Debt and in the conduct of the audits and reviews referred to in this Section, including without limitation, the making available to the extent necessary of books, records, work papers and personnel. Upon a final determination of the Closing Working Capital Amount and the Closing Long Term Debt, Buyer and Holdings shall calculate the adjustment that would have been required pursuant to Section 2.03(a) if the Closing Working Capital Amount (as finally determined) were substituted for the Estimated Closing Working Capital Amount and the Closing Long Term Debt (as finally determined) were substituted for the Estimated Closing Long Term Debt (such adjustment, the "Final Purchase Price Adjustment").

(f) Within 10 days following a determination of the Final Purchase Price Adjustment, (i) if the amount of the reduction in the Purchase Price required by the Final Purchase Price Adjustment exceeds the amount of the reduction in the Purchase Price required by the Initial Purchase Price Adjustment, Holdings shall

pay to Buyer, as an adjustment to the Purchase Price, in the manner and with interest as provided below, the amount of such excess and (ii) if the amount of the reduction in the Purchase Price required by the Initial Purchase Price Adjustment exceeds the amount of the reduction in the Purchase Price required by the Final Purchase Price Adjustment, Buyer shall pay to Holdings, in the manner and with interest as provided below, the amount of such excess.

(g) Any payment pursuant to Section 2.04(e) shall be made by delivery by Buyer or Holdings, as the case may be, of a certified or official bank check payable in immediately available funds to the other party or by causing such payments to be credited to such account of such other party as may be designated by such other party. The amount of any payment to be made pursuant to this Section shall bear interest from and including the Closing Date to but excluding the date of payment at a rate per annum equal to the Agreed Rate in effect from time to time during the period from the Closing Date to the date of payment. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated daily on the basis of a year of 365 days and the actual number of days elapsed.

ARTICLE 3  
REPRESENTATIONS AND WARRANTIES OF SELLERS AND SELLER GUARANTOR

Each of Sellers and Seller Guarantor represents and warrants to Buyer as of the date hereof and as of the Closing Date that:

SECTION 3.01. Corporate Existence and Power. Each of Sellers and Seller Guarantor is a corporation validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate powers to perform their respective obligations under this Agreement.

SECTION 3.02. Corporate Authorization. The execution, delivery and performance by each of Sellers and Seller Guarantor of this Agreement have been duly authorized by all necessary corporate action on the part of Sellers and Seller Guarantor. This Agreement constitutes a valid and binding agreement of Sellers and Seller Guarantor enforceable in accordance with its terms, except as (i) the enforceability hereof may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.

SECTION 3.03. Governmental Authorization. The execution, delivery and performance by each of Sellers and Seller Guarantor of this Agreement require no

action by or in respect of, or filing with, any governmental body, agency, or official other than (i) compliance with any applicable requirements of the HSR Act; (ii) compliance with any applicable requirements of the Exchange Act and the Securities Act; (iii) compliance with any applicable requirements of the FCC and of the Communications Act; (iv) compliance with any applicable requirements imposed by state public utilities commissions or similar state regulatory bodies in Delaware, Illinois, Maryland, New Jersey and Pennsylvania; (v) compliance with any contractual requirements of any lease entered into with a governmental entity; and (vi) actions or filings the failure of which to occur have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Sellers and their Subsidiaries, taken as a whole, or materially delay the ability of Sellers to perform their obligations under this Agreement.

SECTION 3.04. Non-Contravention. Except as set forth in Section 3.03 or disclosed in Schedule 3.04, the execution, delivery and performance by each of Sellers and Seller Guarantor of this Agreement do not and will not

(a)(i) violate the Organizational Documents of Sellers or Seller Guarantor, (ii) assuming compliance with the matters referred to in Section 3.03, violate any applicable law, rule, regulation, judgment, injunction, order or decree, except for violations which, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on Seller Guarantor and its Subsidiaries, taken as a whole, or (iii) require any consent or other action by any Person under, constitute a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of Sellers or Seller Guarantor or to a loss of any benefit to which Sellers or Seller Guarantor is entitled under, any agreement or other instrument binding upon Sellers or Seller Guarantor or any license, franchise, permit or other similar authorization held by Sellers or Seller Guarantor, except for consents, actions, defaults, terminations, cancellations, accelerations or losses which, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on Seller Guarantor and its Subsidiaries, taken as a whole; or

(b)(i) violate the Organizational Documents of the Company or any Included Subsidiary, (ii) assuming compliance with the matters referred to in Section 3.03, violate any applicable law, rule, regulation, judgment, injunction, order or decree, except for violations which, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on the Company Group, (iii) require any consent or other action by any Person under, constitute a default under, or give rise

to any right of termination, cancellation or acceleration of any right or obligation of the Company or any Included Subsidiary or to a loss of any benefit to which the Company or any Included Subsidiary is entitled under, any agreement or other instrument binding upon the Company or any Included Subsidiary or any license, franchise, permit or other similar authorization held by the Company or any Included Subsidiary, except for consents, actions, defaults, terminations, cancellations, accelerations or losses (x) under the Credit Agreement or the Indenture (in the event that the Change of Control Triggering Event (as defined in the Indenture) has occurred) or (y) which, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on the Company Group or (iv) result in the creation or imposition of any Lien on any material asset of the Company or any Included Subsidiary, other than any Permitted Liens.

SECTION 3.05. Capitalization. (a) The authorized capital stock of the Company consists of (A) 1,000 shares of Common Stock, and (B) 10,000 shares of preferred stock of which 5,200 shares have been designated as the Preferred Stock. As of the date hereof, 100 shares of Common Stock and 1,912.336 shares of Preferred Stock are outstanding. As of the Closing Date, pursuant to Section 5.10 hereof, the outstanding capital stock of the Company will consist only of shares of Common Stock.

(b) All outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable. Except as set forth in Section 3.05(a) or contemplated by Section 5.10 hereof, there are no outstanding (i) shares of capital stock or voting securities of the Company, (ii) securities of the Company convertible into or exchangeable for shares of capital stock or voting securities of the Company or (iii) options or other rights to acquire from the Company, or other obligation of the Company to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of the Company (the items in clauses 3.05(b)(i), 3.05(b)(ii) and 3.05(b)(iii) being referred to collectively as the "Company Securities"). Except as contemplated by Section 5.10 hereof, there are no outstanding obligations of the Company or any Included Subsidiary to repurchase, redeem or otherwise acquire any Company Securities.

SECTION 3.06. Ownership of Shares. Sellers are the record and beneficial owners of all shares of Common Stock and Preferred Stock outstanding as of the date hereof, free and clear of any Lien and any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of the Shares), and will transfer and deliver to Buyer at the Closing valid title to the Shares free and clear of any Lien and any such limitation or restriction.

SECTION 3.07. Company; Subsidiaries and Joint Ventures. (a) The Company and each Included Subsidiary is duly organized or formed, validly existing and in good standing under the laws of the jurisdiction in which it is so organized or formed and has all corporate or partnership powers and authority and all governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted, is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company Group. All Included Subsidiaries and their respective jurisdictions of incorporation or organization and qualifications to do business as a foreign corporation are identified on Schedule 3.07(a).

(b) Except as disclosed in Schedule 3.07(a), all of the outstanding capital stock of, or other voting securities or ownership interests in, each Included Subsidiary is owned by the Company, directly or indirectly, free and clear of any Lien and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other voting securities or ownership interests). There are no outstanding (i) securities of the Company or any Included Subsidiary convertible into or exchangeable for shares of capital stock or other voting securities or ownership interests in any Included Subsidiary or (ii) options or other rights to acquire from the Company or any Included Subsidiary, or other obligation of the Company or any Included Subsidiary to issue, any capital stock or other voting securities or ownership interests in, or any securities convertible into or exchangeable for any capital stock or other voting securities or ownership interests in, any Included Subsidiary (the items in clauses 3.07(b)(i) and 3.07(b)(ii) being referred to collectively as the "Company Subsidiary Securities"). There are no outstanding obligations of the Company or any Included Subsidiary to repurchase, redeem or otherwise acquire any outstanding Company Subsidiary Securities.

(c) Schedule 3.07(c) sets forth (i) the name of each corporation, partnership, limited liability company or other entity (other than the Included Subsidiaries) in which the Company holds a direct or indirect equity, profit, voting or other interest ("Joint Venture Affiliate"), (ii) a description of the interests of the Company, and (iii) the name of each owner of any such interest and its percentage interest.

(d) Except as disclosed in Schedule 3.07(d), the interest of the Company in each Joint Venture Affiliate is owned by the Company, directly or indirectly, free and clear of any Liens and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such interest).

Except as disclosed in Schedule 3.07(d), there are no outstanding (i) securities or other interests of the Company or the Included Subsidiaries convertible into or exchangeable for ownership interests in the Joint Venture Affiliates or (ii) options or other rights to acquire from the Company or any Included Subsidiary or other obligations of the Company or any Included Subsidiary to issue any interests in or convertible into or exchangeable into any interest in the Joint Venture Affiliates. Except as set forth in Schedule 3.07(d), there are no outstanding obligations of the Company or the Included Subsidiaries to repurchase, redeem or otherwise acquire any interest in any Joint Venture Affiliate.

SECTION 3.08. SEC Filings; Financial Statements. (a) The Company has filed all required reports, schedules, forms, statements and other documents with the Securities and Exchange Commission since December 31, 1997, and will file all reports, schedules, forms, statements and other documents with the Securities and Exchange Commission which it shall be required to file on or after the date hereof and up to and including the Closing Date (the "SEC Reports").

(b) As of its filing date, each SEC Report filed or to be filed pursuant to the Exchange Act did not or will not, as the case may be, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) Each of the consolidated financial statements of the Company and its Subsidiaries and the related consolidated statements of income and cash flow included in or incorporated by reference in the SEC Reports, presents fairly the consolidated financial position of the Company and its Subsidiaries as of the dates thereof and their consolidated results of operations and cash flows, as the case may be, for the periods then ended (subject to normal year-end adjustments that will not be material in amount or effect in the case of the unaudited interim financial statements) in conformity with United States generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto).

SECTION 3.09. Absence of Certain Changes. Except as disclosed in Schedule 3.09 and except for the transactions contemplated by this Agreement, since December 31, 1997, the business of the Company and the Included Subsidiaries has been conducted in the ordinary course consistent with past practices and there has not been:

(a) any event, occurrence or development which has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company Group;

(b) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of the Company, or any repurchase, redemption or other acquisition by the Company or any Included Subsidiary of any outstanding shares of capital stock or other securities of the Company or any Included Subsidiary;

(c) any amendment of any material term of any outstanding security of the Company or any Included Subsidiary;

(d) any incurrence, assumption or guarantee by the Company or any Included Subsidiary of any indebtedness for borrowed money other than in the ordinary course of business consistent with past practices;

(e) any making of any loan, advance or capital contributions to or investment in any Person other than loans, advances or capital contributions to or investments in (i) any Persons in the ordinary course of business consistent with past practices or (ii) wholly-owned Subsidiaries of the Company (other than the Excluded Subsidiaries);

(f) any transaction or commitment made, or any contract, agreement or arrangement entered into, by the Company or any Included Subsidiary relating to their assets or business (including the acquisition or disposition of any assets), in either case, material to the Company Group, other than transactions and commitments in the ordinary course of business consistent with past practices and those contemplated by this Agreement;

(g) any material change in any method of accounting or accounting practice by the Company or any Included Subsidiary, except for any such change required by reason of a change in generally accepted accounting principles; or

(h) any other event listed in Section 5.01 hereto.

SECTION 3.10. No Undisclosed Liabilities. There are no liabilities of the Company or Included Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, other than:

(a) liabilities provided for in the Base Balance Sheet or disclosed in the notes thereto;

(b) liabilities arising in the ordinary course subsequent to the Base Balance Sheet Date, none of which liabilities has had or would reasonably be

expected to have, individually or in the aggregate, a Material Adverse Effect on the Company Group;

(c) liabilities disclosed in, related to or arising under any agreements, instruments or other matters disclosed in this Agreement or any Schedule hereto (and to the Knowledge of Sellers, none of the liabilities arising under such agreements or instruments was caused by any breach of contract, breach of warranty, tort, infringement or violation of law);

(d) liabilities with respect to or arising out of any Excluded Subsidiary;

(e) liabilities disclosed in Schedule 3.10; and

(f) other undisclosed liabilities which are not required (in accordance with generally accepted accounting principles consistently applied) to be provided for in the Base Balance Sheet or disclosed in the notes thereto and which would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect on the Company Group.

SECTION 3.11. Intercompany Accounts. Schedule 3.11 contains a complete list of all intercompany balances as of the Base Balance Sheet Date between Holdings and its Affiliates, on the one hand, and the Company and the Included Subsidiaries, on the other hand. Since the Base Balance Sheet Date there has not been any accrual of liability by the Company or any Included Subsidiary to Holdings or any of its Affiliates or other transaction between the Company or any Included Subsidiary and Holdings and any of its Affiliates, except in the ordinary course of business of the Company and the Included Subsidiaries consistent with past practice.

SECTION 3.12. Material Contracts. (a) Except as disclosed in Schedule 3.12, neither the Company nor any Included Subsidiary is a party to or bound by:

(i) any lease of personal property providing for annual rentals of \$500,000 or more;

(ii) any agreement for the purchase of materials, supplies, goods, services, equipment or other assets that provides for either (A) annual payments by the Company and the Included Subsidiaries of \$500,000 or more or (B) aggregate payments by the Company and the Included Subsidiaries of \$2,000,000 or more;

(iii) any agreement providing for the sale by the Company or the Included Subsidiaries of services (other than in respect of cellular services

with customers thereof), equipment or other assets that provides for either (A) annual payments to the Company and the Included Subsidiaries of \$500,000 or more or (B) aggregate payments to the Company and the Included Subsidiaries of \$2,000,000 or more;

(iv) any agency, dealer, reseller, roaming, interconnect or other similar agreement, other than any such agreement (A) that is in all material respects similar to the relevant form of such agreement furnished to Buyer prior to the date hereof or (B) providing for either (x) annual payments to or from the Company and the Included Subsidiaries of \$1,000,000 or more or (y) aggregate payments to or from the Company and the Included Subsidiaries of \$3,000,000 or more (other than, in case of clause (B), any agency or dealer agreement);

(v) any partnership, joint venture or other similar agreement or arrangement relating to the formation, creation, operation, management or control of any partnership or joint venture;

(vi) any agreement relating to the acquisition or disposition of any material business (whether by merger, sale of stock, sale of assets or otherwise);

(vii) other than the Credit Agreement and the Indenture, any agreement relating to indebtedness for borrowed money or the deferred purchase price of property (in either case, whether incurred, assumed, guaranteed or secured by any asset);

(viii) any material license, franchise or similar agreement (including without limitation all FCC Licenses);

(ix) any agreement that materially limits the freedom of the Company or the Included Subsidiaries to compete in any line of business or with any Person or in any area or which would so limit the freedom of the Company or any Included Subsidiary after the Closing Date;

(x) any agreement with Holdings or any of its Affiliates;

(xi) any agreement with any director or officer of the Company or any Included Subsidiary or with any "associate" or any member of the "immediate family" (as such terms are respectively defined in Rules 12b-2 and 16a-1 of the Securities Act) of any such director or officer (other than any Benefit Arrangement or Employee Plan disclosed to Buyer pursuant to other provisions hereof); or

(xii) any other agreement, commitment, arrangement or plan not made in the ordinary course of business that is material to the Company Group.

(b) Each agreement, contract, plan, lease, arrangement or commitment disclosed in Schedule 3.11 to this Agreement or required to be disclosed pursuant to this section is a valid and binding agreement of the Company or the Included Subsidiary, as the case may be, and is in full force and effect, and neither the Company nor any Included Subsidiary nor, to the Knowledge of Sellers, any other party thereto is in material default or breach in any respect under the terms of any such agreement, contract, plan, lease, arrangement or commitment.

(c) The subscriber activations under agency agreements listed on Schedule 3.12(c) account for no less than 85% of all subscriber activations by the Company and the Included Subsidiaries for the twelve-month period ending December 31, 1998.

SECTION 3.13. Litigation. There is no action, suit, investigation or proceeding pending against, or to the Knowledge of Sellers threatened against, either Seller, Seller Guarantor, the Company or the Included Subsidiaries or any of their respective properties before any court or arbitrator or any governmental body, agency or official which, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect on the Company Group, or which in any manner challenges or seeks to prevent, enjoin, alter or materially delay, or could reasonably be expected to prevent, alter or materially delay, the transactions contemplated by this Agreement.

SECTION 3.14. Compliance with Laws and Court Orders; No Defaults. (a) Neither the Company nor any Included Subsidiary is in violation of any applicable law, rule, regulation, judgment, injunction, order or decree, except for violations which, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on the Company Group.

(b) Neither the Company nor any of the Included Subsidiaries is in default under, and no condition exists that with notice or lapse of time or both would constitute a default under, any agreement or other instrument binding upon the Company or such Included Subsidiary or any license, franchise, permit or similar authorization held by the Company or any Included Subsidiary, except for defaults or potential defaults which, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on the Company Group.

SECTION 3.15. Real Property. (a) Schedule 3.15(a) lists and briefly describes all real property owned by any of the Company and the Included Subsidiaries. Each such description is correct in all material respects. Except as disclosed in Schedule 3.15(a), with respect to each such parcel of owned real property:

(i) the identified owner has good and marketable title to the parcel of real property, free and clear of any lien, mortgage, encumbrance, security interest, easement, covenant, or other restriction or title matter, except for (w) any mechanic's, materialmen's, and similar liens, (x) any liens for real estate taxes or assessments not yet due and payable or for real estate taxes or assessments that the taxpayer is contesting in good faith through appropriate proceedings (provided the applicable real property is not subject to imminent threat of loss), (y) any recorded and unrecorded easements, covenants, and other similar restrictions and (z) any utility easements, building and use restrictions, zoning restrictions and other easements and restrictions existing generally with respect to properties of a similar character, in each case that, individually and in the aggregate, do not materially interfere with, restrict or limit the current use of the property or impose any material financial or performance obligation on the owner or user of such property;

(ii) there are no pending condemnation proceedings, lawsuits, or administrative actions relating to the parcel of real property (and, to the knowledge of Sellers, there are no threatened condemnation proceedings, lawsuits or administrative actions relating to the property) that would reasonably be expected to materially and adversely affect the current use, occupancy or value thereof;

(iii) there are no outstanding options or rights of first refusal to purchase the parcel of real property, or any portion thereof or interest therein;

(iv) there are no leases or grants of occupancy rights to others affecting the parcel of real property, in each case of any significance; and

(v) there are no material casualty events affecting the parcel of real property not fully covered by insurance (except for customary deductibles).

Holdings will make available to Buyer prior to the Closing Date true and complete copies, to the extent available to Holdings, of property surveys, title

commitments (including copies of recorded agreements and matters) and deeds for each parcel of owned real estate.

(b) Schedule 3.15(b) lists and briefly describes all real property leased or subleased to or by any of the Companies and their Subsidiaries. Each such description is correct in all material respects. Holdings has delivered to Buyer correct and complete copies of the leases and subleases listed in Schedule 3.15(b) (other than cell site leases and oral licenses for kiosks). There are no amendments, consents for alterations, or other documents recording variations to such leases which materially and adversely affect the rental payments, the term, or the current use of the properties subject thereto. Except as disclosed in Schedule 3.15(b), (i) each lease or sublease listed in Schedule 3.15(b) is legal, valid, binding, enforceable, and in full force and effect, except as (x) the enforceability may be limited by bankruptcy, insolvency, moratorium, or other similar laws affecting creditors' rights generally, and (y) such property may be subject to mortgages, deeds of trust, or other liens against the lessor's interest in such property, (ii) none of the Company and the Included Subsidiaries is in breach or default, and no event has occurred which, with notice or lapse of time, would constitute a breach or default by any of the Company and the Included Subsidiaries or permit termination, modification or acceleration by any third party thereunder, and (iii) to the Knowledge of Sellers, no third party has repudiated or has the right to terminate or repudiate (except for the normal exercise of remedies in connection with a default thereunder or any termination rights set forth in the lease or sublease) any provision thereof, except in case of each of clauses (i), (ii) or (iii), for such illegality, invalidity, failures to be binding, unenforceability, ineffectiveness, breaches, defaults, terminations, modifications, accelerations and repudiations that, individually and in the aggregate, would not have a Material Adverse Effect on the Company Group.

SECTION 3.16. Properties. (a) The Company and the Included Subsidiaries have good title to, or in the case of leased property and assets have valid leasehold interests in, all personal property and assets (whether real, personal, tangible or intangible) reflected on the Base Balance Sheet or acquired or entered into after the Base Balance Sheet Date, except for property and assets sold since the Base Balance Sheet Date in the ordinary course of business consistent with past practices or where the failure to have such good title or valid leasehold interests would not have a Material Adverse Effect on the Company Group. None of such property or assets (whether real or personal) is subject to any Liens, except:

(i) Liens disclosed in Schedule 3.16;

(ii) Liens disclosed on the Base Balance Sheet or notes thereto or securing liabilities reflected on the Base Balance Sheet or notes thereto;

(iii) Liens for taxes not yet due or being contested in good faith;

(iv) mechanic's, materialman's, carrier's, repairer's and other similar Liens arising or incurred in the ordinary course of business or that are not yet due and payable or are being contested in good faith;

(v) Liens incurred in the ordinary course of business since the Base Balance Sheet Date; or

(vi) other Liens which do not materially detract, individually or in the aggregate, from the value of any property or any asset (paragraphs (i)-(vi) of this Section 3.16 are, collectively, the "Permitted Liens").

(b) The plant and equipment owned or used by the Company and the Included Subsidiaries are in good operating condition and repair and have been reasonably maintained consistent with standards generally followed in the industry (giving due account to the age and length of use of same, ordinary wear and tear excepted), are adequate and suitable for their present and intended uses and, in the case of buildings and other structures (including the roofs thereof), are structurally sound.

SECTION 3.17. Insurance. Schedule 3.17 contains a list of all insurance policies and fidelity bonds maintained by or for the benefit of the Company and the Included Subsidiaries. There is no material claim by the Company or any Included Subsidiary pending under any of such policies or bonds relating to the assets, business, operations, employees, officers or directors of the Company or any Included Subsidiary as to which coverage has been questioned, denied or disputed by the underwriters of such policy or bond or in respect of which such underwriters have reserved their rights. To Sellers' Knowledge, there has been no occurrence that may form the basis for a material claim by or on behalf of the Company or any Included Subsidiary under any such policy or bond. All premiums payable under all such policies and bonds have been paid timely in all material respects, and the Company and the Included Subsidiaries have otherwise complied in all material respects with the terms and conditions of all such policies and bonds.

SECTION 3.18. Intellectual Property. (a) Schedule 3.18 contains a list of all Intellectual Property Rights owned or licensed and used or held for use by the Company or any Included Subsidiary ("Company Intellectual Property Rights"), specifying as to each, as applicable: (i) the nature of such Intellectual

Property Right, (ii) the owner of such Intellectual Property Right, (iii) the jurisdictions by or in which such Intellectual Property Right (A) is recognized (without regard to registration) or (B) has been issued or registered or in which an application for such issuance or registration has been filed, (iv) the registration or application numbers and (v) the termination or expiration dates.

(b) Schedule 3.18 sets forth a list of all licenses, sublicenses and other agreements (other than licenses to use standard software applications and other commercially available licenses or use rights) as to which the Company or any Included Subsidiary is a party and pursuant to which any Person is authorized to use any Company Intellectual Property Right or pursuant to which the Company or any Included Subsidiary is authorized to use or practice the Intellectual Property Rights of any other Person, including (i) the identity of all parties thereto, (ii) a description of the nature and subject matter thereof, (iii) the applicable royalty and (iv) the term thereof. The Company is not, nor will it be as a result of the execution, delivery or performance of this Agreement by it or Sellers, be in violation of any licenses, sublicenses or other agreements as to which the Company or any Included Subsidiary is a party and pursuant to which the Company or any Included Subsidiary is authorized to use or practice any Intellectual Property Rights of any other Person.

(c) (i) Except as disclosed in Schedule 3.18, neither the Company nor any Included Subsidiary is a defendant in any action, suit, investigation or proceeding relating to, or otherwise has been notified of, any alleged claim of infringement of any Intellectual Property Right, and Sellers have no knowledge of any other such infringement by the Company or any Included Subsidiary and (ii) none of the Sellers have any outstanding claim or suit for, nor any knowledge of, any continuing infringement by any other Person of any Company Intellectual Property Rights. No Company Intellectual Property Right is subject to any outstanding judgment, injunction, order, decree or agreement restricting the use thereof by the Company or any Included Subsidiary or restricting the licensing thereof by the Company or any Included Subsidiary to any Person. Neither the Company nor any Included Subsidiary has entered into any agreement to indemnify any other Person against any charge of infringement of any Intellectual Property Right (other than any agency agreement entered into in the ordinary course of business consistent with past practices).

SECTION 3.19. Finders' Fees. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Sellers, Seller Guarantor or their Subsidiaries who might be entitled to any fee or commission from Buyer or any of its Affiliates or the Company in connection with the transactions contemplated by this Agreement.

SECTION 3.20. Labor Matters. Neither the Company nor any of the Included Subsidiaries is a party or otherwise bound by, or as of the date hereof is negotiating in connection with entering into, a collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization. The Company and the Included Subsidiaries are in compliance with all currently applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and are not engaged in any unfair labor practice, except for noncompliance with laws or engagement in practices which have not had and would not reasonably be expected to have a Material Adverse Effect on the Company Group. There is no unfair labor practice complaint pending or, to the knowledge of Sellers, threatened against the Company or the Included Subsidiaries before the National Labor Relations Board, except for complaints made after the date of this Agreement which have not had and would not reasonably be expected to have a Material Adverse Effect on the Company Group.

SECTION 3.21. Employee Benefit Plans. (a) Schedule 3.21 identifies each Employee Plan. Each of the Sellers has delivered or made available to Buyer copies of the Employee Plans (and, if applicable, related trust agreements) and all amendments thereto and written interpretations thereof, together with the most recent annual report (Form 5500 including, if applicable, Schedule B thereto) and the most recent actuarial valuation report prepared in connection with any Employee Plan. Schedule 3.21 identifies each Employee Plan which is a Multiemployer Plan or a Title IV Plan or a plan which provides for post-retirement health, medical or life insurance benefits.

(b) Neither the Company nor any Included Subsidiary has engaged in a transaction with respect to any Employee Plan that, assuming the taxable period of such transaction expired on the date hereof, is reasonably likely to subject the Company or any Included Subsidiary to a tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of ERISA in an amount that would be material. Neither the Company nor any ERISA Affiliate of the Company has engaged in, or is a successor or parent corporation to an entity that has engaged in, a transaction described in Sections 4069 or 4212(c) of ERISA or incurred any liability under Title IV of ERISA arising in connection with the termination of, or a complete or partial withdrawal from, any plan covered or previously covered by Title IV of ERISA or any liability under Section 4971 of the Code that in either case could become a material liability of the Company or any Included Subsidiary or the Buyer or any of its ERISA Affiliates after the date hereof. No condition exists that would reasonably be expected to constitute grounds for termination by the PBGC of any employee benefit plan that is subject to Title IV of ERISA that is maintained by the Company, the Included Subsidiaries or any of their ERISA Affiliates. All material contributions required to be made by the Company or the

Included Subsidiaries under the terms of any Employee Plan or Benefit Arrangement have been timely made or have been reflected on the Base Balance Sheet. No Title IV plan nor any money-purchase pension plan of the Company or any ERISA Affiliate has an "accumulated funding deficiency" (whether or not waived) within the meaning of Section 412 of the Code. Under each Title IV Plan which is a single-employer plan, as of the last day of the most recent plan year ended prior to the date hereof, the actuarially determined present value of all "benefit liabilities", within the meaning of Section 4001(a)(16) of ERISA (as determined on the basis of the actuarial assumptions contained in the plan's most recent actuarial valuation) did not exceed the then market value of the assets of such plan, and there has been no material change in the financial condition of such plan since the last day of the most recent plan year.

(c) Each of the Sellers has provided Buyer with the most recent determination letter of the Internal Revenue Service relating to each Employee Plan that is intended to be qualified under Section 401(a) of the Code, and, to the Knowledge of Sellers, no event has occurred since the date of such determination letter that is likely to adversely affect such qualified status. Each Employee Plan has been maintained in substantial compliance with its terms and with the requirements prescribed by any and all applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Code.

(d) Schedule 3.21 identifies each Benefit Arrangement. Each of the Sellers has delivered or made available to Buyer copies or descriptions of each Benefit Arrangement (and, if applicable, related trust agreements) and all amendments thereto. Each Benefit Arrangement has been maintained in substantial compliance with its terms and with the requirements prescribed by any and all applicable statutes, orders, rules and regulations and has been maintained in good standing with applicable regulatory authorities.

(e) Except as set forth on Schedule 3.21, neither the Company nor any Included Subsidiary has any material current or projected liability in respect of post-employment or post-retirement health or medical or life insurance benefits for retired, former or current employees of the Company or the Included Subsidiaries, except as required to avoid excise tax under Section 4980B of the Code. The Company or any Included Subsidiary may amend or terminate any Employee Plan providing for such health, medical or life insurance benefits at any time without incurring any liability whatsoever.

(f) Except as provided in Schedule 3.21(f) and as contemplated by Article 9 hereof, the consummation of the transactions contemplated by this Agreement will not (x) entitle any Employees to severance pay or (y) accelerate the time of payment or vesting or trigger any payment or funding (through a

grantor trust or otherwise) of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any Employee Plan or Benefit Arrangement.

SECTION 3.22. Environmental Matters. Except as disclosed on Schedule 3.22 and except as to matters that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company Group:

(a) no notice, request for information, order, complaint or penalty has been received, and there are no judicial, administrative or other actions, suits or proceedings pending or threatened which allege a violation of, or potential liability under, any Environmental Law, in each case relating to the Company or any Included Subsidiary and arising out of any Environmental Law;

(b) the Company and each Included Subsidiary have all Environmental Permits necessary for their operations to comply with all applicable Environmental Laws and are in compliance with the terms of such Environmental Permits and with all other applicable Environmental Laws;

(c) there has been no written environmental audit, study, investigation, review or other material analysis conducted within the past five years by, or currently in the possession of, Sellers, Seller Guarantor, the Company or any Included Subsidiary of any property currently owned or leased by the Company or any Included Subsidiary which has not been delivered to Buyer prior to the Closing Date;

(d) no property currently or formerly owned or operated by the Company or any Included Subsidiary has been contaminated with any Hazardous Substance by the Company or any Included Subsidiary in a manner that would reasonably be expected to require remediation under any Environmental Law;

(e) the Company and the Included Subsidiaries are not subject to any liability for any Hazardous Substance disposal or contamination on any property which would reasonably be expected to require remediation under any Environmental Law;

(f) the Company and the Included Subsidiaries are not subject to any order, decree, injunction or other arrangement with any Governmental Body, or to any indemnity or other agreement with any third party which may lead to liability to the Company or any Included Subsidiary, in each case relating to any Environmental Law or any Hazardous Substance;

(g) no facility owned or operated by the Company or any Included Subsidiary contains any underground storage tanks, asbestos-containing material, or polychlorinated biphenyls, in each case in violation of any Environmental Law; and

(h) the Standard Industrial Classification Code for the business operations for the Company and the Included Subsidiaries is 4812.

SECTION 3.23. Regulatory Matters. (a) The Company and the Included Subsidiaries hold all licenses, franchises, certificates, consents, permits, qualifications and authorizations (including, without limitation, FCC Licenses, and licenses, authorizations and certificates of public convenience and necessity from applicable state and local authorities) from all governmental authorities necessary for the lawful conduct of the Company's business (collectively, the "Licenses"), other than the Licenses the lack of which, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect on the Company Group. Schedule 3.23 sets forth each certificate of convenience and necessity obtained by the Company or the Included Subsidiaries from any state public utilities commission. To the Sellers' Knowledge, no event has occurred or fact exists with respect to the Licenses (other than the requirement to file applications for renewal and obtain renewals in the ordinary course) which permits, or after notice or lapse of time or both would permit, revocation or termination of any of the Licenses or would result in any other impairment of the rights of the holder of any of the Licenses or which might limit the operation of the Cellular Telephone System as it is now conducted, except for revocations, limitations or terminations which, individually or in the aggregate have not had and would not reasonably be expected to have a Material Adverse Effect on the Company Group. The Company and the Included Subsidiaries have performed their respective obligations under such Licenses with such exceptions which, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on the Company Group. The FCC actions granting the FCC Licenses, together with all underlying construction permits have not been reversed, stayed, enjoined, annulled or suspended, and there is not pending or, to the Knowledge of Sellers, threatened, any application, petition, objection or other pleading with the FCC or other governmental entity which challenges or questions the validity of or any rights of the holder under any License, except for such reversals, stays, injunctions, annulments, suspensions, applications, petitions, objections or other pleadings, which have not had and would not reasonably be expected to have a Material Adverse Effect on the Company Group.

(b) Except as set forth in Schedule 3.23, all of the cell sites and microwave paths of the Company and the Included Subsidiaries in respect of

which a filing with the FCC was required have been constructed and are currently operated in all material respects as represented to the FCC in currently effective filings, and, with such exceptions which have not had and would not reasonably be expected to have a Material Adverse Effect on the Company Group, modifications to such cell sites and microwave paths have been preceded by the submission to the FCC of all required filings.

SECTION 3.24. Assets of the Excluded Subsidiaries. The Excluded Subsidiaries have no title or interest in any property or assets (whether real, personal, tangible or intangible) other than (i) capital stock or other ownership interest in other Excluded Subsidiaries and (ii) a 51% general partnership interest in Comcast Directory Assistance Partnership, a Delaware general partnership.

SECTION 3.25. Sufficiency of Transfers. Except as otherwise contemplated by this Agreement with respect to the Excluded Subsidiaries, the 38 GHz Facilities and the Seller Trademarks and Tradenames, the transactions contemplated by this Agreement shall transfer to Buyer all the assets, properties and rights that are (i) used in connection with the business of the Company Group (other than properties or assets disposed of in the ordinary course of business consistent with past practices) and (ii) necessary to operate the business of the Company as it is being conducted as of the date hereof.

SECTION 3.26. Year 2000 Compliance. The Company has reviewed its operations and that of its Included Subsidiaries and any third parties with which the Company Group has a material relationship to evaluate the extent to which the business or operations of the Company will be affected by the Year 2000 Problem. As a result of such review, the Company has no reason to believe, and does not believe, that the Year 2000 Problem will have a Material Adverse Effect on the Company Group. The "Year 2000 Problem" as used herein means any significant risk that computer hardware or software used in the receipt, transmission, processing, manipulation, storage, retrieval, retransmission or other utilization of data or in the operation of mechanical or electrical systems of any kind will not, in the case of dates or time periods occurring after December 31, 1999, function at least as effectively as in the case of dates or time periods occurring prior to January 1, 2000.

SECTION 3.27. No Other Representations and Warranties. Except for representations and warranties contained in this Agreement, none of Sellers, Seller Guarantor, their Affiliates, or any other Person makes any other express or implied representation or warranty on behalf of Sellers or Seller Guarantor to Buyer.

ARTICLE 4  
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Sellers and Seller Guarantor as of the date hereof and as of the Closing Date, that:

SECTION 4.01. Corporate Existence and Power. Buyer is a corporation validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate powers to perform its obligations under this Agreement.

SECTION 4.02. Corporate Authorization. The execution, delivery and performance by Buyer of this Agreement have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement constitutes a valid and binding agreement of Buyer enforceable in accordance with its terms, except as (i) the enforceability hereof may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.

SECTION 4.03. Governmental Authorization. The execution, delivery and performance by Buyer of this Agreement require no action by or in respect of, or filing with, any governmental body, agency, or official other than (i) compliance with any applicable requirements of the HSR Act; (ii) compliance with any applicable requirements imposed by any state public utilities commissions or similar state regulatory bodies having jurisdiction over Buyer or its Subsidiaries; (iii) compliance with any applicable requirements of the FCC and of the Communications Act; and (iv) actions or filings the failure of which to occur have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Buyer and its Subsidiaries, taken as a whole, or materially delay the ability of Buyer to perform its obligations under this Agreement. Except as set forth in Schedule 4.03, Buyer is not required to seek or obtain the waiver of any rules or policies of the FCC or to divest itself of any of its present holdings to qualify to hold the FCC Licenses or to obtain the FCC consents required in order to consummate the transactions contemplated by this Agreement.

SECTION 4.04. Non-Contravention. Except as disclosed in Schedule 4.03, the execution, delivery and performance by Buyer of this Agreement does not and will not (i) violate the certificate of incorporation or bylaws of Buyer, (ii) assuming compliance with the matters referred to in Section 4.03, violate any applicable law, rule, regulation, judgment, injunction, order or decree, except for violations which have not had and would not reasonably be expected to have a

Material Adverse Effect on Buyer, or (iii) require any consent or other action by any Person under, constitute a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of Buyer or to a loss of any benefit to which Buyer is entitled under, any agreement or other instrument binding upon Buyer or any license, franchise, permit or other similar authorization held by Buyer, except for consents, actions, defaults, terminations, cancellations, accelerations or losses which, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on Buyer and its Subsidiaries, taken as a whole.

SECTION 4.05. Litigation. There is no action, suit, investigation or proceeding pending against, or to the knowledge of Buyer threatened against or affecting, Buyer, or its Subsidiaries or any of their respective properties before any court or arbitrator or any governmental body, agency or official (a) which, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect on the Buyer and its Subsidiaries, taken as a whole or (b) which in any manner challenges or seeks to prevent, enjoin, alter or materially delay, or which could reasonably be expected to prevent, alter or materially delay, the transactions contemplated by this Agreement.

SECTION 4.06. Compliance with Laws and Court Orders; No Defaults. (a) Neither Buyer nor any of its Subsidiaries is in violation of any applicable law, rule, regulation, judgment, injunction, order or decree, except for violations which have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Buyer and its Subsidiaries, taken as a whole.

(b) Neither Buyer nor any of its Subsidiaries is in default under, and no condition exists that with notice or lapse of time or both would constitute a default under, any agreement or other instrument binding upon Buyer or its Subsidiaries or any license, franchise, permit or similar authorization held by Buyer or its Subsidiaries, except for defaults or potential defaults which have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Buyer and its Subsidiaries, taken as a whole.

SECTION 4.07. Finders' Fees. Except for Salomon Smith Barney Inc., whose fees will be paid by Buyer, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Buyer or its Subsidiaries who might be entitled to any fee or commission from Sellers, Seller Guarantor or any of their Affiliates in connection with the transactions contemplated by this Agreement.

SECTION 4.08. Purchase for Investment. Buyer is purchasing the Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Buyer (either alone or together with its advisors) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Shares and is capable of bearing the economic risks of such investment.

SECTION 4.09. No Other Representations and Warranties. Except for representations and warranties contained in this Agreement, none of Buyer, its Affiliates, or any other Person makes any other express or implied representation or warranty on behalf of Buyer to Sellers or Seller Guarantor.

ARTICLE 5  
COVENANTS OF SELLERS AND SELLER GUARANTOR

Each of Sellers and Seller Guarantor agree, jointly and severally, that:

SECTION 5.01. Conduct of the Company. Except as otherwise contemplated by this Agreement, from the date hereof until the Closing Date, Sellers shall use their reasonable best efforts to cause the Company and each of the Included Subsidiaries to conduct its businesses in the ordinary course consistent with past practices, to preserve intact the Company's and the Included Subsidiaries' business organization and to maintain their existing relations and goodwill with customers, suppliers, distributors, creditors, lessors, employees and business associates. Without limiting the generality of the foregoing, except as otherwise contemplated by this Agreement, from the date hereof until the Closing Date, Sellers will not permit the Company or any Included Subsidiary to:

(a) adopt or propose any change in its Organizational Documents;

(b) merge or consolidate with any other Person or acquire assets of any other Person with a value in excess of \$5,000,000, except for such transactions among the Company and the wholly-owned Included Subsidiaries;

(c) amend any term of any outstanding security of the Company or any of the Included Subsidiaries;

(d) issue, sell, pledge, dispose of, grant, transfer, lease, license, guarantee, encumber, or authorize the issuance, sale, pledge, disposition, grant, transfer, lease, license, guarantee or encumbrance of, any shares of capital stock of the Company or any of the Included Subsidiaries (other than the issuance of shares

by a wholly owned Included Subsidiary of the Company to the Company or another wholly owned Included Subsidiary), or securities convertible or exchangeable or exercisable for any shares of such capital stock, or any options, warrants or other rights of any kind to acquire any shares of such capital stock or such convertible or exchangeable securities, or any other ownership interest of the Company or any of the Included Subsidiaries, any property or assets (including, without limitation, by merger, consolidation, spinoff or other dispositions of stock or assets) of the Company or any of the Included Subsidiaries;

(e) create or incur any material Lien on any material asset other than in the ordinary course of business consistent with past practices;

(f) make any material loan, advance or capital contributions to or investments in any Person other than loans, advances or capital contributions to or investments in wholly owned Included Subsidiaries made in the ordinary course consistent with past practices;

(g) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock (except for dividends paid (x) by any direct or indirect wholly owned Included Subsidiary to the Company or to any other direct or indirect wholly owned Included Subsidiary or (y) pursuant to the Tax Sharing Agreement) or enter into any agreement with respect to the voting of its capital stock;

(h) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock;

(i) (i) incur any indebtedness for borrowed money or guarantee such indebtedness of another Person, or issue or sell any debt securities or warrants or other rights to acquire any debt security of the Company or any of the Included Subsidiaries, except for indebtedness for borrowed money incurred in the ordinary course of business consistent with past practices or in connection with transactions otherwise permitted under this Section 5.01, or (ii) terminate, cancel, waive any rights under or request any material change in, or agree to any material change in, any contract or agreement material to the Company Group or, except in connection with transactions permitted under this Section 5.01, enter into any contract or agreement material to the business, results of operations or financial condition of the Company Group, in either case other than in the ordinary course of business consistent with past practices;

(j) take any action with respect to accounting policies or procedures, other than actions in the ordinary course of business and consistent with past

practice or except as required by changes in generally accepted accounting principles;

(k) make any material Tax election or take any position on any Tax Return filed on or after the date of this Agreement or adopt any method therefor that is inconsistent with elections made, positions taken or methods used in preparing or filing similar Tax Returns in prior periods;

(l) except as may be required by contractual commitments or corporate policies with respect to severance pay in existence on the date hereof, (i) increase the compensation payable or to become payable to its officers or employees (except for increases in the ordinary course of business and consistent with past practice in salaries or wages of employees of the Company or any of the Included Subsidiaries), (ii) establish, adopt, enter into or amend any collective bargaining, bonus, profit sharing, thrift, compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, officer or employee, except to the extent required by applicable law, or (iii) increase the benefits payable under any existing severance pay policies or employment or other agreements;

(m) acquire any assets, or any ownership interest in any assets:

(i) that are used to provide any new information services or electronic publishing services that Buyer could not provide after the Closing on account of or in compliance with Sections 271 and 272 of the Communications Act;

(ii) that are used in the provision of any telecommunications services in any of the following states: California, Texas, Missouri, Oklahoma, Kansas, Arkansas, Nevada, Connecticut, Illinois, Indiana, Michigan, Ohio and Wisconsin; and

(iii) that are used in the provision of local exchange telephone service in any state in the United States;

(n) engage in the conduct of any business in any state other than the businesses conducted as of the date hereof and in the states where so conducted; or

(o) agree or commit to do any of the foregoing.

SECTION 5.02. Access to Information. (a) From the date hereof until the Closing Date, each of the Sellers will upon reasonable notice (i) give, and will

cause the Company and each Included Subsidiary to give, Buyer, its counsel, financial advisors, auditors and other authorized representatives full access to the offices, properties, books and records of the Company and the Included Subsidiaries and to the books and records of Sellers or Seller Guarantor relating to the Company and the Included Subsidiaries, (ii) furnish, and will cause the Company and each Included Subsidiary to furnish, to Buyer, its counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information relating to the Company or the Included Subsidiaries as such Persons may reasonably request and (iii) instruct the employees, counsel and financial advisors of Sellers, the Seller Guarantor, the Company or the Included Subsidiaries to cooperate with Buyer in its investigation of the Company or the Included Subsidiaries. Any investigation pursuant to this Section shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of Sellers, Seller Guarantor or the Company. Notwithstanding the foregoing, Buyer shall not have access to personnel records of the Company and the Included Subsidiaries relating to individual performance or evaluation records, medical histories or other information which in Sellers' good faith opinion is sensitive or the disclosure of which could subject the Company or any Included Subsidiary to risk of liability.

(b) On and after the Closing Date, each of the Sellers will afford promptly to Buyer and its agents reasonable access to its books of account, financial and other records (including, without limitation, accountant's work papers), information, employees and auditors to the extent necessary or useful for Buyer in connection with any audit, investigation, dispute or litigation or any other reasonable business purpose relating to the Company or any Included Subsidiary; provided that any such access by Buyer shall not unreasonably interfere with the conduct of the business of such Seller. Buyer shall bear all of the out-of-pocket costs and expenses (including, without limitation, attorneys' fees, but excluding reimbursement for general overhead, salaries and employee benefits) reasonably incurred in connection with the foregoing.

SECTION 5.03. Notices of Certain Events. Holdings shall promptly notify Buyer of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(b) any notice or other communication from any governmental or regulatory agency or authority in connection with the transactions contemplated by this Agreement;

(c) any contact with any Person seeking to act as a bargaining representative for a labor union or any other labor organization (in each case with respect to the employees of the Company or any Included Subsidiary) that comes to the Knowledge of Sellers; and

(d) any actions, suits, claims, investigations or proceedings commenced or, to its Knowledge, threatened against either Seller, the Company or the Included Subsidiaries that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 3.13 or that relate to the consummation of the transactions contemplated by this Agreement.

SECTION 5.04. Resignations. Sellers will deliver to Buyer the resignations of all officers and directors of the Company and each Included Subsidiary who will be officers, directors or employees of Seller Guarantor or any of its Affiliates after the Closing Date from their positions with the Company or any Included Subsidiary at or prior to the Closing Date.

SECTION 5.05. Non-competition. (a) Seller Guarantor agrees that for a period of three years after the Closing Date, neither it nor any of its Subsidiaries shall engage, as a principal or as stockholder in any corporation, in marketing (whether as principal, agent or reseller) any Cellular Telephone System within any area served by any Cellular Telephone System owned or managed by the Company or its Subsidiaries as of the Closing Date and transferred to Buyer at the Closing (the "Restricted Activities"); provided that (i) Seller Guarantor or any of its Affiliates may operate under an agency agreement with Buyer or one of its Affiliates to sell, as an agent, services provided by the Cellular Telephone Systems on terms consistent with the terms offered on the date hereof by the Company or its Affiliates to agents of the Cellular Telephone Systems of comparable size and significance, (ii) nothing in this Agreement shall prohibit or restrict Seller Guarantor, directly or indirectly, from (a) acquiring or owning any equity or other ownership interest in any Person that engages, directly or indirectly, in any Restricted Activity if (A) such Restricted Activities account for less than 15% of such Person's total annual revenues, (B) Seller Guarantor divests any assets engaged in the Restricted Activities within 12 months of acquiring such business or assets and (C) during such 12-month period Seller Guarantor shall not use (x) the name "Comcast" (or any name including the name "Comcast") or (y) any Seller Trademarks and Tradenames in such Restricted Activities; (b) acquiring any assets of a business that engages, directly or indirectly, in any Restricted Activity if (A) such Restricted Activities account for less than 15% of such assets' total annual revenues, (B) Seller Guarantor divests any assets engaged in the Restricted Activities within 12 months of acquiring such business or assets and (C) during such 12-month period Seller Guarantor shall not use (x) the name "Comcast" (or any name including the name "Comcast") or (y) any Seller

Trademarks and Tradenames in such Restricted Activities; (c) owning any equity securities beneficially owned by Seller Guarantor as of the date hereof and listed on Schedule 5.05 or any securities into which such securities may be converted or exchanged (it being understood that Seller Guarantor will not actively participate in the management of any Person listed on Schedule 5.05); (d) acquiring or owning less than 5% of a class of the outstanding publicly listed equity securities of any Person (whether or not such Person engages in any Restricted Activities).

(b) If any provision contained in this section shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Section, but this Section shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. It is the intention of the parties that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time which is not permitted by applicable law, or in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under applicable law, a court of competent jurisdiction shall construe and interpret or reform this section to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under such applicable law. Seller Guarantor acknowledges that Buyer would be irreparably harmed by any breach of this section and that there would be no adequate remedy at law or in damages to compensate Buyer for any such breach. Seller Guarantor agrees that Buyer shall be entitled to injunctive relief requiring specific performance by Seller Guarantor of this Section, and Seller Guarantor consents to the entry thereof.

SECTION 5.06. Transfer of the Excluded Subsidiaries. Prior to or concurrently with the Closing, Sellers shall cause the Company and the Included Subsidiaries to transfer all of the capital stock of the Excluded Subsidiaries owned by the Company or its Subsidiaries to one or more of the Affiliates of Holdings. The parties hereto agree that any such transfer may be implemented prior to the Closing Date by the transferees purchasing such capital stock for cash consideration to be determined by Sellers. Sellers shall use their commercially reasonable efforts to cause such transfers to be consummated on the terms which result in the Company and the Included Subsidiaries not incurring any liabilities upon the consummation of such transfers.

SECTION 5.07. Intercompany Accounts. All intercompany accounts between Sellers or their Affiliates, on the one hand, and the Company or any Included Subsidiary, on the other hand, shall be paid in full in cash or otherwise

fully discharged at or prior to the Closing Date (irrespective of the terms of payment of such intercompany accounts).

SECTION 5.08. Nonsolicitation. Subject to the last three sentences of this Section 5.08, Seller Guarantor, on behalf of itself and its Affiliates, hereby agrees that from and after the date hereof until the second anniversary of the Closing Date neither Seller Guarantor nor any of its Affiliates shall hire or solicit for employment (or hire any third party intermediary to do the same) any employee that as of the date hereof is an employee of the Company or is listed on Schedule 5.08 hereto; provided, that nothing in this Section 5.08 shall prevent Seller Guarantor from (x) engaging in a general solicitation for employment that is not specifically directed at any employees of the Company or any Included Subsidiary (or from hiring or employing any employee who responds to such general solicitation and whose employment with the Company or the Included Subsidiary has terminated prior to such response) or (y) engaging in solicitation directed at any employee of the Company or any Included Subsidiary who has been terminated without cause on or after the Closing Date (or from hiring or employing any such employee). During the sixty-day period commencing on the date hereof, neither Seller Guarantor nor any of its Affiliates shall solicit the employment, after the Closing Date, of any person whose name is set forth in Part I of Schedule 5.08. After the expiration of such sixty-day period, no provision of this Agreement (including without limitation Sections 5.01 and 5.08) shall be construed to prohibit Seller Guarantor or any of its Affiliates from employing or soliciting the employment of any person whose name is set forth in Part I of Schedule 5.08. Seller Guarantor and Buyer shall comply with their obligations set forth in Part II of Schedule 5.08.

SECTION 5.09. Confidentiality. From and after the Closing Date until the second anniversary of the Closing Date. Seller Guarantor and its Affiliates will hold, and will use their commercially reasonable efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning the Company or the Included Subsidiaries in the possession of Seller Guarantor or its Affiliates, except to the extent that such information can be shown to have been (i) in the public domain through no fault of Seller Guarantor, (ii) lawfully acquired by Seller Guarantor after the Closing Date on a nonconfidential basis from sources other than the Company or any other Person having a duty not to disclose such information or (iii) required by law or the rules of any stock exchange on which Seller Guarantor's securities are listed or traded; provided that Seller Guarantor may disclose such information to its officers, directors, employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by this Agreement so

long as such Persons are informed by Seller Guarantor of the confidential nature of such information and are directed by Seller Guarantor to treat such information confidentially. Before disclosing any such information under compulsion of judicial or administrative process or by other requirements of law, Seller Guarantor shall to the extent practicable, give Buyer sufficient notice before such disclosure to afford Buyer opportunity to contest such disclosure. The obligation of Seller Guarantor and its Affiliates to hold any such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information. If this Agreement is terminated, Seller Guarantor and its Affiliates will, and will use their best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to, promptly destroy or deliver to Buyer, upon request, all documents and other materials, and all copies thereof, obtained by Seller Guarantor or its Affiliates or on their behalf from Buyer in connection with this Agreement that are subject to such confidence.

SECTION 5.10. Exchange of Preferred Stock for Common Stock. After the date hereof and prior to the Closing Date, the Company will issue shares of Common Stock to Comcast Financial in exchange for all of the outstanding shares of Preferred Stock. Immediately following such exchange and as of the Closing Date, no shares of Preferred Stock will be outstanding.

SECTION 5.11. Regulatory Compliance. Seller Guarantor agrees that it will use, and will cause the Company and each Included Subsidiary to use, their reasonable best efforts to (a) cure no later than the Closing Date (i) any violations and defaults under any applicable rules and regulations of the FCC (the "FCC Rules") and the FAA (the "FAA Rules"), (b) substantially comply with the FCC Licenses and the FAA Rules and cause the Company and each Included Subsidiary to file or cause to be filed with the FCC and the FAA all reports and other filings required to be filed under applicable FCC Rules and FAA Rules, and (c) take all actions requested in writing by Buyer to cause the Company and each Included Subsidiary on or before the Closing Date to be in compliance upon the consummation of the Closing with the provisions of Sections 271 and 272 of the Communications Act (including any orders issued by the FCC interpreting or implementing such provisions) ("Sections 271 and 272"). Sellers shall (x) cause the Company and the Included Subsidiaries to cooperate with Buyer in determining steps required to comply with Sections 271 and 272 and (y) upon Buyer's written request take all reasonable actions required by clause (c) of the immediately preceding sentence; provided that (i) no action taken by the Company or any Included Subsidiary pursuant to such written request from Buyer shall interfere with their normal business operations or shall change the manner in which the Company or any Included Subsidiary operates its business prior to the Closing Date, (ii) no action taken by the Company or any Included Subsidiary

pursuant to such written request from Buyer shall be deemed a Material Adverse Effect on the Company Group or a Regulatory Material Adverse Effect, (iii) Buyer shall promptly reimburse the Company and the Included Subsidiaries for the direct labor costs and out of pocket costs (including without limitation any Damages) incurred by them in taking any action requested by Buyer to comply with Sections 271 and 272 and (iv) upon the termination of this Agreement shall promptly reimburse the Company and the Included Subsidiaries for the direct labor costs and out of pocket costs incurred in reversing any action requested by the Buyer to comply with Sections 271 and 272.

SECTION 5.12. Expenditures. From the date hereof until the Closing Date, the Company shall conduct its operations and spending consistent in all material respects with its 1999 expenditures plan attached as Schedule 5.12 hereto (the "1999 Expenditures Plan"). Without limiting the generality of the foregoing, the Company shall use its reasonable best efforts to spend on each category of expenditures specified in Schedule 5.12 (each, a "Category") from the date hereof through the Closing Date, an aggregate amount not greater than 105% and not less than 95% of the estimated Required Expenditure Amount for such Category. Notwithstanding the foregoing, with the prior written approval of Buyer, which approval shall not be unreasonably withheld, the Company may spend more than the Required Expenditure Amount for one or more of the Categories.

ARTICLE 6  
COVENANTS OF BUYER

Buyer agrees that:

SECTION 6.01. Notices of Certain Events. Buyer shall promptly notify Holdings of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(b) any notice or other communication from any governmental or regulatory agency or authority in connection with the transactions contemplated by this Agreement; and

(c) any actions, suits, claims, investigations or proceedings commenced or, to its knowledge threatened against, relating to or involving or otherwise affecting Buyer, or its Subsidiaries that, if pending on the date of this Agreement,

would have been required to have been disclosed pursuant to Section 4.05 or that relate to the consummation of the transactions contemplated by this Agreement.

SECTION 6.02. Confidentiality. Prior to the Closing Date and after any termination of this Agreement, Buyer and its Affiliates will hold, and will use their commercially reasonable efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning the Company or the Included Subsidiaries furnished to Buyer or its Affiliates in connection with the transactions contemplated by this Agreement, except to the extent that such information can be shown to have been (i) previously known on a nonconfidential basis by Buyer, (ii) in the public domain through no fault of Buyer, (iii) later lawfully acquired by Buyer on a nonconfidential basis from sources other than Sellers, Seller Guarantor, the Company or the Included Subsidiaries or any other Person having a duty not to disclose such information or (iv) required by law or the rules of any stock exchange on which Buyer's securities are listed or traded; provided that Buyer may disclose such information to its officers, directors, employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by this Agreement so long as such Persons are informed by Buyer of the confidential nature of such information and are directed by Buyer to treat such information confidentially. Before disclosing any such information under compulsion of judicial or administrative process or by other requirements of law, Buyer shall to the extent practicable, give Holdings sufficient notice before such disclosure to afford Holdings opportunity to contest such disclosure. The obligation of Buyer and its Affiliates to hold any such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information. If this Agreement is terminated, Buyer and its Affiliates will, and will use their best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to, promptly destroy or deliver to Holdings, upon request, all documents and other materials, and all copies thereof, obtained by Buyer or its Affiliates or on their behalf from Sellers, the Company or the Included Subsidiaries in connection with this Agreement that are subject to such confidence.

SECTION 6.03. Access. Buyer will cause the Company and each Included Subsidiary, on and after the Closing Date, to afford promptly to Sellers and Seller Guarantor and their agents reasonable access to their properties, books, records, employees and auditors to the extent necessary to permit Sellers to determine any matter relating to its rights and obligations hereunder or to any period ending on or before the Closing Date or to comply with any requirements promulgated by

any regulatory authority; provided that any such access by Sellers shall not unreasonably interfere with the conduct of the business of Buyer. Sellers or Seller Guarantor shall bear all of the out-of-pocket costs and expenses (including, without limitation, attorneys' fees, but excluding reimbursement for general overhead, salaries and employee benefits) reasonably incurred in connection with the foregoing. Sellers and Seller Guarantor will hold, and will use their reasonable commercial efforts to cause their officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning the Company or any Included Subsidiary provided to them pursuant to this Section.

SECTION 6.04. Redemption of the Senior Notes. (a) At its discretion, Buyer may redeem or otherwise retire in whole or in part (whether by means of tender offer, exchange offer or otherwise) the Company's 9 1/2% Senior Notes due 2007 (the "Senior Notes") outstanding under the Indenture, such redemption or retirement to be consummated on reasonable commercial terms and as soon as reasonably practicable after the Closing.

(b) After the Closing Buyer shall cause the Company to comply with all terms of the Senior Notes and of the Indenture, including without limitation, the obligation to make an Offer to Purchase (as defined in the Indenture) pursuant to Section 4.14 of the Indenture if, and to the extent, the Company is required to make such Offer to Purchase.

SECTION 6.05. Cellular Services. For a period beginning on the Closing Date and ending on the tenth anniversary thereof Buyer agrees to provide to Seller Guarantor or to any of its Subsidiaries free of charge the services of its Cellular Telephone Systems that Buyer or its Subsidiaries are generally making available to the public (whether or not such services are being provided by the Company or any Subsidiary thereof); provided that Buyer shall not be required to provide free of charge services with an aggregate value in excess of \$250,000 per calendar year; provided, however, that such service (i) may not be offered to or used by any person that is not then employed by Seller Guarantor or one of its Subsidiaries and (ii) shall not include any services that the Cellular Telephone System obtains from a third party, such as long distance charges and roaming. For the purpose of valuing the services so provided, such services shall be deemed to be provided at the pricing rates that are at least as favorable to Seller Guarantor as the best large corporate user rates made available by Buyer or its Subsidiaries at such time.

ARTICLE 7  
COVENANTS OF BUYER, SELLERS AND SELLER GUARANTOR

Buyer and Sellers agree that:

SECTION 7.01. Best Efforts. Subject to the terms and conditions of this Agreement, Buyer and Sellers will use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by this Agreement, including preparing and filing as promptly as practicable all documentation to effect all necessary applications, notices, petitions, filings and other documents and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations required to be obtained from any third party and/or any Governmental Entity in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby; provided, however, that nothing in this Section 7.01 shall require, or be construed to require, Buyer or Sellers or Seller Guarantor or their Affiliates or the Company Group to agree to, or comply with, any conditions to the granting of any such consent, registration, approval, permit or authorization by any Governmental Entity (other than a divestiture of the FCC authorization for any of the properties identified in Schedule 4.03 that is required in order to cause Buyer and its Affiliates and the Company Group to be in compliance with the Commercial Mobile Radio Services spectrum aggregation limits, as set forth in 47 C.F.R. ss. 20.6, and the Cellular Cross Ownership limits, as set forth in 47 C.F.R. ss. 22.942) if compliance with such conditions, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect on the Company Group or Buyer following the Closing (it being understood that, for this purpose only, materiality shall take into account (i) any adverse effects reasonably likely to arise from any restrictions on the ability of the Company or any of its respective Subsidiaries to conduct its operations as currently conducted, or as proposed as of the date of this Agreement to be conducted, resulting from complying with the conditions to or from the grant of any such consent, registration, approval, permit or authorization, (ii) any benefits reasonably likely to be realized by Buyer on a consolidated basis (other than those operational benefits reasonably likely to be realized directly from the consummation of the transactions contemplated hereby) resulting from complying with the conditions to or from the grant of any such consent, registration, approval, permit or authorization, and (iii) any proceeds resulting from any divestiture required by a Governmental Entity as a condition to its granting any such consent, registration, approval, permit or authorization) (a "Regulatory Material Adverse Effect"); provided further, that any divestiture by Buyer or any of its Affiliates reasonably required to cause Buyer, following the Closing, to be in compliance with the Commercial Mobile Radio Service

spectrum aggregation limits as set forth in 47 C.F.R. ss. 20.6 and the Cellular Cross Ownership limits as set forth in 47 C.F.R. ss. 22.942 shall be deemed not to have any adverse effect on Buyer or its Affiliates or the Company following the Closing. Sellers, prior to the Closing Date, and Buyer, after the Closing Date, agree to cause the Company and each Included Subsidiary to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

SECTION 7.02. Certain Filings. Each of the Sellers and Buyer shall cooperate with one another (i) in determining whether any action by or in respect of, or filing with, any governmental body, agency, official or authority is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any material contracts, in connection with the consummation of the transactions contemplated by this Agreement and (ii) in taking such actions or making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such actions, consents, approvals or waivers.

Notwithstanding the foregoing, each of the Sellers and Buyer shall use their respective best efforts to:

(a) promptly, and in any event within 20 business days following the date hereof, file with the FTC and the DOJ, the notification and report form required for the transactions contemplated by this Agreement and any supplemental information required in connection therewith pursuant to the HSR Act; provided, that neither Buyer nor Sellers shall be deemed to be in breach of this Agreement if such filing is not made within 20 business days. Each of the Sellers and Buyer shall furnish to each other's counsel such necessary information and reasonable assistance as the other may request in connection with its preparation of any filing or submission that is necessary under the HSR Act. Each of the Sellers and Buyer (x) shall keep each other apprised of the status of any written communications with, and any written inquiries or requests for additional information from, the FTC and the DOJ and other governmental authorities and (y) shall use their respective commercially reasonable efforts to comply promptly with any such inquiry or request.

(b) promptly, and in any event within 20 business days following the date hereof, file any required application, report or other filing or request for approval or notifications with the FCC and any state regulatory authority from whom consent or clearance is required to be obtained in connection with the transactions contemplated hereby; provided, that neither Buyer nor Sellers shall be deemed to be in breach of this Agreement if such filing is not made within 20 business days. Each of the Sellers and Buyer shall furnish to each other's counsel

such necessary information and reasonable assistance as the other may request in connection with its preparation of any such filing or other submission. Each of the Sellers and Buyer (x) shall keep each other apprised of the status of any written communications with, and any written inquiries or requests for additional information from, the FCC and any state regulatory authority and (y) shall use their respective commercially reasonable efforts to comply promptly with any such inquiry or request.

SECTION 7.03. Public Announcements. The parties agree to consult with each other before issuing any press release or making any public statement with respect to this Agreement or the transactions contemplated hereby and, except as may be required by applicable law or any listing agreement with any national securities exchange, will not issue any such press release or make any such public statement prior to such consultation.

SECTION 7.04. Seller Trademarks; Tradenames. (a) Except as set forth in the other subsections of this Section 7.04, after the Closing, Buyer shall not permit the Company or its Subsidiaries to use any of the marks or names set forth on Schedule 7.04 (collectively or individually as the context requires, the "Seller Trademarks and Tradenames").

(b) After the Closing, the Company and its Subsidiaries shall have the right to sell existing inventory and to use existing packaging, labeling, supplies, advertising materials, technical data sheets and any similar materials bearing any Seller Trademarks and Tradenames until the earlier of (i) three months after the Closing Date and (ii) the date existing stocks are exhausted. The Company and its Subsidiaries shall have the right to use the Seller Trademarks and Tradenames in advertising that cannot be changed by them using reasonable efforts for a period not to exceed three months after the Closing Date. Buyer shall cause the Company and its Subsidiaries to comply with all applicable laws or regulations in any use of packaging or labeling containing the Seller Trademarks and Tradenames.

(c) The Company and its Subsidiaries shall not be obligated to change the Seller Trademarks and Tradenames on goods in the hands of agents, distributors and customers at the time of the expiration of a time period set forth in subsection 7.04(b) above.

(d) Buyer agrees to cause the Company and its Subsidiaries to use reasonable efforts to cease using the Seller Trademarks and Tradenames on buildings, cars, trucks and other fixed assets as soon as possible within a period not to exceed six months after the Closing Date. The obliteration of the Seller Trademarks and Tradenames shall be deemed compliance with the covenant not

to use the Seller Trademarks and Tradenames pursuant to this Section 7.04. Buyer agrees to change the corporate name of the Company and any Included Subsidiary to the extent necessary to remove any Seller Trademarks and Tradenames included therein as soon as reasonably practicable and in any event within thirty days of the Closing Date.

SECTION 7.05. 38 GHz Authorizations. Buyer and Sellers agree that certain licenses issued by the FCC for the operation of 38 GHz fixed microwave facilities listed on Schedule 7.05 hereto (the "38 GHz Licenses"), and the associated transmission equipment and related assets (together with the 38 GHz Licenses, the "38 GHz Facilities") shall not be transferred to Buyer in this transaction. Sellers shall promptly seek the consent of the FCC to assign the 38 GHz Licenses to a Person controlled by Holdings other than the Company and the Included Subsidiaries and shall use all commercially reasonable efforts to complete such assignment of the 38 GHz Facilities prior to the Closing Date. The parties hereto agree that any such transfers may be implemented by the transferees purchasing the 38 GHz Facilities prior to the Closing Date for cash consideration to be determined by Sellers. In the event the 38 GHz Facilities have not been so assigned prior to or on the Closing Date, Buyer and Sellers shall cooperate to complete such assignment as soon as practicable following the Closing Date.

SECTION 7.06. Illinois Properties. If, as a result of the restrictions of either the Commercial Mobile Radio Service spectrum aggregation limits, as set forth in 47 C.F.R. ss. 20.6, or the Cellular Cross Ownership limits, as set forth in 47 C.F.R. ss. 22.942, the Closing cannot be consummated after all conditions to the Closing have been satisfied or waived in accordance with Article 10 hereof (other than any condition relating to either such limit (including without limitation requisite consents of the FCC) and any condition which by its terms is to be satisfied at or immediately prior to the Closing), then, at Buyer's written request stating that Buyer has a reasonable expectation that the condition relating to such limits will be satisfied no later than 30 days after the date of such request, the Closing hereunder shall be delayed until the date designated by Buyer (which date shall be no later than 30 days after the date of such request) and if on such subsequent date the Closing cannot be consummated as a result of a condition relating to either such limit, then the Illinois Properties shall be transferred to Holdings or one of its Affiliates on such date (subject to any regulatory notifications or regulatory approvals required in connection with such transfers), the Purchase Price payable hereunder shall be reduced by fifty million U.S. dollars (\$50,000,000), and the Closing shall be consummated on such date immediately after the consummation of the transfer of the Illinois Properties. Subject in any event to the Purchase Price being reduced pursuant to the immediately preceding sentence, the parties hereto agree that any such transfers of the Illinois Properties may be implemented by the transferees purchasing the Illinois Properties prior to

the Closing Date for cash consideration to be determined by Sellers. In connection with the transfer of the Illinois Properties to Holdings or one of its Affiliates Buyer agrees to, and shall cause its Affiliates to, (i) on and after the date of Buyer's written request delivered pursuant to this Section 7.06, reasonably cooperate with Sellers and Seller Guarantor in making, filing or obtaining any regulatory notifications or regulatory approvals required in connection with such transfers, (ii) extend the term of the Illinois Management Contract until the first anniversary of the Closing Date and (ii) consent to the assignment of the Illinois Management Contract from the Company to Seller Guarantor or one of its Affiliates.

ARTICLE 8  
TAX MATTERS

SECTION 8.01. Tax Representations. (a) Each of Sellers represents and warrants to Buyer as of the date hereof that, except as set forth in the Balance Sheet (including the notes thereto) or on Schedule 8.01(a), (i) all Tax returns, statements, reports and forms required to be filed with any Taxing Authority with respect to any Pre-Closing Tax Period by or on behalf of the Company or the Included Subsidiaries (collectively, the "Returns") other than those Returns the failure of which to file would not have a Material Adverse Effect on the Company Group, have, to the extent required to be filed on or before the date hereof, been properly filed when due in accordance with all applicable laws; (ii) the Returns correctly reflect the facts regarding the income, business, assets, operations, activities and status of the Company and the Included Subsidiaries in all material respects; (iii) all Taxes shown as due and payable on the Returns that have been filed have been paid, or withheld and remitted to the appropriate Taxing Authority; (iv) all Returns filed with respect to Tax years of the Company and the Included Subsidiaries through the Tax year ended December 31, 1991, have been examined and closed or are Returns with respect to which the applicable period for assessment under applicable law, after giving effect to extensions or waivers, has expired; (v) neither the Company nor any of the Included Subsidiaries (or any member of any affiliated, consolidated, combined or unitary group of which the Company or any of the Included Subsidiaries is or has been a member) has granted any extension or waiver of the statute of limitations period applicable to any Return, which period (after giving effect to such extension or waiver) has not yet expired; (vi) there is no claim, audit, action, suit, proceeding, or investigation now pending or, to the Knowledge of Sellers, threatened against or with respect to the Company or any of the Included Subsidiaries in respect of any material Tax; and (vii) there are no requests for rulings or determinations in respect of any Tax

pending between the Company or any of the Included Subsidiaries and any Taxing Authority.

(b) Schedule 8.01(b) contains a list of all jurisdictions (whether foreign or domestic) in which the Company or the Included Subsidiaries file or have filed any Tax Return.

SECTION 8.02. Sellers Tax Covenants.

(a) Seller Guarantor shall include the Company and the Included Subsidiaries in its consolidated Federal Tax Return and in any Combined State Tax Return through the close of business on the Closing Date.

(b) Sellers shall (i) file when due (taking into account any extension of a required filing date) all federal and state income Tax Returns that are filed on a consolidated, combined or unitary basis on behalf of Sellers, the Company and the Included Subsidiaries for any taxable period of the Company or the Included Subsidiaries that ends on or before the Closing Date and (ii) pay all amounts shown to be due on such Returns. Sellers and Buyer agree that Sellers shall prepare and the Company and each of the Included Subsidiaries will file when due (taking into account any extension of a required filing date) short period income Tax Returns for the period ending on the Closing Date in each jurisdiction in which any of the Company and the Included Subsidiaries files a separate income Tax Return. Such short period Returns together with all amounts shown to be due on such short period Returns shall be delivered by Holdings to Buyer no later than 5 business days prior to the due date for the payment of such Taxes. Sellers and Buyer agree that all federal and state income Tax Returns for the period beginning January 1, 1999 and ending on the close of business on the Closing Date will be prepared and filed on the basis of a closing of the books of the Company and its Subsidiaries as of the close of business on the Closing Date, as adjusted to reflect income shown on the permanent records (including work papers) of the Company and its Subsidiaries pursuant to Treasury Regulation Section 1.1502-76(b)(2)(i) and not on the basis of ratable allocation pursuant to Treasury Regulation Section 1.1502-76(b)(2)(ii) or (iii). The calculation of the amount of any state income Tax liability shall be made in accordance with comparable provisions under applicable law. All such Returns not required to be filed on or before the date hereof (i) will be filed when due in accordance with all applicable laws (taking into account any extension of a required filing date) and (ii) as of the time of filing, will correctly reflect the facts regarding the income, business, assets, operations, activities and status of the Company and the Included Subsidiaries in all material respects.

(c) From the date hereof, with respect to the Company and the Included Subsidiaries, each of the Sellers agrees that it will not make or change any

material Tax election (except as set forth in Section 8.03(b)) or take any position on any Tax Return filed on or after the date of this Agreement or adopt any method therefor that is inconsistent with elections made, positions taken or methods used in preparing or filing similar Tax Returns in prior periods.

(d) As of the due date (taking into account any extensions thereof) for the Seller Group's federal income Tax Return for the Tax period ending on December 31, 1999 (the "1999 Seller Group Return"), the sum of (x) the aggregate tax basis in depreciable or amortizable assets of the Company and the Included Subsidiaries for Federal Tax purposes as of the close of business on the Closing Date and (y) the aggregate net operating losses of the Company and the Included Subsidiaries allowable as a net operating loss carryover to Post-Closing Tax Periods under Section 172 of the Code (the "Tax Attributes") will be equal to or greater than \$300,000,000.

(e) No later than 60 days prior to the due date (taking into account any extensions thereof) for the filing of the 1999 Seller Group Return, Holdings shall deliver to Buyer a schedule setting forth (i) the aggregate tax basis in depreciable or amortizable assets of the Company and the Included Subsidiaries for Federal Tax purposes as of the close of business on the Closing Date and (ii) a schedule setting forth the aggregate net operating losses of the Company and the Included Subsidiaries allowable as a net operating loss carryover to Post-Closing Tax Periods under Section 172 of the Code; provided, however, that Holdings shall be considered to have complied with the requirements of this sentence if Holdings delivers reasonable good faith estimates of the required calculations and information in the time frame provided above and thereafter promptly provides revised schedules on or before the date the 1999 Seller Group Return is filed.

#### SECTION 8.03. Buyer Tax Covenants.

(a) Buyer agrees that it will not cause or permit the Company, its Subsidiaries or any Affiliate of Buyer (i) to take any action on the Closing Date other than in the ordinary course of business, including but not limited to the distribution of any dividend or the effectuation of any redemption that could give rise to any Tax liability or reduce any Tax Asset of the Seller Group or any loss of either Seller or the Seller Group under this Agreement, or (ii) from and after the Closing Date, without the prior written consent of Holdings, which shall not be unreasonably withheld, to make or change any material tax election, amend any tax Return or take any tax position on any tax Return that reasonably could be expected to result in any increased tax liability or reduction of any Tax Asset of any member of the Seller Group in respect of any Pre-Closing Tax Period. Buyer agrees that Sellers are to have no liability for any tax resulting from any action, referred to in the preceding sentence, of the Company, its Subsidiaries, Buyer or

any Affiliate of Buyer on the Closing Date, and agrees to indemnify and hold harmless Sellers and their Affiliates against any such tax and any liabilities, cost, expense (including, without limitation, reasonable expenses of investigation and attorney's fees and expenses), losses, damages, assessment or assertion of such tax. Holdings agrees to give prompt notice to Buyer of the assertion of any claim, or the commencement of any action or proceeding, in respect of which indemnity may be sought under this Section 8.03(a). Buyer may participate in and assume the defense of any such suit, action or proceeding at its own expense. If Buyer assumes such defense, each of the Sellers shall have the right (but not the duty) to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by Buyer. Whether or not Sellers choose to defend or prosecute any claim, the parties hereto shall cooperate in the defense or prosecution thereof.

(b) Buyer agrees that Seller Guarantor may, at its option, elect to reattribute to itself certain Tax Assets of the Company and the Included Subsidiaries, to the extent permitted by Treasury Regulation Section 1.1502-20(g). If Seller Guarantor makes such election, Buyer shall and shall cause the Company and the Included Subsidiaries to comply with the requirements of Treasury Regulation Section 1.1502-20(g).

(c) Buyer shall prepare, or cause to be prepared, all Returns required to be filed by the Company and each of the Included Subsidiaries for any taxable period of the Company or the Included Subsidiaries that includes (but does not end on) the Closing Date. For this purpose, Sellers and Buyer agree that Sellers shall prepare and the Company and each of the Included Subsidiaries will file short period income tax Returns for the period ending on the Closing Date in each jurisdiction in which any of the Company and the Included Subsidiaries files a separate income tax Return. Any such Return shall be prepared in a manner consistent with past practice and without a change of any election or any accounting method and shall be submitted by Buyer to Holdings (together with schedules, statements and, to the extent requested by Holdings, supporting documentation) at least 45 days prior to the due date (including extensions) of such Return. Holdings shall have the right at Holding's expense to review all work papers and procedures used to prepare any such Return. If Holdings, within 30 business days after delivery of any such Return, notifies Buyer in writing that it objects to any items in such Return, Buyer and Holdings shall negotiate in good faith and use their best efforts to resolve such items. If Buyer and Holdings are unable to reach such agreement within 30 days after receipt by Buyer of such notice, the disputed items shall be resolved pursuant to Section 8.07. Upon resolution of all such items, the relevant Return shall be adjusted to reflect such resolution and shall be binding upon the parties without further adjustment.

(d) Buyer shall promptly pay or shall cause prompt payment to be made to Holdings of all refunds of Taxes and interest thereon received by Buyer, any Affiliate of Buyer, the Company, or the Included Subsidiaries attributable to Taxes paid by Seller Guarantor, Sellers, the Company or the Included Subsidiaries (or any predecessor or Affiliate of any of them) with respect to any Pre-Closing Tax Period, except to the extent such refund is attributable to the carryback of losses from the Post-Closing Tax Period.

SECTION 8.04. Tax Sharing. From the date hereof through the Closing Date, the Tax Sharing Agreement shall remain in full force and effect and shall not be amended without the consent of Buyer, and the parties shall make the payments required thereunder. Any and all existing Company Tax Sharing Agreements and arrangements (including but not limited to the Tax Sharing Agreement) shall be terminated effective upon the Closing Date, and no additional payments shall be made thereunder; provided, however, that in accordance with Section 5.07 of this Agreement all intercompany accounts or accruals between Sellers or their Affiliates, on the one hand, and the Company or the Included Subsidiaries, on the other hand arising in respect of the Tax Sharing Agreement shall be settled as of the Closing Date, without regard to Section 2 of the Tax Sharing Agreement. After the Closing Date, neither the Company nor the Included Subsidiaries shall have any further rights or liabilities thereunder for any taxable year.

SECTION 8.05. Other Tax Matters. All transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with the transfer of the Shares shall be borne and paid 50% by Buyer and 50% by Holdings; Holdings will file all necessary Tax returns and other documentation with respect to all such Taxes and fees, and, if required by applicable law, Buyer will, and will cause its Affiliates to, join in the execution of any such Tax return and other documentation. Buyer's 50% share of the Taxes and fees referred to in the preceding sentence shall be paid by Buyer to Holdings no later than two business days prior to the due date for the payment of such Taxes and fees.

SECTION 8.06. Cooperation on Tax Matters. (a) Buyer and each of the Sellers shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the preparation and filing of any Tax return, statement, report or form (including any report required pursuant to Section 6043 of the Code and all Treasury Regulations promulgated thereunder), any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include prompt notification of the other party in the event of receipt of notice of any pending or threatened audits, or the commencement of any litigation or other proceeding that reasonably could be expected to affect the Tax liabilities of the Company or any

of the Included Subsidiaries for any Pre-Closing Tax Period, the retention and (upon the other party's request) the provision of records and information that are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Company and each of the Sellers agree to retain so long as reasonable all books and records with respect to Tax matters pertinent to the Company and the Included Subsidiaries relating to any Pre-Closing Tax Period, and to abide by all record retention agreements entered into with any Taxing Authority.

(b) Buyer and Sellers further agree, upon request, to use all reasonable efforts to obtain any certificate or other document from any governmental authority or customer of the Company or the Included Subsidiaries or any other person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

SECTION 8.07. Certain Disputes. To the extent provided in Sections 8.02, 8.03, and 8.06, disputes arising under such Sections and not resolved by mutual agreement as stated therein shall be resolved by the Independent Accountants. The Independent Accountants shall resolve any disputed items within 30 days of having the item referred to it pursuant to such procedures as it may require. The costs, fees and expenses of the Independent Accountants shall be borne equally by Buyer and Holdings. Notwithstanding any other provision of this Agreement, any payment to be made as a result of the resolution of a dispute shall be made, and any other action to be taken as a result of the resolution of a dispute shall be taken, on or before the later of (i) the date on which such payment or action would otherwise be required or (ii) the third business day following the date on which the dispute is resolved; provided that if a dispute with respect to an item in a Return shall not be resolved on or before the date that is three business days prior to the latest date on which such return may be filed under applicable Tax law, the party responsible for filing such Return pursuant to this Agreement shall file such return reflecting all disputed items that have been resolved in the manner so resolved, and reflecting all unresolved disputed items in the manner proposed by such party, and shall, upon the resolution of all such unresolved disputed items, file an amended Return reflecting the resolution thereof in the manner so resolved.

SECTION 8.08. Sellers Tax Indemnification of Buyer. (a) Each of the Sellers hereby indemnifies Buyer against and agrees to hold Buyer harmless from any Tax of the Company or the Included Subsidiaries with respect to the Company Tax Indemnification Period and any liabilities, costs, expenses (including, without limitation, reasonable expenses of investigation and attorneys' fees and expenses), losses, damages, assessments, settlements or judgments incurred or suffered by

Buyer or any of its Affiliates arising out of or incident to the imposition, assessment or assertion of any such Tax described, including those incurred in the contest in good faith in appropriate proceedings relating to the imposition, assessment or assertion of any Tax (the sum of such amounts being referred to herein as a "Loss"); provided, however, that neither Seller shall have liability for the payment of any loss attributable to or resulting from any action described in Section 8.03(a) hereof.

(b) For purposes of this Section, in the case of any Taxes that are imposed on a periodic basis and are payable for a Taxable period that includes (but does not end on) the Closing Date, the portion of such Tax related to the portion of such Taxable period ending on the Closing Date shall (x) in the case of any Taxes other than Taxes based upon or related to income, be deemed to be the amount of such Tax for the entire Taxable period multiplied by a fraction the numerator of which is the number of days in the Taxable period ending on the Closing Date and the denominator of which is the number of days in the entire Taxable period and (y) in the case of any Tax based upon or related to income be deemed equal to the amount which would be payable if the relevant Taxable period ended on the Closing Date. Any credits relating to a Taxable period that begins before and ends after the Closing Date shall be taken into account as though the relevant Taxable period ended on the Closing Date. All determinations necessary to give effect to the foregoing allocations shall be made in a manner consistent with prior practice of the Company and its Subsidiaries.

(c) If either Seller's indemnification obligation under this Section 8.08 arises in respect of an adjustment which makes allowable to Buyer, any of its Affiliates or, effective upon the Closing, Company or its Subsidiaries any deduction, amortization, exclusion from income or other allowance (a "Tax Benefit") which would not, but for such adjustment, be allowable, then any payment by either Seller to Buyer shall be an amount equal to (x) the amount otherwise due but for this subsection (c) minus (y) the actual reduction in the amount of Taxes paid by Buyer in the current Tax year as a result of the Tax Benefit. In each subsequent year, Buyer shall pay such Seller the amount of the actual reduction in Taxes of Buyer, Company or its Subsidiaries for such year that are attributable to the Tax Benefit; provided that the aggregate payments made by Buyer pursuant to this Section 8.08(c) shall not exceed the aggregate payments made by Sellers pursuant to Section 8.08. If the amount of any Tax Benefit is subsequently reduced or disallowed, such Seller shall be required to indemnify Buyer for the amount of any additional Tax, penalties and interest payable as a result of such reduction or disallowance.

(d) Buyer agrees to give prompt notice to Holdings of the assertion of any claim, or the commencement of any suit, action or proceeding in respect of

which indemnity may be sought hereunder and of any Loss, which Buyer deems to be within the ambit of this section (specifying with reasonable particularity the basis therefor) and will give Holdings such information with respect thereto as Holdings may reasonably request. Holdings shall have the right to represent the interests of the Company and its Subsidiaries and to assume the defense of any such suit, action or proceeding (including any Tax audit), and to employ counsel of its choice at its expense; provided that (i) Holdings shall give notice to Buyer, keep Buyer reasonably informed and consult with Buyer upon Buyer's reasonable request from time to time with respect to any issue relating to such suit, action or proceeding (including any Tax audit) that reasonably could be expected to have a material adverse effect on Buyer, or after the Closing Date, the Company or any of its Subsidiaries. If Holdings elects not to assume such defense, Buyer may pay, compromise or contest the Tax at issue. Whether or not Holdings chooses to defend or prosecute any claim, all of the parties hereto shall cooperate in the defense or prosecution thereof.

(e) Neither Seller shall be liable under this section with respect to any Tax resulting from any settlements effected without the consent of Holdings, which shall not be unreasonably withheld, or resulting from any claim or demand the defense of which such Holdings was not offered the opportunity to assume as provided under Section 8.08(d) hereof to the extent either Seller's liability under this section is adversely affected as a result thereof.

(f) If, as a result of a sale on or before December 31, 1999 by Sellers, any other member of the Seller Group, the Company or the Included Subsidiaries of marketable securities (a "Securities Sale"), the amount of Tax Attributes (as defined in Section 8.02(d)) is less than \$300,000,000 (a "Tax Attribute Shortfall"), Holdings shall pay to Buyer an amount equal to (a) the Tax Attribute Shortfall attributable to such Securities Sale multiplied by (b) 38%, upon the earlier of (x) the time the 1999 Seller Group Return is filed or (y) the time items related to such sale of marketable securities are adjusted as a result of a Final Determination.

(g) If, at the time of filing the 1999 Seller Group Return, there is a Tax Attribute Shortfall that is not attributable to a Securities Sale, Sellers shall indemnify Buyer for such Tax Attribute Shortfall in accordance with the provisions of Section 11.02(a), in which case the amount of Damages (as defined in Section 11.02(a)) shall be equal to the amount of such Tax Attribute Shortfall multiplied by 38%.

ARTICLE 9  
EMPLOYEE BENEFITS

SECTION 9.01. Benefits Following the Closing Date. (a) During the period commencing on the Closing Date and ending on the first anniversary thereof, Buyer shall cause the Employees to be provided with employee benefits that are no less favorable in the aggregate than the employee benefits provided to the Employees under the Employee Plans and Benefit Arrangements (excluding for this purpose plans which provide for equity-based awards and severance plans) as of the Closing Date, as previously disclosed to Buyer by Seller Guarantor. Buyer shall cause the Employees who retire during such one-year period to be provided with post-retirement medical benefits under the South Western Bell Mobile Systems post-retirement medical plan (the "Buyer Post-Retirement Medical Plan"), provided such Employees satisfy the eligibility requirements for post-retirement medical benefits under the Buyer Post-Retirement Medical Plan. Nothing contained herein shall be construed to limit the ability of Buyer or its Affiliates to terminate the employment of any Employee or to terminate any particular employee benefit plan or compensatory arrangement following the Closing Date. Without limiting the foregoing, during calendar year 1999, Buyer shall provide to each Employee at least the number of days of paid time off that would have been available to such Employee for 1999 under Seller Guarantor's paid time off policies (as in effect on the Closing Date), less the number of days of paid time off taken by such Employee between January 1, 1999 and the Closing Date, inclusive.

(b) Buyer or its Affiliates shall cause Employees who remain employed by the Company or its Affiliates on or after the Closing Date to receive credit for periods of service from such Employees' most recent date of hire (or deemed most recent date of hire), with Seller Guarantor, the Company or their respective Affiliates or any other entity acquired by Seller Guarantor, the Company or their respective Affiliates, to the extent such service is treated as credited service under the comparable plans of Seller Guarantor, the Company or their respective Affiliates as of the Closing Date for all purposes (except benefit accrual under any defined benefit retirement plan) under the employee benefits plans of Buyer or its Affiliates, as applicable (such credit to be determined under the terms of Buyer's employee benefit plans).

(c) Seller Guarantor shall take all action necessary, consistent with applicable law, to cause the Seller Guarantor Plans which provide welfare benefits to Employees immediately prior to the Closing Date (the "Seller Guarantor Welfare Plans") to continue to cover such Employees, to the extent requested by Buyer, for the period commencing on the Closing Date and ending on the later of December 31, 1999 or the date which is six months following the Closing Date

(or such shorter period as requested by Buyer) (the "Transition Period"). Buyer shall bear the cost of such coverage by reimbursing Seller Guarantor on a monthly basis for the cost of providing such welfare benefit coverage during the Transition Period (such costs to include expenses incurred by Seller Guarantor in respect of the Employees in the payment of benefit claims incurred during the Transition Period, employer and employee premiums, and a reasonable pro rata share of welfare plan administrative costs). Notwithstanding the foregoing, Seller Guarantor agrees that each Seller Guarantor Welfare Plan shall be responsible for claims incurred by the Employees under such Plans prior to the Closing Date. For purposes of this Section, a claim shall be deemed to be "incurred" when the relevant service is provided or item is purchased. To the extent that the Transition Period provided for herein expires during a calendar year (either prior to December 31, 1999 or on or after January 1, 2000), Buyer and its Affiliates shall use their best efforts to credit the dollar amount of all expenses incurred by Employees and their eligible dependents during the plan year in which the Transition Period expires for purposes of satisfying such plan year's deductible and copayment limitations, under any welfare benefit plan maintained by Buyer or its Affiliates.

SECTION 9.02. Post-Closing Benefit Liabilities. (a) Seller Guarantor shall separately identify on Schedule 3.21 of this Agreement each Employee Plan or Benefit Arrangement that is maintained by either the Company or any Included Subsidiary exclusively for the benefit of Employees (the "Company Plans"). Each Employee Plan or Benefit Arrangement that is not a Company Plan is hereinafter referred to as a "Seller Guarantor Plan" or collectively as "Seller Guarantor Plans." Except as expressly set forth in this Article 9, from and after the Closing Date, neither Buyer nor the Company nor any Included Subsidiary shall have any liability whatsoever with respect to any Seller Guarantor Plan.

(b) Seller Guarantor shall retain or assume all liability with respect to Inactive Employees under any Seller Guarantor Plan. Subject to applicable law, if, in the sole discretion of Buyer, any Inactive Employee is re-hired by Buyer or otherwise returns from leave of absence to active employment with the Company or an Included Subsidiary, such Inactive Employee shall be treated as an Employee for purposes of this Article 9 as of the date of such return to active employment.

SECTION 9.03. Thrift Plan. (a) Effective as of the Closing Date, Seller Guarantor shall take all actions necessary to cause (i) the Company and each Included Subsidiary to cease to be participating employers in any Seller Guarantor Plan which is a "pension plan" within the meaning of Section 3(2) of ERISA, including, without limitation, the Comcast Corporation Retirement Investment Plan for Employees (the "Seller Guarantor Thrift Plan") and (ii) the accrued

benefits of Employees under all such Seller Guarantor Plans to be fully vested as of the Closing Date. As soon as practicable after the Closing Date, Buyer shall take all action necessary to cause the retirement plan designated by Buyer (the "Buyer Thrift Plan") to allow each Employee who is a participant in the Seller Guarantor Thrift Plan as of the Closing Date to effect a direct rollover in cash of their accrued benefits under the Seller Guarantor Thrift Plan to the Buyer Thrift Plan. In connection with any such direct rollover elected by an Employee, Buyer shall use its reasonable best efforts to allow, as soon as practicable, any such Employee's outstanding loan under the Seller Guarantor Thrift Plan to be directly rolled-over into the Buyer Thrift Plan. Seller Guarantor shall use its reasonable best efforts to cause any such outstanding loan not to become due, based upon the cessation of the Employee's participation in the Seller Guarantor Thrift Plan, for a period of up to six months following the Closing Date or the earlier termination of employment of the Employee by Buyer.

SECTION 9.04. Retention Payments. (a) As of the later of December 31, 1999 or the expiration of the third month after the Closing Date (the later of such two dates being referred to herein as the "Retention Date"), Buyer or its Affiliate shall cause the Company to pay to each Employee whose name is set forth in Schedule 9.04(a) hereto the cash amount set forth opposite such Employee's name in such Schedule (the "Retention Payment"), provided that either (i) such Employee remains employed by Buyer or its Affiliates as of the Retention Date, and such Employee agrees that such Employee's right to severance under any agreement between such Employee and the Company or any severance policy covering any such Employee shall be reduced (but not below zero) by the amount of such Employee's Retention Payment or (ii) such Employee's employment has been involuntarily terminated prior to the Retention Date by Buyer or its Affiliate other than for cause. Seller Guarantor and the Company shall share the cost of such Retention Payment equally, provided, however, that the Company's liability under this Section 9.04(a) shall not exceed \$7.5 million. Promptly after the Retention Date, Seller Guarantor shall reimburse Buyer for 50% of the total cost of the Retention Payments. Such reimbursement shall be treated, for Tax purposes, as an adjustment to the Purchase Price.

(b) Any Employee who is an exempt employee, other than an Employee who has entered into an individual agreement with the Company providing for severance benefits, whose employment is terminated by Buyer or its Affiliates within the 180 day-period following the Closing Date shall receive severance payments from Buyer (in accordance with the terms of the severance plan to be established by Buyer (but without regard to years of service or other eligibility criteria)) in an amount which shall not be less than the amount calculated in accordance with the salary allowance range set forth on Schedule 9.04(b) hereto.

(c) For the avoidance of doubt, the amounts the Company shall be required to pay pursuant to this Section 9.04 shall not be included as liabilities on the Closing Date Balance Sheet nor shall such amounts be taken into account in any way in computing the Initial Purchase Price Adjustment or Final Purchase Price Adjustment.

SECTION 9.05. Pre-closing Bonus Period. Seller Guarantor shall be solely responsible for the payment of any bonus amounts that have been earned by the Employees in respect of any period prior to the Closing Date under the Comcast Corporation Cash Bonus Plan or other compensation plans of Seller Guarantor.

SECTION 9.06. Cooperation. Seller Guarantor and Buyer agree to cooperate in order to facilitate the transition of the Employees to employment with Buyer and its Affiliates, including, without limitation, provision by Seller Guarantor to Buyer of employee-related information and access to the Employees prior to the Closing Date in accordance with Buyer's reasonable request.

SECTION 9.07. No Third Party Beneficiaries. No provision of this Article 9 shall create any third party beneficiary or other rights in any current or former employee of Seller Guarantor, the Company, any Included Subsidiary or Buyer (including any dependent or beneficiary thereof) or any other person.

#### ARTICLE 10 CONDITIONS TO CLOSING

SECTION 10.01. Conditions to Obligations of Buyer and Sellers for Closing. The obligations of Buyer and Sellers to consummate the Closing are subject to the satisfaction of the following conditions:

(a) Any applicable waiting period under the HSR Act relating to the transfer of the Shares and any transactions related to such transfer shall have expired or been terminated.

(b) No provision of any applicable law or regulation and no judgment, injunction, order or decree shall prohibit the consummation of the Closing.

(c) All actions by or in respect of or filings with or consents or approvals from any Governmental Entity listed on Schedule 10.01, and any other material action by or in respect of or material filings with or material consents or material approvals from any Governmental Authority and required, in each case, to permit the consummation of the Closing, shall have been taken, made or obtained.

SECTION 10.02. Conditions to Obligation of Buyer for Closing. The obligation of Buyer to consummate the Closing is subject to the satisfaction of the following further conditions:

(a) (i) Sellers and Seller Guarantor shall have performed in all material respects all of their obligations hereunder required to be performed by them on or prior to the Closing Date, (ii) the representations and warranties of Sellers and Seller Guarantor contained in this Agreement (A) to the extent qualified by Material Adverse Effect shall be true and correct and (B) to the extent not qualified by Material Adverse Effect shall be true and correct, except that this clause (B) shall be deemed satisfied so long as any failures of such representations and warranties to be true and correct, taken together, do not have a Material Adverse Effect on the Company Group, Sellers or Seller Guarantor, in each case as of the Closing Date and (iii) Buyer shall have received a certificate signed by a senior officer of Holdings to the foregoing effect.

(b) All action by any Governmental Entity required in satisfaction of Section 10.01(c) shall have been obtained pursuant to a Final Order, free of any conditions (other than conditions that are not reasonably likely, either individually or in the aggregate, to have a Regulatory Material Adverse Effect). For the purposes of this Agreement, "Final Order" means an action or decision that has been granted as to which (i) no request for a stay or any similar request is pending, no stay is in effect, the action or decision has not been vacated, reversed, set aside, annulled or suspended and any deadline for filing such a request that may be designated by statute or regulation has passed, (ii) no petition for rehearing or reconsideration or application for review is pending and the time for the filing of any such petition or application has passed, (iii) no Governmental Entity has undertaken to reconsider the action on its own motion and the time within which it may effect such reconsideration has passed and (iv) no appeal is pending (including other administrative or judicial review) or in effect and any deadline for filing any such appeal that may be specified by statute or rule has passed, which in any such case (i), (ii), (iii) or (iv) is reasonably likely to result in vacating, reversing, setting aside, annulling, suspending or modifying such action or decision (in any such case in a manner which would have a Regulatory Material Adverse Effect following the Closing); provided that, in the event that, prior to the granting of the FCC's approval, no comments shall have been filed in, or with respect to any proceeding, action or decision sought from the FCC in satisfaction of the requirements of Section 10.01(c), the approvals by FCC will be deemed to have been obtained pursuant to a Final Order.

(c) The capital stock of each Excluded Subsidiary shall have been transferred to Holdings or one of its Affiliates.

(d) Buyer shall have received all documents it may reasonably request relating to the existence of Sellers, Seller Guarantor, the Company and the Included Subsidiaries and the authority of Sellers and Seller Guarantor for this Agreement, all in form and substance reasonably satisfactory to Buyer.

(e) Buyer shall have received a certification signed by each of the Sellers to the effect that such Seller is not a "foreign person" as defined in Section 1445 of the Code.

(f) All intercompany debt of the Company and the Included Subsidiaries shall have been repaid on or prior to the Closing Date.

(g) Sellers shall have furnished to Buyer an opinion (the "FCC Opinion") of FCC counsel for Sellers, with customary qualifications, in form and substance reasonably satisfactory to Buyer, dated the Closing Date, to the effect that:

(i) the Company and the Included Subsidiaries hold the FCC Licenses listed on Annex A to the FCC Opinion and such FCC Licenses are in effect. The FCC has granted its consent to the transfer of control of the FCC Licenses listed in Annex A to the FCC Opinion to Buyer (the "FCC Consents") and, except as may be disclosed on Annex B to the FCC Opinion, (A) the time periods specified in the FCC's rules for the filing of petitions for reconsideration of the grant of the FCC Consents and for the reconsideration of the grant of the FCC Consents on the FCC's own motion have expired and (B) to counsel's knowledge, based on review of the FCC's publicly available records, no such petition reconsideration has been filed and the FCC has not instituted review of the grant of any of the FCC Consents on its own motion; and

(ii) to such counsel's knowledge, based upon a review of the FCC's publicly available records, there is not, except as may be set forth in Annex C to the FCC Opinion, any issued and outstanding notice of violation, order to show cause, material complaint or investigatory proceeding by or before the FCC against any of the FCC Licenses, which, individually or in the aggregate, if determined adversely, might reasonably be expected to result in any Material Adverse Effect on the Company Group.

(h) Sellers shall have furnished to Buyer the opinion of in-house counsel for Seller Guarantor, dated the Closing Date, to the effect that:

(i) the Company has been duly incorporated and is an existing corporation in good standing under the law of the State of Delaware;

(ii) all of the Company's outstanding capital stock, including the Shares, have been duly authorized and validly issued and are fully paid and non-assessable; and

(iii) this Agreement has been duly executed and delivered by each Seller and by Seller Guarantor.

(i) Sellers shall have furnished to the Buyer opinions of the Company's local counsel in Pennsylvania, New Jersey, Maryland, Delaware and Illinois in form and substance reasonably satisfactory to Buyer, dated the Closing Date, to the effect that all required approvals for the execution, delivery and performance by each of Sellers and Seller Guarantor of this Agreement pursuant to the requirements any state public utility commissions in the states of Pennsylvania, New Jersey, Maryland, Delaware and Illinois have been obtained.

SECTION 10.03. Conditions to Obligation of Sellers and Seller Guarantor for Closing. The obligation of Sellers and Seller Guarantor to consummate the Closing is subject to the satisfaction of the following further conditions:

(a) (i) Buyer shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Closing Date, (ii) the representations and warranties of Buyer contained in this Agreement (A) to the extent qualified by Material Adverse Effect shall be true and correct and (B) to the extent not qualified by Material Adverse Effect shall be true and correct, except that this clause (B) shall be deemed satisfied so long as any failures of such representations and warranties to be true and correct, taken together, do not have a Material Adverse Effect on Buyer, in each case as of the Closing Date and (iii) Sellers and Seller Guarantor shall have received a certificate signed by the Senior Officer of Buyer to the foregoing effect.

(b) Sellers and Seller Guarantor shall have received all documents it may reasonably request relating to the existence of Buyer and the authority of Buyer for this Agreement, all in form and substance reasonably satisfactory to Sellers and Seller Guarantor.

(c) Buyer shall have furnished to Sellers and Seller Guarantor the opinion of in-house counsel for Buyer, dated the Closing Date, to the effect that this Agreement has been duly executed and delivered by Buyer.

ARTICLE 11  
SURVIVAL; INDEMNIFICATION

SECTION 11.01. Survival. The representations and warranties of Sellers, Seller Guarantor or Buyer contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall not survive the Closing Date; provided that (i) the representations and warranties contained in Article 3 of this Agreement shall survive until the first anniversary of the Closing Date except that the representations and warranties in Sections 3.01, 3.02, 3.05, 3.06 and 3.19 shall have no expiration date and the representations and warranties in Section 3.22 shall survive until the expiration of the applicable statute of limitations and (ii) the representations and warranties contained in Article 4 of this Agreement shall survive until the first anniversary of the Closing Date. The covenants and agreements contained in Sections 5.02, 5.05, 5.08 and 6.05 shall survive for the period set forth therein, the covenants, agreements, representations and warranties contained in Articles 8 and 9 and Section 11.02 to the extent it relates to Section 8.08(g) shall survive until expiration of the statute of limitations applicable to the matters covered thereby (giving effect to any waiver, mitigation or extension thereof), if later, and all other covenants and agreements shall survive indefinitely. Notwithstanding the preceding sentence, any covenant, agreement, representation or warranty in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentence, if notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given to the party against whom such indemnity may be sought prior to such time.

SECTION 11.02. Indemnification. (a) Sellers and Seller Guarantor, jointly and severally, hereby indemnify Buyer and its Affiliates against and agree to hold them harmless from any and all damage, loss, liability and expense (including without limitation reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding) ("Damages") incurred or suffered by Buyer or any of its Affiliates arising out of any misrepresentation or breach of warranty (disregarding all qualifications and exceptions contained therein relating to materiality (including the materiality as used in the definition of the Material Adverse Effect)), or breach of any covenant or agreement made or to be performed by Sellers or Seller Guarantor pursuant to this Agreement (other than pursuant to all of Article 8 except for Section 8.08(g)); provided that (i) Sellers and Seller Guarantor shall not be liable under this Section 11.02(a) unless the aggregate amount of Damages with respect to all matters referred to in this Section 11.02(a) exceeds \$17,500,000 and then only to the extent of such excess and (ii) maximum liability of Sellers and Seller Guarantor under this Section 11.02(a) shall not exceed \$450,000,000.

(b) Buyer hereby indemnifies Sellers and each of their Subsidiaries against and agrees to hold them harmless from any and all Damages incurred or suffered by Sellers, Seller Guarantor or their Subsidiaries arising out of any misrepresentation or breach of warranty (disregarding all qualifications and exceptions contained therein relating to materiality (including the materiality as used in the definition of the Material Adverse Effect)), or breach of any covenant or agreement made or to be performed by Buyer pursuant to this Agreement (other than pursuant to Article 8); provided that (i) Buyer shall not be liable under this Section 11.02(b) unless the aggregate amount of Damages with respect to all matters referred to in this Section 11.02(b) exceeds \$17,500,000 and then only to the extent of such excess and (ii) Buyer's maximum liability under this Section 11.02(b) shall not exceed \$450,000,000.

(c) Notwithstanding anything else in this Agreement to the contrary, Sellers and Seller Guarantor, jointly and severally, hereby indemnify Buyer and each of its Subsidiaries against and agree to hold them harmless from any and all Damages incurred or suffered by Buyer or its Subsidiaries arising out of or relating in any way to the Excluded Subsidiaries, including, without limitation, arising out of the transfer of capital stock of the Excluded Subsidiaries to Holdings or its Affiliates pursuant to Section 5.06 hereof.

(d) Notwithstanding anything else in this Agreement to the contrary, Buyer hereby indemnifies Sellers, Seller Guarantor and each of their Subsidiaries and agrees to hold them harmless from any and all Damages incurred or suffered by Sellers, Seller Guarantor or any of their Subsidiaries arising out of any breach of Buyer's agreement set forth in Section 6.04(b).

SECTION 11.03. Procedures. (a) The party seeking indemnification under Section 8.08 or 11.02 (the "Indemnified Party") agrees to give prompt notice to the party against whom indemnity is sought (the "Indemnifying Party") of the assertion of any claim, or the commencement of any suit, action or proceeding ("Claim") in respect of which indemnity may be sought under such Section and will provide the Indemnifying Party such information with respect thereto that the Indemnifying Party may reasonably request. The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have materially prejudiced the Indemnifying Party.

(b) The Indemnifying Party shall be entitled to participate in the defense of any Claim asserted by any third party ("Third Party Claim") and, subject to the limitations set forth in this Section 11.03, shall be entitled to control and appoint lead counsel for such defense, in each case at its expense.

(c) If the Indemnifying Party shall assume the control of the defense of any Third Party Claim in accordance with the provisions of this Section 11.03(c), (i) the Indemnifying Party shall obtain the prior written consent of the Indemnified Party (which shall not be unreasonably withheld) before entering into any settlement of such Third Party Claim and (ii) the Indemnified Party shall be entitled to participate in the defense of such Third Party Claim and to employ separate counsel of its choice for such purpose. The fees and expenses of such separate counsel shall be paid by the Indemnified Party.

(d) Each party shall cooperate, and cause their respective Affiliates to cooperate, in the defense or prosecution of any Third Party Claim and shall furnish or cause to be furnished such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith.

SECTION 11.04. Calculation of Damages. (a) The amount of any Damages payable under Section 11.02 by the Indemnifying Party shall be net of any (i) amounts recovered or recoverable by the Indemnified Party under applicable insurance policies, (ii) Tax cost incurred by the Indemnified Party arising from the receipt of indemnity payments and (iii) Tax Benefit realized by the Indemnified Party arising from the incurrence or payment of any such Damages. In computing the amount of any such Tax cost or Tax Benefit, the Indemnified Party shall be deemed to fully utilize, at the highest marginal tax rate then in effect, all Tax items arising from the receipt of any indemnity payment hereunder or the incurrence or payment of any indemnified Damages. For purposes hereof, the amount shall not be deemed recoverable if a claim by the Indemnified Party has been submitted in good faith and was denied by the insurer.

(b) The Indemnifying Party shall not be liable under Section 11.02 for any (i) Damages relating to any matter to the extent that (A) there is included in the Closing Date Balance Sheet a specific liability or reserve relating to such matter or (B) the Indemnified Party had otherwise been compensated for such matter pursuant to the Purchase Price adjustment under Section 2.04, or (ii) exemplary or punitive Damages (other than exemplary or punitive damages awarded to any third party).

SECTION 11.05. Assignment of Claims. If the Indemnified Party receives any payment from an Indemnifying Party in respect of any Damages pursuant to Section 11.02 and the Indemnified Party could have recovered all or a part of such Damages from a third party, including, without limitation, under an insurance policy described in Section 11.04(a) (a "Potential Contributor") based on the underlying Claim asserted against the Indemnifying Party, the Indemnified Party shall assign such of its rights to proceed against the Potential Contributor as are

necessary to permit the Indemnifying Party to recover from the Potential Contributor the amount of such payment.

SECTION 11.06. Exclusivity. Except as specifically set forth in this Agreement and except for any claim for actual fraud, effective as of the Closing Buyer waives any rights and claims Buyer may have against Sellers or Seller Guarantor, whether in law or in equity, relating to the Company or the Shares or the transactions contemplated hereby. The rights and claims waived by Buyer include, without limitation, claims for contribution or other rights of recovery arising out of or relating to any Environmental Law, claims for breach of contract, breach of representation or warranty, negligent misrepresentation and all other claims for breach of duty. After the Closing, Sections 8.08 and 11.02 will provide the exclusive remedy for any misrepresentation, breach of warranty, covenant or other agreement (other than those contained in Sections 2.04, 5.02, 5.05, 5.08, 5.09, 6.02, 6.03, 6.05 and 7.04) or other claim (other than any claim for actual fraud) arising out of this Agreement or the transactions contemplated hereby.

## ARTICLE 12 SELLER GUARANTEE

SECTION 12.01. Seller Guarantor. Seller Guarantor hereby irrevocably and unconditionally guarantees to Buyer the prompt and full discharge by Sellers of all of Sellers' covenants, agreements, obligations and liabilities under this Agreement including, without limitation, the due and punctual payment of all amounts which are or may become due and payable by Sellers hereunder, when and as the same shall become due and payable (collectively, the "Seller Obligations"), in accordance with the terms hereof. Seller Guarantor acknowledges and agrees that, with respect to all Seller Obligations to pay money, such guaranty shall be a guaranty of payment and performance and not of collection and shall not be conditioned or contingent upon the pursuit of any remedies against Sellers. If Sellers shall default in the due and punctual performance of any Seller Obligation, including the full and timely payment of any amount due and payable pursuant to any Seller Obligation, Seller Guarantor will forthwith perform or cause to be performed such Seller Obligation and will forthwith make full payment of any amount due with respect thereto at its sole cost and expense.

SECTION 12.02. Guaranty Unconditional. The liabilities and obligations of Seller Guarantor pursuant to this Agreement are unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(a) any acceleration, extension, renewal, settlement, compromise, waiver or release in respect of any Seller Obligation, by operation of law or otherwise;

(b) the invalidity or unenforceability, in whole or in part, of this Agreement;

(c) any modification or amendment of or supplement to this Agreement;

(d) any change in the corporate existence, structure or ownership of either Seller or Seller Guarantor or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any of them or their assets; or

(e) any other act, omission to act, delay of any kind by any party hereto or any other Person, or any other circumstance whatsoever that might, but for the provisions of this Section, constitute a legal or equitable discharge of the obligations of Seller Guarantor hereunder.

SECTION 12.03. Waivers of the Seller Guarantor. Seller Guarantor hereby waives any right, whether legal or equitable, statutory or non-statutory, to require Buyer to proceed against or take any action against or pursue any remedy with respect to Sellers, or any other Person or make presentment or demand for performance or give any notice of nonperformance before Buyer may enforce its rights hereunder against Seller Guarantor.

SECTION 12.04. Discharge Only upon Performance in Full; Restatement in Certain Circumstances. Seller Guarantor's obligations hereunder shall remain in full force and effect until the Seller Obligations shall have been performed in full. If at any time any performance by any Person of any Seller Obligation is rescinded or must be otherwise restored or returned, whether upon the insolvency, bankruptcy or reorganization of Sellers or otherwise, Seller Guarantor's obligations hereunder with respect to such Seller Obligation shall be reinstated at such time as though such Seller Obligation had become due and had not been performed.

SECTION 12.05. Subrogation. Upon performance by Seller Guarantor of any Seller Obligation, Seller Guarantor shall be subrogated Buyer against such Seller, with respect to such Seller Obligation; provided that Seller Guarantor shall not enforce any Seller Obligation by way of subrogation against Seller while any Seller Obligation is due and unperformed by such Seller.

ARTICLE 13  
TERMINATION

SECTION 13.01. Grounds for Termination. This Agreement may be terminated:

(a) at any time by mutual written agreement of each party hereto;

(b) by either Holdings or Buyer if the Closing shall not have been consummated on or before September 30, 1999; provided, however, that (i) if Buyer or Holdings determines that additional time is necessary in connection with satisfaction of the conditions set forth in Sections 10.01(c) or 10.02(b), the termination date may be extended for 60 calendar days by Buyer or Holdings from time to time by written notice to the other party up to a date not beyond January 31, 2000 and (ii) if Buyer delivers a written request pursuant to Section 7.06 hereof on or after January 1, 2000, the termination date shall be extended until the date that is five business days after the date designated in such written request; provided, further, that the right to terminate this Agreement pursuant to this clause (b) shall not be available to any party that has wilfully breached in any material respect its obligations under this Agreement in any manner that shall have proximately contributed to the failure to consummate the transactions contemplated hereby;

(c) by either Holdings or Buyer if there shall be any law or regulation that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited or if consummation of the transactions contemplated hereby would violate any nonappealable final order, decree or judgment of any court or governmental body having competent jurisdiction; or

(d) by either Holdings or Buyer, if there has been a material misrepresentation, breach of warranty or breach of covenant or other obligation hereunder on the part of Buyer (in the case of termination by Holdings) or Sellers or Seller Guarantor (in the case of termination by Buyer); or if any condition to such party's obligations hereunder becomes incapable of fulfillment through no fault of such party.

The party desiring to terminate this Agreement shall give notice of such termination to the other party.

SECTION 13.02. Effect of Termination. If this Agreement is terminated as permitted by Section 13.01, termination shall be without liability of either party (or any stockholder, director, officer, employee, agent, consultant or representative of such party) to the other party to this Agreement; provided that if

such termination shall result from the willful (i) failure of either party to fulfill a condition to the performance of the obligations of the other party, (ii) failure to perform a covenant of this Agreement or (iii) breach by either party hereto of any representation or warranty or agreement contained herein, such party shall be fully liable for any and all Damages incurred or suffered by the other party as a result of such failure or breach; and provided further that no party shall be liable for exemplary or punitive damages. The provisions of Sections 14.01, 14.03, 14.05, 14.06 and 14.07 shall survive any termination hereof pursuant to Section 13.01.

ARTICLE 14  
MISCELLANEOUS

SECTION 14.01. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission) and shall be given,

if to Buyer, to:

SBC Communications, Inc.  
175 East Houston  
San Antonio, Texas 78205  
Attention: Senior Executive Vice President  
and General Counsel  
Fax: (210) 351-2298

with a copy to:

Sullivan & Cromwell  
125 Broad Street  
New York, New York 10004  
Attention: Joseph B. Frumkin, Esq.  
Fax: (212) 558-3588

if to Seller or Seller Guarantor, to:

Comcast Corporation  
1500 Market Street  
Philadelphia, PA 19102  
Attention: General Counsel  
Fax: (215) 981-7794

with a copy to:

Davis Polk & Wardwell  
450 Lexington Avenue  
New York, New York 10017  
Attention: Dennis S. Hersch, Esq.  
Fax: (212) 450-4800

All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

SECTION 14.02. Amendments and Waivers. (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 14.03. Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

SECTION 14.04. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto except that Buyer may transfer or assign, in whole or from time to time in part, to one or more of its Affiliates, the right to purchase all or a portion of the Shares, but no such transfer or assignment will relieve Buyer of its obligations hereunder.

SECTION 14.05. Governing Law. This Agreement shall be governed by and construed in accordance with the law of the State of Delaware, without regard to the conflicts of law rules of such state.

SECTION 14.06. Jurisdiction. Except as otherwise expressly provided in this Agreement, any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby may be brought in the United States District Court for the District of Delaware or any other Delaware state court, and each of the parties hereby consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient form. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 14.01 shall be deemed effective service of process on such party.

SECTION 14.07. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 14.08. Counterparts; No Third Party Beneficiaries. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. No provision of this Agreement is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

SECTION 14.09. Table of Contents: Headings. The table of contents and section and other headings contained in this Agreement are for reference purposes only and are not intended to affect, describe, interpret, define or limit the meaning, scope, extent or intent of this Agreement.

SECTION 14.10. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by either party hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SBC COMMUNICATIONS INC.

By:  
Name: James S. Kahan  
Title: Senior Vice President-Corporate  
Development

COMCAST CELLULAR HOLDINGS  
CORPORATION

By:  
Name:  
Title:

COMCAST FINANCIAL CORPORATION

By:  
Name:  
Title:

COMCAST CORPORATION

By:  
Name:  
Title:

Entity Name	Organization Place
1278844 Ontario Ltd.	Ontario, Canada
Affiliate Marks Investments, Inc.	DE
Affiliate Relations Holdings, Inc.	DE
Affiliate Relations, Inc.	DE
Amcell of Atlantic City, Inc.	NJ
Amcell of Ocean County, Inc.	DE
Amcell of Trenton, Inc.	NJ
Amcell of Vineland Holdings, Inc.	DE
American Cellular Network Corp.	NJ
Anglia Cable Communications Limited	UK
Aurora/Elgin Cellular Telephone Company, Inc.	IL
Automated Information Services of Phoenix Limited Partnership	NM
AWACS Financial Corporation	DE
AWACS Garden State, Inc.	DE
AWACS Investment Holdings, Inc.	DE
AWACS Purchasing Corporation	DE
AWACS Retail Stores, Inc.	DE
AWACS, Inc.	PA
Cablevision Investment of Detroit, Inc.	MI
California Ad Sales, Inc.	DE
Cambridge Cable Limited	UK
Cambridge Holding Company Limited	UK
CDirect Mexico I, Inc.	DE
CDirect Mexico II, Inc.	DE
Cell South of New Jersey, Inc.	NJ
Classic Services, Inc.	DE
Clinton Cable TV Investors, Inc.	MI

Entity Name	Organization Place
Coastal Cable TV, Inc.	CT
COM Indiana, Inc.	DE
COM Indianapolis, Inc.	DE
COM Inkster, Inc.	MI
COM Maryland, Inc.	DE
COM MH, Inc.	DE
COM Sacramento, Inc.	CA
COM South, Inc.	CO
COM Sports Holding Company, Inc.	DE
COM Sports Ventures, Inc.	DE
COM Telephony Services, Inc.	DE
Comcast Argentina, Inc.	DE
Comcast Biztravel, Inc.	DE
Comcast Brazil, Inc.	DE
Comcast Business Telephony Services, Inc.	DE
Comcast Cable Communications, Inc.	DE
Comcast Cable Communications, Inc.	PA
Comcast Cable Funding, Inc.	DE
Comcast Cable Investors, Inc.	DE
Comcast Cable of Indiana, Inc.	DE
Comcast Cable of Maryland, Inc.	DE
Comcast Cable Tri-Holdings, Inc.	DE
Comcast Cable Trust I	DE
Comcast Cable Trust II	DE
Comcast Cable Trust III	DE
Comcast Cablevision Corporation of Alabama	AL
Comcast Cablevision Corporation of California	CA
Comcast Cablevision Corporation of Connecticut	CT
Comcast Cablevision Corporation of Florida	FL
Comcast Cablevision Corporation of the Southeast	FL

Entity Name	Organization Place
Comcast Cablevision Investment Corporation	DE
Comcast Cablevision of Arkansas, Inc.	DE
Comcast Cablevision of Birmingham, Inc.	DE
Comcast Cablevision of Boca Raton, Inc.	DE
Comcast Cablevision of Broward County, Inc.	DE
Comcast Cablevision of Bryant, Inc.	AR
Comcast Cablevision of Burlington County, Inc.	DE
Comcast Cablevision of Cambridge, Inc.	DE
Comcast Cablevision of Carolina, Inc.	SC
Comcast Cablevision of Central New Jersey, Inc.	DE
Comcast Cablevision of Chesterfield County, Inc.	VA
Comcast Cablevision of Clinton	MI
Comcast Cablevision of Clinton, Inc.	CT
Comcast Cablevision of Clinton, Inc.	MI
Comcast Cablevision of Danbury, Inc.	DE
Comcast Cablevision of Delmarva, Inc.	DE
Comcast Cablevision of Detroit	MI
Comcast Cablevision of Detroit, Inc.	MI
Comcast Cablevision of Dothan, Inc.	AL
Comcast Cablevision of Flint, Inc.	MI
Comcast Cablevision of Fontana, Inc.	DE
Comcast Cablevision of Fort Wayne Limited Partnership	IN
Comcast Cablevision of Gadsden, Inc.	AL
Comcast Cablevision of Gloucester County, Inc.	DE
Comcast Cablevision of Grosse Pointe, Inc.	MI
Comcast Cablevision of Groton, Inc.	CT
Comcast Cablevision of Hallandale, Inc.	FL
Comcast Cablevision of Harford County, Inc.	MD
Comcast Cablevision of Hopewell Valley, Inc.	NJ
Comcast Cablevision of Howard County, Inc.	MD

Entity Name	Organization Place
Comcast Cablevision of Huntsville, Inc.	AL
Comcast Cablevision of Indianapolis, Inc.	DE
Comcast Cablevision of Indianapolis, L.P.	DE
Comcast Cablevision of Inkster Limited Partnership	MI
Comcast Cablevision of Inland Valley, Inc.	DE
Comcast Cablevision of Jersey City, Inc.	NJ
Comcast Cablevision of Laurel, Inc.	MS
Comcast Cablevision of Lawrence, Inc.	NJ
Comcast Cablevision of Little Rock, Inc.	AR
Comcast Cablevision of Lompoc, Inc.	DE
Comcast Cablevision of London, Inc.	DE
Comcast Cablevision of Lower Merion, Inc.	PA
Comcast Cablevision of Macomb County, Inc.	MI
Comcast Cablevision of Macomb, Inc.	MI
Comcast Cablevision of Marianna, Inc.	DE
Comcast Cablevision of Maryland Limited Partnership	MD
Comcast Cablevision of Maryland LLC	DE
Comcast Cablevision of Mercer County, Inc.	NJ
Comcast Cablevision of Meridian, Inc.	MS
Comcast Cablevision of Middletown, Inc.	DE
Comcast Cablevision of Mobile, Inc.	AL
Comcast Cablevision of Monmouth County, Inc.	DE
Comcast Cablevision of Mt. Clemens	MI
Comcast Cablevision of Mt. Clemens, Inc.	MI
Comcast Cablevision of New Haven, Inc.	CT
Comcast Cablevision of New Jersey, Inc.	NJ
Comcast Cablevision of Newport Beach, Inc.	DE
Comcast Cablevision of North Orange, Inc.	DE
Comcast Cablevision of Northwest New Jersey, Inc.	DE
Comcast Cablevision of Ocean County, Inc.	DE

Entity Name	Organization Place
Comcast Cablevision of Paducah, Inc.	KY
Comcast Cablevision of Panama City, Inc.	DE
Comcast Cablevision of Perry, Inc.	DE
Comcast Cablevision of Philadelphia, Inc.	PA
Comcast Cablevision of Plainfield, Inc.	DE
Comcast Cablevision of Quincy, Inc.	DE
Comcast Cablevision of Sacramento	CA
Comcast Cablevision of Sacramento, Inc.	DE
Comcast Cablevision of San Bernardino, Inc.	DE
Comcast Cablevision of Santa Ana, Inc.	DE
Comcast Cablevision of Santa Maria, Inc.	DE
Comcast Cablevision of Seal Beach, Inc.	DE
Comcast Cablevision of Shelby, Inc.	MI
Comcast Cablevision of Simi Valley, Inc.	DE
Comcast Cablevision of Southeast Michigan, Inc.	DE
Comcast Cablevision of Sterling Heights, Inc.	MI
Comcast Cablevision of Tallahassee, Inc.	DE
Comcast Cablevision of Taylor, Inc.	MI
Comcast Cablevision of the Meadowlands, Inc.	NJ
Comcast Cablevision of the Shoals, Inc.	AL
Comcast Cablevision of the South	CO
Comcast Cablevision of the South, Inc.	CO
Comcast Cablevision of the South, LP	DE
Comcast Cablevision of Tupelo, Inc.	MS
Comcast Cablevision of Tuscaloosa, Inc.	AL
Comcast Cablevision of Utica, Inc.	MI
Comcast Cablevision of Warren	MI
Comcast Cablevision of Warren, Inc.	MI
Comcast Cablevision of West Florida, Inc.	DE
Comcast Cablevision of West Palm Beach, Inc.	DE

Entity Name	Organization Place
Comcast Cablevision of Westmoreland, Inc.	PA
Comcast Cablevision of Willow Grove, Inc.	PA
Comcast Capital Corporation	DE
Comcast Cellular Communications, Inc.	DE
Comcast Cellular Communications, Inc.	PA
Comcast Cellular Corporation	DE
Comcast Cellular Holding Corporation	DE
Comcast Central NJ Holding Company Inc.	DE
Comcast CitySearch, Inc.	DE
Comcast Commercial Online Communications, Inc.	DE
Comcast Communications Properties, Inc.	DE
Comcast Crystalvision, Inc.	DE
Comcast Darlington Limited	UK
Comcast DC Radio, Inc.	DE
Comcast Directory Assistance Partnership	DE
Comcast Directory Services, Inc.	DE
Comcast do Brasil S/C Ltda	Brazil
Comcast Entertainment Holdings LLC	DE
Comcast Financial Agency Corporation	DE
Comcast Financial Corporation	DE
Comcast Florida Programming Investments, Inc.	DE
Comcast Funding, Inc.	DE
Comcast FW, Inc.	DE
Comcast Garden State, Inc.	DE
Comcast Hattiesburg Holding Company, Inc.	DE
Comcast Heritage, Inc.	DE
Comcast Holdings, Inc.	DE
Comcast ICG, Inc.	DE
Comcast Interactive Capital Group, Inc.	DE
Comcast Interactive Investments, Inc.	DE

Entity Name	Organization Place
Comcast International Holdings, Inc.	DE
Comcast International Programming, Inc.	DE
Comcast Internet Access Services, Inc.	DE
Comcast Internet Investments I, Inc.	DE
Comcast Internet Services, Inc.	DE
Comcast Investment Holdings, Inc.	DE
Comcast Java, Inc.	DE
Comcast Learning Ventures, Inc.	DE
Comcast Life Insurance Holding Company	DE
Comcast Long Distance, Inc.	DE
Comcast MH Business Online Communications, Inc.	DE
Comcast MH Holdings, Inc.	DE
Comcast MH Telephony Communications of Florida, Inc.	FL
Comcast MH Telephony Communications of Michigan, Inc.	MI
Comcast MH Telephony Communications of New Jersey, Inc.	NJ
Comcast MHCP Holdings, L.L.C	DE
Comcast Michigan Holdings, Inc.	MI
Comcast Midwest Management, Inc.	DE
Comcast MTV, Inc.	DE
Comcast Netherlands Inc.	DE
Comcast Network Communications, Inc.	DE
Comcast Online Communications, Inc.	DE
Comcast Online Holdings, Inc.	DE
Comcast PC Communications, Inc.	DE
Comcast PC Investments, Inc.	DE
Comcast Philadelphia Interconnect Partner, Inc.	DE
Comcast Primestar Holdings	DE
Comcast Programming Holdings, Inc.	DE
Comcast Programming Ventures, Inc.	DE
Comcast QVC, Inc.	DE

Entity Name	Organization Place
Comcast Real Estate Holdings of Alabama, Inc.	AL
Comcast Real Estate Holdings, Inc.	DE
Comcast SCH Holdings, Inc.	CO
Comcast Sound Communications, Inc.	CO
Comcast Sound Communications, Inc.	IL
Comcast Sound Corporation	DE
Comcast Spectacor, L.P.	PA
Comcast Sports Holding Company, Inc.	DE
Comcast Storer Finance Sub, Inc.	DE
Comcast Storer, Inc.	DE
Comcast Technology, Inc.	DE
Comcast Teesside Limited	UK
Comcast Telecommunications, Inc.	PA
Comcast Telephony Communications Holdings, Inc.	DE
Comcast Telephony Communications of California, Inc.	CA
Comcast Telephony Communications of Connecticut, Inc.	CT
Comcast Telephony Communications of Delaware, Inc.	DE
Comcast Telephony Communications of Florida, Inc.	FL
Comcast Telephony Communications of Georgia, Inc.	GA
Comcast Telephony Communications of Indiana, Inc.	IN
Comcast Telephony Communications of Maryland, Inc.	MD
Comcast Telephony Communications of Michigan, Inc.	MI
Comcast Telephony Communications of New Jersey, Inc.	NJ
Comcast Telephony Communications of Pennsylvania, Inc.	PA
Comcast Telephony Communications of South Carolina, Inc.	SC
Comcast Telephony Communications, Inc.	DE
Comcast Telephony Services	DE
Comcast Telephony Services Holdings, Inc.	DE
Comcast Telephony Services, Inc.	DE
Comcast Teleport, Inc.	DE

Entity Name	Organization Place
Comcast TM, Inc.	DE
Comcast U.K. Consulting, Inc.	BVI
Comcast U.K. Holdings, Inc.	DE
Comcast UK Holdings Limited	Bermuda
Comcast UK Programming Limited	Bermuda
Comcast WCS Communications, Inc.	DE
ComCon Entertainment Holdings, Inc.	DE
CVN Companies, Inc.	MN
CVN Distribution Co., Inc.	MN
Diamonique Corporation	NJ
Diamonique Corporation	PA
E! Entertainment Television International Holdings Inc.	DE
E! Entertainment Television, Inc.	DE
E! Online, Inc.	DE
E! Online, LLC	CA
East Coast Cable Limited	UK
ER Marks, Inc.	DE
Exclamation Music, Inc.	DE
EZShop International, Inc.	DE
First Television Corporation	DE
Florida Telecommunications Services, Inc.	FL
Hebcom Enterprises, Inc.	DE
Hebenstreit Communications Corporation	NM
Hebenstreit Communications Dallas Limited Partnership	NM
Hebenstreit Communications of Philadelphia-Wilmington Limited Partnership	NM
Innovative Retailing, Inc.	DE
Joliet Cellular Telephone Company, Inc.	IL
Long Branch Cellular Telephone Company	DE
M H Lightnet Inc.	DE

Entity Name	Organization Place
Mobile Enterprises, Inc.	DE
Mt. Clemens Cable TV Investors, Inc.	MI
MTCB S.A	Brazil
New Brunswick Cellular Telephone Company	DE
New England Microwave, Inc.	CT
Ocean County Cellular Telephone Company	WA
Pattison Development, Inc.	PA
Pattison Realty, Inc.	PA
Philadelphia 76ers, Inc.	DE
Philadelphia 76ers, L.P.	DE
Philadelphia Cable Investment Corporation	DE
Philadelphia Flyers Enterprises Company	Nova Scotia
Philadelphia Phantoms, Inc.	PA
Philadelphia Phantoms, L.P.	PA
Philadelphia Sports Media Joint Venture	PA
Philadelphia Sports Media, Inc.	PA
Philadelphia Sports Media, L.P.	PA
Q Fit, Inc.	DE
Q The Music, Inc.	DE
Q2 Inc.	NY
QDirect Ventures, Inc.	DE
QExhibits, Inc.	DE
QHealth, Inc.	DE
QVC	UK
QVC Britain	UK
QVC Britain I, Inc.	DE
QVC Britain II, Inc.	DE
QVC Britain III, Inc.	DE
QVC Canada Holdings II Ltd.	Ontario
QVC Canada Holdings Ltd.	Ontario

Entity Name	Organization Place
QVC Chesapeake, Inc.	VA
QVC de Mexico de C.V	Mexico
QVC Delaware, Inc.	DE
QVC Deutschland GMBH	Germany
QVC EV-SERVICE GmbH	Germany
QVC Germany I, Inc.	DE
QVC Germany II, Inc.	DE
QVC Holdings, Inc.	DE
QVC International, Inc.	DE
QVC Local, Inc.	DE
QVC Mexico II, Inc.	DE
QVC Mexico III, Inc.	DE
QVC Mexico, Inc.	DE
QVC Middle East, Inc.	DE
QVC NS Holding Company	Nova Scotia
QVC ProductWorks, Inc.	DE
QVC Realty, Inc.	PA
QVC San Antonio, Inc.	TX
QVC Virginia, Inc.	VA
QVC, Inc.	DE
River City Cablevision, Inc.	CA
SCI 11, Inc.	DE
SCI 34, Inc.	DE
SCI 36, Inc.	DE
SCI 37, Inc.	DE
SCI 38, Inc.	DE
SCI 48, Inc.	DE
SCI 55, Inc.	DE
Selkirk Communications (Delaware) Corporation	DE
Shop.eonline.com, LLC	CA

Entity Name	Organization Place
Southern East Anglia Cable Limited	UK
Spectacor Adjoining Real Estate New Arena, L.P.	PA
Spectrum Arena Limited Partnership	PA
Storer Communications, Inc.	DE
Vineland Cellular Telephone Company, Inc.	DE
Westmoreland Financial Corporation	DE
Wilmington Cellular Telephone Company	DE
Wilmington Cellular Telephone Company LLC	DE

INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULES

To the Board of Directors and Stockholders  
Comcast Corporation  
Philadelphia, Pennsylvania

We consent to the incorporation by reference in the following Registration Statements of Comcast Corporation and its subsidiaries (the "Company") on Form S-3 and S-8 of our report dated February 22, 1999, appearing in the Annual Report on Form 10-K of Comcast Corporation and its subsidiaries for the year ended December 31, 1998.

Registration Statements on Form S-8:

Title of Securities Registered	Registration Statement Number
The Comcast Corporation Retirement Investment Plan	33-41440
The Comcast Corporation Retirement Investment Plan	33-63223
Storer Communications Retirement Savings Plan	33-54365
Stock Option Plans	33-56903
The 1996 Comcast Corporation Stock Option Plan	333-08577
The 1996 Comcast Corporation Deferred Compensation Plan	333-18715
Comcast-Spectacor 401(k) Plan	333-69709

Registration Statements on Form S-3:

Title of Security Registered	
Senior Debentures; Senior Subordinated Debentures; Subordinated Debentures; Preferred Stock, without par value; Depository Shares representing Preferred Stock; Class A Common Stock, \$1.00 par value; Class A Special Common Stock, \$1.00 par value and Warrants	33-50785

Our audits of the financial statements referred to in our aforementioned report also included the financial statement schedules of the Company, listed in Item 14(b)(i). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP  
February 22, 1999  
Philadelphia, Pennsylvania

Consent of Independent Auditors

The Board of Directors  
QVC, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 33-41440, 33-63223, 33-54365, 33-56903, 333-08577, 333-18715 and 333-69709) on Form S-8 and (No. 33-50785) on Form S-3 of Comcast Corporation of our report dated February 3, 1999, with respect to the consolidated balance sheets of QVC, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998 (such consolidated financial statements are not separately presented herein), which report is included as an exhibit to the Form 10-K of Comcast Corporation for the year ended December 31, 1998.

/s/ KPMG LLP

Philadelphia, Pennsylvania  
February 25, 1999

This schedule contains summary financial information extracted from the consolidated statement of operations and consolidated balance sheet and is qualified in its entirety by reference to such financial statements.

0000022301  
COMCAST CORPORATION  
1,000,000

YEAR	DEC-31-1998	DEC-31-1998
		871
	18	
	670	
	121	
	344	
	3,843	
		3,887
	(1,362)	
	14,817	
3,093		
		5,464
541		
	32	
	370	
	2,873	
14,817		
		5,145
	5,145	
		1,462
	4,588	
	(1,467)	
	0	
	467	
	963	
	594	
1,008		
	(31)	
	(4)	
		0
	972	
	2.57	
	2.41	

Current assets includes investments available for sale of \$3,635.  
Loss before income tax expense and other items excludes the effect of  
minority interests, net of tax, of \$44.3.

Independent Auditors' Report

The Board of Directors and Shareholders  
QVC, Inc.:

We have audited the accompanying consolidated balance sheets of QVC, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of QVC, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Philadelphia, Pennsylvania  
February 3, 1999