



MT. HOOD CABLE REGULATORY COMMISSION

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Serving Multnomah County and the Cities of Fairview, Gresham, Portland, Troutdale and Wood Village

April 2, 2002

Ms. Deborah Luppold
Vice President, Franchising and Local Government Affairs
AT&T Broadband
22025 30th Drive SE
Bothell, WA 98021

and

3075 NE Sandy Blvd
Portland, OR 97232

Dear Debbie:

You have filed FCC Form 394 in connection with the merger of AT&T Broadband with Comcast Corporation into AT&T Comcast Corporation. The filing proposes a transfer of control to this new entity of the cable franchises administered by the Mt. Hood Cable Regulatory Commission (MHCRC) on behalf of its six member Jurisdictions (“Jurisdictions”). The accompanying cover letter formally requests “any consent that may be required by franchise or applicable law.”

The Forms 394 filings for MHCRC Jurisdictions were received on the following dates: City of Portland (March 4, 2002), Cities of Fairview, Gresham, Troutdale and Wood Village (March 5, 2002), and Multnomah County (March 7, 2002).

As filed, the Forms 394 appear identical, except for different first pages (one apiece for each MHCRC Jurisdiction). Unless notified to the contrary, we will assume that the AT&T Comcast Forms 394 as filed here are essentially identical.

This response addresses the completeness and accuracy of the filing in terms of applicable franchise and legal provisions. This response also includes an initial summary of issues of concern, and requests additional information necessary to enable the MHCRC to carry out its responsibilities in this matter. The issues raised and information requested are derived from or related to your filing and the particular requirements of the MHCRC-administered cable franchise agreements. Among other things, we are seeking additional, more specific information regarding the contemplated placement of the MHCRC franchises within the new corporate organization, and the continuing existence and viability of the franchisees’ associated intermediate parents and guarantors. This response also sets forth requests for certain additional information related to the legal, technical, and financial qualifications of AT&T Comcast Corporation (“AT&T Comcast” or “Transferee”). In raising issues and requesting information related to your filing, and on behalf of the Jurisdictions, we do not waive and specifically reserve all rights and authority under the franchise agreements and applicable law to request further information and identify additional issues during the course of this proceeding.

The transfer of control proposed and described in your filing, for which the consent of the Jurisdictions is requested, is a significant transaction, whether considered locally or

nationally. The transaction you describe has fundamental ramifications and substantial potential impact on franchise commitments and cable-related matters affecting MHCRC Jurisdictions.

At a national level, AT&T and Comcast---already among the largest cable operators in the U.S in terms of subscribership and market share---are now combining to form an even larger entity. At closing, AT&T Comcast will become the largest cable operator in the United States. With its formidable size and scale, and with an operating presence in 41 states, AT&T Comcast will control an unprecedented 40% of overall national cable television subscribership. AT&T Comcast will also concurrently control or influence numerous subsidiaries and affiliates which collectively provide not only entertainment services, but also a growing menu of communications services (such as high speed Internet access and competitive telephony).

From prior experience, the MHCRC is aware of the significance and inevitable impact of a change of ownership at a company's highest level. The MHCRC has long recorded and been attuned to the ultimate parent company's decisive role in allocating resources, directing and overseeing divisional and local management, and controlling significant legal, policy and/or operating decisions for the local franchisee. The parent company's good faith, active oversight, and responsible allocation of resources is an essential element in enabling the local franchisee to deliver on its commitments. The support and cooperation of the ultimate corporate parent can ensure that negotiated public benefits, such as PEG support, institutional networks, and system upgrades, achieve their intended goals in the local community and are delivered by the local franchisee successfully, on time, and as planned. In the opposite case, a parent company's opposition, indifference, or lack of support can lead to costly, contentious, and time-consuming enforcement proceedings or protracted disputes. The current MHCRC-administered franchise agreements have been renewed for substantial terms of years relatively recently. Thus, the new parent company's impact in directing the management and allocating the resources available to the local system will be substantial and continuing for many years to come.

With this context, we can now address the particulars of the Forms 394 filing.

A. Completeness and accuracy issues of Forms 394 per 47 CFR 76.502

Based on our analysis, the identical Forms 394 are incomplete as filed, with respect both to the requirements of the applicable MHCRC franchise agreements, and the level of information required by Form 394 itself. For purposes of 47 CFR 76.502(a), the MHCRC does not agree that "a completed FCC Form 394, together with all exhibits, and any additional information required by the terms of the franchise agreement" has yet been filed or received with respect to any Jurisdiction or MHCRC franchise agreement. As a result, the MHCRC does not agree that the 120 days contemplated for action by the Jurisdictions on receipt of "completed" Forms 394 have begun to run.

1. Documentation of current, interim, and proposed final corporate structure

Among other things, the Forms 394 as filed are not complete in terms of necessary detail regarding the location and relative position of the MHCRC franchisees in either the current, the interim transitional, or the final proposed structure of AT&T Broadband and the eventual AT&T Comcast. Appended to the Cover Letter accompanying your initial Forms 394 filing was a chart entitled “Current Structure”, followed by additional charts broadly describing the multiple, sequential corporate transactions (“Step #1”, “Step #2”, “Step #3”) intended to effect the “Final Structure”.

In these charts, neither the MHCRC franchisees, nor any of their intermediate corporate parents and/or guarantors, are anywhere located or identified. As a result, based on the level of information provided, we cannot determine whether or in what form the applicable intermediate MHCRC franchise-holding entities and MHCRC franchise guarantors will exist within the proposed Final Structure for AT&T Comcast. This lack of detail also impedes our ability to draw a conclusion regarding the precise MHCRC franchise provisions triggered by AT&T Comcast’s proposed assumption of control. See, e.g. *AT&T East Multnomah County franchise*, §17.2 (hereafter: “East Multnomah”); *AT&T West Multnomah County franchise* §14.2 (hereafter: “West Multnomah”); *AT&T West Portland franchise* §15.2 (hereafter: “West Portland”); and *AT&T East Portland franchise* §17.2 (hereafter: “East Portland”).

2. Form 394, page 1, item 7 (Exhibit 1) is incorrect and incomplete.

As filed, the response set forth in Exhibit 1 of Form 394, page 1, item 7, consists of the following sentence: “*All specific information, if any, required by the Franchise is contained in this FCC Form 394 and the Exhibits hereto or is attached to this Exhibit 1 or has previously been provided by franchisee to the franchising authority.*”

As detailed below, the quoted sentence in Exhibit 1 is incorrect and your filing is thus incomplete in this respect. Specifically, the East Multnomah Franchise §17.1(B)(2) and East Portland Franchise §15.1 (B)(2) contain identical provisions concerning transfers and changes of control. In determining whether any MHCRC Jurisdiction should consent to a transfer, inquiry may be made into the “*technical, legal, and financial qualifications of the prospective transferee*” and a timely response required. Requests for information can also be made on any relevant subject, including, for example, information requests addressed to “*the prospective transferee's ownership structure, experience, management qualifications, legal qualifications, character qualifications, financial capability and Cable System financing plan, financial pro formas, operating history, technical capabilities, and technical plans.*” The West Portland franchise §15.1(B)(2) and the West Multnomah franchise §14.1(B)(2) contain similar but less detailed provisions. The Hayden Island franchise has expired, and its transfer provisions are thus no longer relevant to this issue.

B. Financial & Related Matters

1. Please provide a copy of the final Joint Proxy Statement to be sent to AT&T and Comcast shareholders. If this will not be available by April 15, 2002, please indicate when it will be provided.
2. Please provide copies of the SEC Form 10-K for both AT&T and Comcast, as of December 31, 2001.
3. Please provide a) a pro forma combined balance sheet and statement of operations for AT&T Comcast as of December 31, 2001, comparable to those provided for earlier periods in Exhibit 9 of the FCC Form 394 filing, and b) pro forma projected financial statements as of the years ending December 31, 2002, 2003, and 2004, including balance sheets, income statements, and statements of cash flows, with footnotes or descriptions of underlying assumptions as may be necessary to understand the financial statements, for AT&T Comcast.

NOTE: For questions 4 and 5 below, we request a response relevant to the context of the overall transaction. Specifically, trade reports and investor presentations by the companies indicate that AT&T Comcast will inherit at least \$23 billion in debt (as of September 2001) from AT&T and \$12 billion in debt from Comcast. To help service this debt, AT&T Comcast expects to nearly double the future operating margin (EBITDA/Revenue) for AT&T subscribers (from 22% to nearly 40%), reduce capital expenditures (4% to 10% reduction), and reduce operating expenses (4% to 6.5% reduction). In questions 4 and 5, a portion of the response should address the manner in which these merger synergies will be achieved in operations within MHCRC franchise areas. Among other things, please address the manner in which this will affect rates and prices for cable services, the effect on overall workforce and operations, and the particular areas where planned reductions in capital spending (e.g. infrastructure and upgrades) will be achieved.

4. Please describe the changes to AT&T Broadband operations, services, capital improvement plans, or organization in the Portland area that are contemplated to occur as a result of the proposed merger and change of control. Your response should particularly address any changes related to the matters set forth in the note (above), together with whatever additional context you wish to provide.
5. Please describe the changes to AT&T Broadband rates, rate structure, or rate filings (timing or methodologies) that are contemplated to occur as a result of the proposed merger and change of control. Your response should particularly address any changes related to the matters set forth in the note (above), together with whatever additional context you wish to provide.

C. Legal/Structural & Related Questions

1. Your filing requires review of not one, but multiple corporate transactions. You have outlined the sequential aspects of the merger in four organization charts contained in the Forms 394 as filed. Since the filing is premised on multiple

corporate transactions in sequential stages, we will recommend that the Jurisdictions require contemporaneous confirmation in writing as each stage is completed, in form satisfactory to the Jurisdictions, so that our records contain accurate and updated information reflecting the current corporate structure of which our local franchises are a part.

2. Please provide a complete ownership/legal organization chart indicating all the direct and indirect parent entities of each of our franchisee entities (TCI Cablevision of Oregon, Inc., AT&T Broadband of Ohio, LLC, and TCI of Southern Washington, Inc.) as will exist subsequent to the merger. To provide the necessary level of detail, your revised and resubmitted corporate organization chart or acceptable substitute must display clearly, at each stage of the sequential corporate transactions, the precise location and status of the MHCRC franchisees, their respective corporate guarantors, and the entity or entities (including any interim or intermediate entities) legally responsible for the franchisees and/or guarantors at each sequential stage. The information provided must be sufficient, among other things, to enable us to draw an informed conclusion regarding the MHCRC franchise provisions implicated by the corporate restructuring and ultimate assumption of control by AT&T Comcast.

3. Published information indicates that litigation has been filed, and other potential challenges raised in relation to certain allegedly atypical aspects of the proposed initial corporate governance of the post-merger AT&T Comcast entity, including, e.g (a) Creation of a special class of stock providing more control to certain shareholder/s than is commensurate with their actual ownership; (b) limitations on replacing the board of directors until 2005; (c) constraints on independent shareholder action such as special meetings or acting by written consent; (d) Super-majority requirement in connection with removal of Chairman/CEO, and (e) change of corporate nexus to Pennsylvania. To the extent these or any other challenges to AT&T Comcast's corporate governance succeed or remain unresolved at the planned closing of the merger, please comment on the possible degree of risk to the transaction. Specifically, please comment on whether these or similar challenges could cause the planned merger to be delayed, restructured, or abandoned. Please also comment on whether the risk is greater at certain 'stages' of the transaction, as described in your filing and response. We ask to be fully informed, and request prompt notification if any of these challenges result in changes that may affect the organization, structure, or timing of the transaction, particularly as it may affect the assets of, or chain of command governing our local franchisees and guarantors.

4. Your Forms 394 filing in Exhibit 4 indicates that "to the extent required by applicable law, Franchisee is duly qualified to transact business in [Oregon]." However, an inquiry with the Oregon Secretary of State, Corporations Division, does not show that AT&T Comcast Corporation has presently filed for authority to transact business in Oregon. Please either provide documentation of such filing or discuss the actual or contemplated timing of AT&T Comcast Corporation seeking and obtaining the necessary authority.

5. Are there any management agreements existing or proposed between and among AT&T Comcast and any intermediate entity related to the management of the cable system operating under authority of the various MHCRC Jurisdiction franchises? If so, please provide a copy of such agreement or a full description of the substantive provisions of any proposed agreement(s).

D. Technical & Related Questions

In determining the technical qualifications and capabilities of the proposed Transferee AT&T Comcast, certain existing situations implicate the technical requirements of the local franchise, the equipment and capabilities of the franchisee, and the oversight of the intermediate and ultimate corporate parents.

1. Portland Cable Access has provided a report, based on testing conducted earlier this year, which evaluated the technical quality of AT&T's transmission of signals for access channels from all designated origination points as is required under the franchises, including from all access channel origination points, remote live origination sites and other access centers. MHCRC staff provided AT&T representatives a copy of the report during a March 8, 2002 meeting. Among other things, the report found that the PEG channels have noticeably poor signal quality at subscriber terminals; that access signals delivered to PCA show significant problems; and that four of five access channels failed to meet minimum FCC standards. The report concluded that most of the corrections necessary to address the technical quality of signal transmission for access channels were required actions of AT&T. Please indicate when and how AT&T Broadband intends to respond to, address and/or correct the findings detailed in the PCA report.
2. The local cable franchises require channels and signal quality to be maintained generally within certain standards set by the FCC. However, published reports indicate plans of AT&T Comcast to proceed with a rollout of residential telephony in most markets. This will provide an additional non-cable-television capability to the system, and new service option for subscribers. However, we request information necessary to enable us to understand and confirm that the residential cable services required under the franchise will not be impaired or affected by the introduction of telephony. Therefore, please describe specifically the technical changes and equipment necessary to accommodate the introduction of competitive residential telephony in the headend(s) serving the franchise areas under MHCRC jurisdiction. What equipment will be needed at the various technical levels of the system, including but not limited to headend, trunks, hubs, feeder cable, and ultimately at the subscriber household? Will additional pedestals, equipment closets, vaults or any other appurtenances be required, and if so, where will they be located? At what density must any necessary equipment be spaced (i.e. how is the equipment allocated in relation to the number of households accommodated)? Finally, we note from published reports that AT&T Comcast plans a systemwide deployment of telephony. As a matter of information, what schedule is planned for deployment and activation in

MHCRC areas. Is any portion of the MHCRC area serviceable for telephony at the present time?

E. Pending or open local franchise and service issues

The Cable Communications Policy Act of 1992 contemplates that deficiencies in cable service, including non-compliance, should be addressed at the time of a franchise transfer. There are particular references in the Form 394 itself, as structured by the FCC, which refer to the importance of resolving any outstanding compliance issues in connection with carrying out any franchise transfer or change of control process. For example, the language contained in Section V, Part II of Form 394 requires certification by the Transferee that the Transferee will “*use its best efforts to comply with the terms of the franchise*”, and will “*effect changes as promptly as practicable in the operation of the system, if any changes are necessary to cure any violations thereof or defaults thereunder presently in effect or ongoing.*” Bearing this in mind, and to ensure a stable and mutually satisfactory present and future relationship for the Transferee, the franchisees, and the Jurisdictions, it is in the interest of all parties to identify any areas where material franchise-related issues are implicated. Staff’s approach is to discuss with the applicant the potential merit of including provisions or conditions in any recommended transfer ordinance which can constructively address, settle, or resolve any such issues. In some instances, we are also open to separate resolution of any outstanding issues outside the change of control process, so long as expectations as to timing and process are clearly understood and mutually agreed. Our list of pending or open local franchise or service issues is set out below. We specifically reserve, and do not waive, all rights and authority under the franchise agreements and applicable law to identify additional or related issues which arise during the course of this proceeding, whether arising in connection with your written reply, or in any other relevant context. Please note that the issues set out below are not set forth in any order of priority or magnitude.

1. Customer service issues. Based on AT&T's quarterly telephone answering statistical reports and annual reports, AT&T met the required standard of answering calls within 30 seconds 90 percent of the time in MHCRC franchise areas only two quarters out of twelve during the calendar years 1999-2001, inclusive. The MHCRC has assessed, and AT&T Broadband has remitted \$300,000 in fines thus far for failing to meet these standards. However, staff believes, based on the initial reports staff received, AT&T Broadband has apparently met the standard for the first quarter of 2002. What plans or assurances can you provide that the franchisees will continue to meet the applicable telephone answering standard? Will there be further consolidation of call service areas to the current Beaverton AT&T call center? Will there be any increases or reductions in workforce responding to customer service calls and complaints arising from the MHCRC franchise areas? What proportion of calls do you anticipate continuing to ‘contract out’? Do you expect this proportion to increase or decline in the next three years?

2. Hayden Island franchise expiration. The separate franchise for the Hayden Island area expired last October. Hayden Island subscribers and residents have been surveyed as to their preferences regarding future cable services. Among other issues, the full lineup of PEG access channels available elsewhere in the City of Portland need to be made available on Hayden Island at the earliest feasible time. Staff does not recommend renewing the expired franchise, or issuing a new franchise for the area, but instead extending the existing East Portland franchise to the area under mutually agreeable terms and conditions. Staff also recommends that this issue be addressed in the context of the current proceeding. Please comment on staff's approach to this issue, and indicate the terms and conditions, and indicate the planned timeline, technical requirements, and any other terms and conditions the company believes would be necessary to conclude this matter.

3. I-net issues; proposed interface with IRNE. Staff believes all parties would benefit from prompt conclusion of the many issues currently under discussion related to construction, accounting, interconnect, operations, services and management of the Institutional Network required under the applicable local franchise agreements. Staff also notes that conclusion and mutual agreement regarding interface of the Institutional Network with the City of Portland's IRNE system is presently an urgent priority for many Jurisdictions and stakeholders. Please address comments to the likelihood of concluding these matters within the context of, or concurrent with, the current change of control process.

4. Activation of PEG Access Channel 29 in West Portland. Staff notes that PEG Access Channel 29 was not activated in the West Portland channel lineup in accordance with the franchise. However, AT&T verbally notified MHCRC staff that the Access Channel 29 is now available to westside subscribers. Please provide written assurance that PEG Channel 29 has been activated and that the company has provided the technical capability on the Cable System for PCA to program that Access Channel.

5. Live origination capabilities for access providers. Under the franchises, AT&T is required to provide the transmission capabilities for the access providers to originate discrete, live programming from any location on the Institutional Network, including any High Capacity site, and other designated live origination points. Currently, live origination points designated prior to the system upgrade use analog transmission technology and upgraded High Capacity I-Net sites are being required to use a digital transmission technology. However, AT&T has not yet provided a plan or protocols for access providers to use the required transmission capabilities or documentation that the capabilities are functional from all High Capacity sites and designated live origination points. In addition, Portland Cable Access's report (dated March 4, 2001) identified significant problems with signals delivered to PCA from live origination sites that are functioning. MHCRC staff and AT&T representatives most recently met Feb. 19, 2002 to discuss live origination capabilities and related issues. AT&T has not provided follow up information or scheduled another meeting as agreed during the Feb. 19 meeting. Please indicate the steps the company is taking to address these issues, and when a technical design and operating protocols will be shared with MHCRC staff and the access providers in order to enable the providers to transmit programming from I-Net and other sites.

6. Acquisition of certain new headend equipment required by prior MHCRC Orders. MHCRC Orders 2001-02 and 2001-03 (accepted by AT&T on March 1, 2002, and April 25, 2001, respectively) required AT&T to install, Activate and test new Headend equipment dedicated to the I-Net by May 14, 2001. The Orders contained certain obligations related to, among other things, the installation and Activation of an MPEG2 Decoder in the cable system headend to order to enable High Capacity I-Net sites to originate MPEG2 video for public, education and government access programming and for I-Net video services. Staff has been informed that the necessary equipment was not purchased and installed at this writing in accordance with the MHCRC Orders cited. AT&T was notified of this issue during a meeting on March 8, 2002 with MHCRC staff. Penalties provided under the Orders include an initial penalty plus penalties imposed on a calendar day basis until the requirements are complete. MHCRC staff estimates there is a substantial current and unresolved liability presently incurred and continuing to accrue to the franchisee. Please indicate what steps the company is taking, and when, to address and resolve this matter, and to satisfy any financial liability that may have been incurred.

7. Reimbursement of MHCRC-Jurisdiction transfer-related costs and expenses. Reimbursement of MHCRC-Jurisdiction direct expenses related to any transfer or change of control process is required under both the East Portland and East Multnomah franchises. Staff has made preliminary estimates of direct expenses incurred or to be incurred in connection with the current process, including expenses related to legal, financial, and technical counsel and other direct expenses. We will provide such estimates to you under separate cover.

8. Resolution of issues still pending from past transfer processes. Staff recommends that issues still pending or unresolved from past transfer processes be settled and resolved in conjunction with, or concurrently with, this proceeding. These issues include completion of payment of transfer expenses from 1998 (TCI-AT&T), 1999 (TCI-Paragon), and 2001 (AT&T of Ohio) transfers. We will provide an accounting under separate cover. Once these matters are settled, staff also recommends formal acknowledgement and acceptance by the City of Portland and Multnomah County of the 1998 transfer of the TCI (West Portland and West Multnomah) franchises to AT&T. Please indicate if there are any other matters outstanding from prior transfer proceedings which you would recommend be addressed in this context.

9. Certification regarding completion of upgrade construction (west side). The West Portland franchise contemplates that, upon satisfactory and timely completion of upgrade construction in West Portland, such completion be certified by the MHCRC, acting for the Jurisdictions. One consequence of such certification would be an extension of the term of the West Portland franchise. Staff believes it may be feasible to address and resolve this matter in the context of the current proceeding. Please comment as to your views on concluding this matter in this context.

10. Certification of completion of I-net construction east and west franchise areas. If the matters addressed in item 3 (above) are satisfactorily resolved, staff believes it may be

feasible to address and resolve this matter in the context of the current proceeding. Please comment as to your views on concluding this matter in this context.

11. Payment of franchise fees per KFA report of March 15, 2002. Staff recommends full payment of franchise fees owing for periods prior to completion of the proposed transfer, consistent with the franchise fee review report of March 15, 2002 submitted by KFA Services, be accomplished prior to final Jurisdiction action on the proposed change of control. In the absence of such payment, staff recommends that such full payment be included as a condition of any ordinance consenting to the change of control. Please indicate your planned timeline for satisfying the payment contemplated by the cited KFA report.

12. Privacy concerns. We are concerned regarding published reports that Comcast has monitored, or had in place equipment which could monitor, subscriber use habits in connection with web surfing or other in home viewing or use choices. We are concerned that the repetition of any such situation here could potentially violate the applicable privacy provisions of our franchise agreements. See e.g. East Portland franchise §22.2 and §22.3. Media reports have quoted AT&T representatives as saying that the company adheres to federal privacy guidelines, and that company information explains that. What federal guidelines is AT&T referring to? Please identify the company's future plans for addressing this concern. Are there any plans for a uniform policy for the Transferee?

13. Access to Cable Modem platform. Published reports have described agreements already reached by AT&T Broadband with alternate Internet Service Providers which could provide an element of choice in connection with the franchisee's broadband cable modem platform. In an earlier filing with the FCC, disclosed in the press last week (NY Times/Reuters), the issue was reported as follows:

Comcast Corp. and AT&T Broadband (T.N), cable operators seeking federal approval to combine, have committed to offer consumers a choice of high-speed Internet service providers (ISPs) via cable lines, documents revealed on Friday. The two companies will negotiate commercial agreements with unaffiliated ISPs to give consumers that choice, according to documents filed with the Federal Communications Commission, which is reviewing whether to approve Comcast's bid to acquire AT&T Broadband. "AT&T Comcast is fully committed to negotiating mutually beneficial service agreements with Internet service providers so that its cable customers will have a choice of ISPs," the companies said. "Each applicant is actively (and independently) negotiating to reach commercial agreements with unaffiliated ISPs," they said. AT&T Broadband recently inked such a deal with EarthLink Inc. which also offers service on Time Warner systems in certain markets. The documents were made public on Friday as the agency seeks comment on whether the deal is in the public interest. –from NY Times/Reuters, March 29, 2002

Based on this report, as a point of information, please indicate the Transferee's plans and anticipated timing for carrying out in MHCRC-administered franchise areas AT&T Comcast's stated commitment to "negotiating mutually beneficial service agreements with Internet service providers so that its cable customers will have a choice of ISPs".

14. AT&T Broadband "arbitration clause." We are concerned regarding reports that the current franchisee, AT&T Broadband, has recently imposed, or sought to impose, certain dispute resolution provisions, including a requirements that all continuing subscribers accept limitations on their rights to seek any form of dispute resolution

other than individual binding arbitration. We are concerned that the imposition of such a requirement may violate subscribers rights to seek redress from the franchising authority for any service disputes, and we are also concerned that such a requirement may also violate state consumer protection requirements. Please inform us as to whether the subject provision has been implemented in MHCRC-administered franchise areas, and if so, when and with what form of notice to subscribers. Please address Transferee's position regarding the implementation or continuation of this policy going forward.

15. Other issues related to customer service and consumer protection. In addition to addressing the arbitration clause issue (item #13 herein) staff has recommended that the Jurisdictions exercise their authority to legislate certain customer service standards and consumer protection provisions which exceed FCC standards, in accordance with authority reserved to local franchising authorities in the 1992 Cable Act (full title of Act omitted). The issues to be addressed in such standards include:

- A specific prohibition against imposition of any subscriber service contract in MHCRC-administered franchise areas containing provisions which violate or materially vary from applicable franchise provisions;
- A requirement that a complete copy of all subscriber contracts utilized in the MHCRC-administered franchise areas be provided to the MHCRC upon request;
- A prohibition against exclusivity in contracts entered into by the franchisee with multiple unit dwellings; this helps to encourage the development of competitive alternatives in the franchise areas, such as by potential overbuilders, by removing possible impediments to competition.

Staff has suggested that these provisions could also appropriately be included in any ordinance or resolution consenting to the change in control of the MHCRC-administered franchises to Transferee. Please comment on the latter suggestion, and on the substance of the provisions recommended by staff.

16. Customer service issues pertaining to cable modem (high speed Internet access) services. The MHCRC office continues to receive, and respond to complaints and questions from cable subscribers regarding cable modem services. We have appreciated the active cooperation of the franchisees in responding to subscriber complaints in this area, even when classification, regulatory, and jurisdictional issues are unsettled (e.g. the FCC's classification of cable modem services as "information services", and the legal challenges already filed against that FCC action). The franchisee's cooperation was particularly notable in connection with the changeover from @Home service to ATTBI in December, 2001. This transition went relatively smoothly in MHCRC franchise areas, and local management and staff are to be commended for their hard work, diligence, and cooperation with MHCRC staff in handling the transition. We are concerned, however, that the unsettled nature of the classification question could lead the local franchisee to refuse to cooperate or respond in connection with subscriber complaints received by the MHCRC office. In that event, subscribers essentially might have nowhere to turn for assistance with service problems and disputes. The MHCRC office has already received questions, complaints, and expressions of concern in several areas, such as e.g. limits on download speeds, blocking of news groups, and limitations or prohibitions on subscribers establishing

virtual private networks or conducting home based business. Please comment on whether the franchisee is committed to continuing to cooperate with MHCRC staff in addressing and attempting to resolve such matters on an operational basis, wherever possible, despite the obviously unsettled nature of the classification issue.

F. Potential conditions of consent to change of control to AT&T Comcast

Pursuant to applicable federal law and the terms of the relevant franchise agreements, information provided in response to this letter will be utilized by the MHCRC in formulating recommendations regarding the proposed merger to MHCRC Jurisdictions. As set forth in the Intergovernmental Agreement ("IGA") establishing the Commission (Section 4.B.2.): "(a)ny decision concerning a change of ownership or control of a cable communications system or a Grantee" is an area where the Jurisdictions have reserved full authority to act on their own behalf. However, each Jurisdiction has agreed "to take no action in these areas until the Commission has had a prior opportunity to consider the matter." (IGA §4.B.) Thus, the Commission will act in an advisory capacity to the Jurisdictions in connection with the proposed transfer.

In prior transfers, the following conditions, among others, have been consistently recommended by the MHCRC, and included by the Jurisdictions in the final form of consent or approval. It is likely that any such final action by the Jurisdictions in the current proceeding, if favorable, would also include these conditions or substantially similar versions:

1. Compliance with franchise. In all respects and without exception, Transferee shall cause the Franchisees to comply, and the Franchisees shall comply, with the requirements of their franchises, respectively, including all applicable ordinances, orders, contracts, agreements, commitments, side letters, and regulatory actions taken pursuant thereto, including but not limited to system upgrade commitments, support for Public, Educational, and Governmental ("PEG") cable access, and institutional network construction, interconnection, and extension requirements;
2. Reimbursement of costs. Upon invoice by the Jurisdictions or the MHCRC acting for the Jurisdictions, Transferee shall within 30 days of the invoice reimburse all direct, out-of-pocket costs of the MHCRC and the Jurisdictions incurred in analyzing and acting upon Transferee's change of control request;
3. Transferee responsible for any non-compliance by franchisee. Transferee agrees that the Jurisdictions do not waive and expressly reserve all legal rights and authority in regard to any and all non-compliance under the applicable franchises that may now exist or may later be discovered to have existed during the term of the franchise(s), even if prior to the closing of this transaction;
4. Automatic denial and/or resubmission in event of material change. In the event the merger between Transferee and Transferor which is the subject of the Form 394 filed with the Jurisdictions is not consummated or does not reach final closure for any reason, or in the event such closure is

reached with different parties or on terms substantially and materially different to the terms described in the FCC Form 394 and subsequent information provided by the Transferee and relied upon by the MHCRC, then Transferee acknowledges that any Jurisdictional approval shall be automatically null and void without further action by either party. If the closure is upon terms which are substantially and materially different, Transferee shall resubmit its request for a transfer of control of the franchises.

Due to the required timelines of the federal approval process, we are requesting a full and complete written response to the questions and issues raised in this letter as soon as practicable, but in any event no later than close of business on **Monday, April 15, 2002**. We would also remind you that the MHCRC has schedule a televised public hearing on this subject for Monday, April 29, 2002. Thank you in anticipation of your prompt reply to the information requests contained in this letter.

Please let me know right away if there will be any problems responding to all or any portion of these information requests by the date specified.

Sincerely,

David C. Olson,
Director

cc:
MHCRC
Ben Walters
Mike Katz

Also cc per Forms 394 to:
Maria Arias
AT&T Broadband, LLC
188 Inverness Drive West, Room 6-042
Englewood, CO 80112