FINAL TRANSCRIPT

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CMCSA - Comcast Corporation Conference Call to Discuss It's Joint Venture with General Electric Related to Regulatory Clearance of NBCU Transaction

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to Comcast's conference call for the press on the Federal Communications Commission's and Department of Justice's clearance of the NBC Universal transaction.

At this time, all participants are in a listen-only mode. I will now turn the call over to Ms. Sena Fitzmaurice, Vice President - Government Communications. Please go ahead, Ms. Fitzmaurice.

Sena Fitzmaurice - *Comcast Corporation - VP - Government Communications*

Thank you, Operator, and welcome, everyone, to our press briefing on the FCC and DOJ's clearance of the NBC Universal transaction.

Joining me on the call from Comcast are David L. Cohen, Executive Vice President and Kathy Zachem, Vice President - Regulatory and State Legislative Affairs. And from NBC Universal, we have Rick Cotton, Executive Vice President and General Counsel.

This conference call contains forward-looking statements. That is, statements related to the future not past events. Forward-looking statements often address expected future business and financial performance and financial conditions and often contain the words such as, expect, anticipate, intend, plan, believe, seek, see or will. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. These uncertainties may cause actual future results to be materially different than those expressed in these forward-looking statements. We do not undertake to update these forward-looking statements.

With that formality, let me now turn the call to David Cohen for his comments, and then we will take questions from our callers. David?

David Cohen - *Comcast Corporation - EVP*

Thanks very much, Sena, and thanks to all of you for joining us. I know for some of you this is your third call today on this subject. So we will try to be efficient and get to your questions as quickly as we can, but we think it is important to put all of this in a context that will help us to explain and you to understand the nature of the approvals that we received today from the FCC and the Department of Justice.

We are very pleased to announce today that with the decisions and announcements by the SEC and DOJ, all necessary regulatory approvals have now been obtained and Comcast and General Electric can now proceed to close their joint venture transaction relating to NBC Universal. We expect to close this transaction by the end of this month.

Let me just begin with a brief recap of the structure of the transactions as it has been a while since we've had a chance to note that. Comcast and GE are forming a content joint venture, which will be owned 51% by Comcast and 49% by GE and which will be managed by Comcast.

The assets of the joint venture will consist of all of the content assets of NBC Universal; the NBC and Telemundo networks; all the NBC Universal cable channels and digital properties; Universal film studio and theme parks; and the NBC and Telemundo owned and operated local broadcasting affiliates, plus Comcast compound assets and certain additional properties, including all of our cable channels and regional sports nets. We believe that this joint venture brings together outstanding content properties with strong distribution capabilities in a way that will accelerate innovation and expand entertainment options for consumers.

Now I'd like to briefly review the commitments and conditions contained in the FCC order announced today, and the DOJ consent agree that has been filed with the court. These generally fall into two categories.

First, there is a codification of voluntary commitments that Comcast, GE, and NBC Universal have made to confirm the strong public interest benefits of the transaction. And we call these public interest commitments or conditions. And then second, there is a much narrower set of competitive commitments and conditions, all of which are acceptable to the parties.

And I want to emphasize, right at the outset, that importantly none of the commitments or conditions will impair Comcast's ability to operate the Comcast Cable or NBC Universal businesses in the way that we have intended, and none of the commitments or conditions will disadvantage the competitive positioning of the Comcast Cable or NBC Universal businesses. Again, none of these commitments or conditions will prevent us from operating these businesses the way our business plans call for us to do so, and none of them will prevent the businesses from being competitive in all of the markets in which we do business.

To frame this structurally for you, the commitments and conditions fall into four broad categories.

First, there are day one commitments. Second, there are enhancements and refinements to those day one commitments. Third, there are commitments that come out of discussions that we've had with stakeholders. And then, finally, there are commitments and conditions that come out of the discussions with the government. And while I'll spend most of my time on that fourth category, let me just briefly reference the first three because. Again, it helps to provide a context here.

I would also note, by the way that there has been a blog posted on the Comcast Voices website where we summarize all of the commitments and conditions so that for a comprehensive listing that is available on the blog. I am not going to attempt to do that on this call. And obviously I am happy, all of us are happy to respond to questions on any particular commitments and conditions that you might be interested in.

So category one are our day one commitments; and they arise out of a series of commitments that we made on December 3, 2009, when we announced the transaction. And all of those are public interest commitments. They include a commitment to preserve free over-the-air broadcasting, to preserve and enrich local news and children's programming, to preserve the journalistic independence of NBC News, and a commitment to honor all NBC Universal collective bargaining agreements. All of those commitments have been followed through throughout the transaction.

The second category are enhancements to our day one commitments. And these started with our public interest statement which was filed in January 2010, about a year ago, and continuing throughout the year where we provided more details and enhancements to those day one commitments. So just to give an example, whereas we generally offer to improve the level of news and public affairs programming in the local O&Os, on day one in our public interest statement, we put some specifics behind that where we committed to provide an additional 1,000 hours of local news and information programming per year by the 10 NBC O&Os and by six of the Telemundo O&Os. And there are a number of those types of enhancements and increased specificity around our day one commitments.

The third category, then, are commitments that arise out of discussions with stakeholders. Because throughout the year, throughout 2010, we have engaged in very productive discussions with many stakeholders -- a wide variety of minority groups, independent film producers, the NBC affiliates, the non-NBC affiliates, and many others. And in those -- through those discussions, we further clarified and enhanced our public interest commitments.

And our discussions with the FCC and individual individual commissioners also led us to add some additional public interest commitments, including our very exciting broadband adoption program which we call the Comcast Broadband Opportunity Program to bring -- to drive up the level of adoption of broadband services among low income households across our entire footprint.

Now all of these commitments have been previously reported publicly in the FCC record and again, they are summarized in my blog which was posted this afternoon. So I will move on to the fourth category unless folks have questions on those when we get to the Q&A in a few minutes.

The final category of conditions is the competitive conditions that were developed in our discussions with the FCC and the Justice Department. And when we spoke -- and I think Rick Cotton and I had a conference call with many of you 13 months ago, 13 1/2 months ago, we said we expected that there would be discussions with the agencies around four critical competitive areas.

One, program access; two, program carriage; three, video over the Internet; and four, net neutrality. And that prediction proved to be totally accurate.

And so let me just summarize for you with each of those four categories and those are the only four categories where competitive conditions were discussed or imposed in this transaction exactly what happened. So we'll start with program access and here the FCC condition does not change the substantive program access rules in any way.

What the FCC condition does is simply make arbitration available as an alternative dispute resolution mechanism for program access complaints involving NBC Universal content. But it's a far better, fairer, more efficient and better defined arbitration mechanism than what has existed in the past.

There are tighter timetables. There is more limited discovery. Arbitration decisions are binding on both parties. There remain de novo appeal rights to the Commission. Arbitration awards are limited to three-year maximum terms. And maybe most importantly of all, there is for the first time a clear definition of fair market value since the arbitrator has to choose which -- whether the distributors or NBC Universal's offers represent, is closest to fair market value. And for the first time, the FCC has specifically defined fair market value that includes consideration of contemporaneous NBC Universal programming agreements for the same content to other MVPDs.

So we are very comfortable with this arbitration condition, because we believe it has improved, clearer and more efficient in the existing arbitration condition than Comcast has lived under for its regional sports nets since we consummated the Adelphia transaction.

Second category is program carriage. And in program carriage, there is a simple statement that we -- we, Comcast, as an MVPD will not discriminate against unaffiliated content that we carry on our systems. But there is no change in the substantive program carriage rules and in this context, there is no arbitration mechanism.

So the status quo remains exactly as it was before the transaction. Basically no new program carriage remedies or rules or dispute resolution mechanisms have been added in the transaction.

On video over the Internet, and this is clearly the most complex of these matters, and I am going to take my shot at trying to lay out, in as clear a way as possible what the FCC order and the DOJ consent decree do. But I want to start with something that is very important, which is that neither the FCC nor the DOJ extended the existing program access rules into the online video space.

Instead, each agency developed a focused remedy that provides a mechanism for some NBC Universal content to be provided to online video distributors -- we call them OVDs -- under certain circumstances. So there is no broad extension of the program access rules into the video over the Internet space. There is no provision in here that requires all NBC Universal content to be provided to any OVD under any circumstances.

What the FCC and the DOJ did was to define two doors pursuant to which an OVD could gain access to NBC Universal content. The first door we call the benchmark door. And under the benchmark deal, an OV deal, an OVD that has a content deal, that has a content deal with one of the defined set of NBC Universal's peers for certain content under a certain business model is entitled to access to comparable NBC Universal content under the same business model on comparable terms and conditions. So there are three, actually four critical elements to access to that content.

Number one, the OVD has to have a deal with a peer and the peers are defined specifically in the FCC order of add them if the DOJ consent agree. Second of all has to be for comparable content. So for example, Viacom is a defined peer and if an OVD has a deal with Viacom for music videos or for reality content, that does not give it the right to have access to scripted dramas from USA or for sports content from [versus] or from golf, or from broadcast content. It would only give it access to comparable content within the NBC Universal -- Universal portfolio.

Similarly, the third criterion is it has to be for the same business model. So if an OVD had a deal with Turner to have certain of its content available on an electronic sell-through basis, that would not entitle it to come to Comcast NBC Universal and ask for access to NBC Universal content on a streaming or on-demand basis. It would only give them access to that content on an electronic sell-through basis.

And then finally, it has to be on comparable terms and conditions. And all of this is subject to that improved arbitration mechanism that I mentioned before.

There are also a variety of defenses available, comparable to the defenses that are available under traditional program access rules.

So that's the benchmark remedy. Focused or basically tied to the behavior and the conduct of peers in the online video space.

The second door, we call the full freight door. And this is a door that is a little different. Under this door, an OVD that does not have a deal with anyone else can come to NBC Universal and ask for the full linear NBC Universal lineup that is typically made available to other multichannel video distributors.

So this is not -- you can't ask for one network. You can't cherry pick networks. You can't cherry pick programs. You have to go and ask for the whole linear lineup from NBC Universal. And the OVD in that case has to agree to pay the economic equivalent of what NBC Universal would receive for giving the same set of content to an MVPD.

So that would include MVPD affiliate fees, retransmission consent fees. But it would also include revenue that we might lose because this content was being delivered in an online video format instead of in the multichannel video distributor format.

For example, advertising revenues. I think right now, advertising revenues are obviously much higher in the MVPD world than they are in the online world. And so, in this space the OVD would have to pay up, would have to pay more, maybe even much more than an MVPD would pay for that entire linear lineup, which would have to be shown as an entire linear lineup.

And as -- so as a result, it is an equally focused remedy in a different space than that benchmark remedy. Moreover though, on top of that, in the -- if we -- if an OVD comes to NBC Universal and makes that deal, we would make the deal with them, again on terms to be decided by an arbitrator under that improved arbitration mechanism, if necessary. But the OVD would not be permitted to carry the NBC Universal content until it went out and satisfied two other conditions.

Number one, until it obtained substantial additional content from other content owners including 55% of content coming from other media companies plus, because the NBC Universal video content will include our broadcast video content, the condition requires that they obtain broadcast content from another of our broadcast peers before they can start carrying the NBC Universal content. And the OVDs are given two years to go out and make those other deals.

So in both of these doors, there is a tie to what our peers, to what our peer content providers are doing before NBC content would actually be carried on any OVD.

The fourth substantive area that Rick and I predicted for you last -- in December 2009 was net neutrality. And on net neutrality, Comcast has voluntarily agreed with the FCC and signed a consent decree with the DOJ that obligates the Company to follow the open Internet rules promulgated by the Commission in December. And I would note several things here.

First, these are rules that Comcast supported publicly. They are rules that codify our existing practices. And third, they are rules that include items that are important to the operation of Comcast business including a clear definition of reasonable network management and a clear statement that the net neutrality rules apply to something called Broadband Internet Access Service, BIAS, which is a defined term in the rules and which excludes services, even Internet-based services that are provided, over Comcast private network such as our Comcast Digital Voice Service.

So the agreement by Comcast and the condition in the FCC decree to follow these open Internet rules are, in our view, consistent with the way in which we conduct our business and are comfortable for us as a company. I'll also note on a sort of generic level because I have seen discussion of this in the press, that the general term for these conditions is seven years under both the Department of Justice consent decree and the FCC order. But many of these conditions are applicable for shorter periods of time, some for three years, some for five years, some for seven years. And I would also note, again just commenting in advance on what I have seen reported, that although it is true that a more typical FCC term for remedies might be six years in a major media transaction, as we experienced with our conditions in the Adelphia transaction, it would also be true that a typical Department of Justice length of conditions in a DOJ consent decree would be 10 years. And so, we are appreciative of the work by both the Justice Department and the FCC to harmonize their practices. And we are comfortable with the seven-year term for the conditions to which it applies and obviously comfortable with a shorter term for the conditions to which they apply.

Also in the interest of context, we think it is fair to summarize the many extreme conditions that were proposed by multiple parties that were appropriately rejected by the federal regulators. So among the burdens that will not be imposed on the joint venture are the following, and I am only going to list eight but there were many more.

First of all, there are no divestitures of Hulu or of O&Os. Second, there are no substantive changes to the program access rules, including no changes to bundling and volume discount rules. Third, there was no extension of the program access rules generally to the online video space. Fourth, there were no substantive changes to the program carriage rules and no arbitration requirement. Fifth, there was no general neighborhood requirement included in the FCC order. Although we have accepted a condition that if we neighborhood news channels, we won't discriminate against unaffiliated news channels in our neighborhood in practice.

There is -- sixth, there is no wholesale high speed data remedy. Seventh, there is no structural separation between Comcast and NBC, Universal. And finally eighth, there are no programming or cable channel quotas.

So in concluding, all of us at Comcast and NBC Universal are incredibly excited today. Together, we believe we will create one of America's and the world's leading entertainment and communications companies, enhancing the entertainment experience through bold innovations and offering more choices to consumers.

We believe the new Company will be well-positioned to compete and to compete fairly in today's fast-changing market place. And these commitments and conditions, while bringing significant public interest benefits, will not impede our ability to operate the business or to compete at all.

I want to close by acknowledging the extraordinary effort of FCC Chairman Genachowski, Assistant Attorney General Varney, and their staff throughout this process. They have been fair. They have worked incredibly hard to produce a result that provides a balance between protecting consumers and competition and preserving the public interest, but while also allowing us to operate, to compete and to grow our business. And so we are grateful for the integrity and the thoroughness of the process and obviously looking forward to the close of the transaction.

With that, I will turn the call back to Sena.

Sena Fitzmaurice - *Comcast Corporation - VP - Government Communications*

Thanks, David. Operator, let's open the call for Q&A, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Jessica Vascellaro with the Wall Street Journal.

Jessica Vascellaro - *The Wall Street Journal - Analyst*

Are you guys disappointed with the DOJ's move on Hulu and disposing of the voting rights? What is your reaction to that?

David Cohen - *Comcast Corporation - EVP*

No, we are perfectly satisfied with that. We've made the point throughout this process that NBC Universal's interest in Hulu is a minority interest. It is a non-management interest. It is a non-controlling interest.

We continue to have an interest in the growth and advancement of Hulu. We note the many people who called for a required divestiture of our interest in Hulu. And we obviously prefer to maintain our ownership position and to maintain our partnership with our content and are not uncomfortable with the restrictions on governance rights that were imposed in the DOJ consent decree and in the FCC order.

Jessica Vascellaro - *The Wall Street Journal - Analyst*

Thanks very much.

Operator

Bob Fernandez with the Philadelphia Inquirer.

Bob Fernandez - *The Philadelphia Inquirer - Analyst*

This is like a dizzying amount of conditions, it seems like. Which one do you think is the most restrictive?

David Cohen - *Comcast Corporation - EVP*

I don't think any of the conditions is particularly restrictive. I think all the conditions were crafted in a way that was designed to enable us to operate the business in an effective way and enable us to keep the businesses competitive.

I think the most complicated condition is no doubt is the online video condition because it's a developing market. It's a nascent market. Both the government and Comcast and NBC Universal were trying to create a fair playing field for a market that is not very well defined today and, therefore, we were trying to plan for contingencies that we -- that none of us knew exactly what how the market would develop or how it would occur.

So I think that is where the greatest complexity is. But I, again -- I don't think as crafted that I would characterize the condition as restrictive. I think the condition was -- I think the government was able to find a sweet spot where they could protect the integrity of the development of that market by tying what we would do to what peers do, and that we were able to protect our business and our business models by tying what we would have to do to what our peers would have to do and with comparable content and with fair compensation.

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So there is a lot of complexity there, but not necessarily a lot of restriction. And I will let Rick or Kathy weigh in. But that would be my answer.

Rick Cotton - *NBC Universal - EVP and General Counsel*

I think that is well said.

Bob Fernandez - *The Philadelphia Inquirer - Analyst*

The initial standalone broadband rates are going to be $49.95, is that going to be nationwide and what is the comparable fee that you have right now?

David Cohen - *Comcast Corporation - EVP*

Approximately the same.

Bob Fernandez - *The Philadelphia Inquirer - Analyst*

Okay. Is that going to (multiple speakers)?

David Cohen - *Comcast Corporation - EVP*

The answer is yes. Our pricing varies old bit by market. So in a few markets, it may be a little more expensive than that. Maybe as much as $5 more expensive than that. Some markets that is what the price is. And, obviously, we run standalone promotions where the price would be lower than that.

So that the design here to be fair and why we could except the condition is that the Commission was just interested in there being a fair standalone high speed data offering. By the way, that is a condition that only lasts for three years. So that is not a seven-year condition. That is a condition that only lasts for three years and that's a condition that only lasts for three years, and after two years we are allowed to do a price adjustment.

But the interest of the Commission there was simply in making sure we had a standalone high speed data offering for some period of time. And we did not have a problem doing that because we have always had a standalone high speed data product. And in fact, as you know, Bob, because you watch us closely, in the last couple of quarters we have been aggressively marketing our standalone high speed data product to satellite customers who may still have DSL service.

And we are not trying to take the video customer away. We think the vulnerability there is to get the high speed data customer. So we have been very aggressive in the marketplace with our standalone high speed data product.

Operator

Brian Stetler with The New York Times.

Brian Stetler - *The New York Times - Analyst*

Any comment on whether you would consider divesting Hulu entirely? Your financials taking Hulu in the future?

David Cohen - *Comcast Corporation - EVP*

Lots of familiar names and voices here. So I'm not going to pretend to know all 450 people that are on the call but at least the first three.

So I think the answer is, I don't think we know enough yet to be able to answer that question. Hulu, because of its competitive positioning is one of the assets that on the Comcast side we know the least about. We know the least about its financials, its operations, its contracts, and everything else.

But there's certainly no current contemplation that we would divest Hulu. I would note that the condition with respect to limitations on governance rights only applies for so long as Comcast has the ownership interest. As Comcast/NBC Universal has the ownership interest in Hulu, if we were to sell it to an unaffiliated entity then the governance rights would spring back, if you will.

But that is not to suggest that we --. When we asked for that that is not to suggest that we had any current contemplation that we were interested in selling Hulu.

Operator

Todd Shields with Bloomberg News.

Todd Shields - *Bloomberg News - Analyst*

When will the transaction close and what will the name of the new joint venture be?

David Cohen - *Comcast Corporation - EVP*

Well, all we are saying now is we expect to close the transaction by the end of the month. And the name of NBC -- I mean the name of the joint venture will be NBC Universal.

Operator

Joe Flint with the Los Angeles Times.

Joe Flint - *The Los Angeles Times - Analyst*

I wanted to get down in the weeds all of it with you, David, the way you were sort of explaining the OVD deals. And you said (multiple speakers).

David Cohen - *Comcast Corporation - EVP*

-- everyone else asleep, but I am ready.

Joe Flint - *The Los Angeles Times - Analyst*

That's all right. Maybe not. But you said if an OVD has a deal for Viacom, for music videos or reality content, it doesn't give them the right to have content for the USA or golf. But I'm curious because I'm assuming -- and we know what happens when you do that, if I am Joe the new OVD guy and I cut a deal with Comcast for some of their channels -- MTV, VH1, Comedy Central -- there are all sorts of different content there.

Are you saying, I mean, you guys can slice and dice it that narrowly because with what's on a Bravo versus an MTV, one could say they're very similar channels. One could say they are not. How --?

David Cohen - *Comcast Corporation - EVP*

Good question. Let's remember and this is sort of in the -- by the way that gives me an opportunity to say something that is very important. Which is, like you, we have not seen the FCC order. We have seen the consent decree, as have you if you -- or if you haven't, you can see it today. But -- .

Joe Flint - *The Los Angeles Times - Analyst*

It's very thick.

David Cohen - *Comcast Corporation - EVP*

But a lot of what I describe is represents our understanding of the way in which this will operate. So in the benchmark world, there is lots of different ways for an OVD to buy content.

One is to just buy a channel. That hasn't been happening -- in today's world, at least. I mean, today's world have involved OVDs buying particular programs, not particular channels. But obviously the way this remedy has been set up is broad -- sufficiently broad to cover any way in which the model might evolve.

So if let's just say Viacom were to sell MTV as a channel, as a linear later channel to an OVD on a standalone basis, then our obligation would be to, if the OVD came to us, we would have an obligation to license a comparable channel that we had and there, we believe in the FCC order there is a fair amount of specificity around that. So for example, it says that we believe the order will say that music video content is not comparable to non-music video content.

And so we -- I don't think we would have a fight. I don't even think there would be a dispute about MTV versus -- versus or Golf or USA. There it might be sufficiently close to Bravo content and would have to do an analysis of that. We would have to look at the amount of the content that was on Bravo that was comparable to MTV content. And we would have to make a judgment about that.

And if we couldn't agree with the OBD about that, that is what we would argue to an arbitrator about. Very important point here which this question gives me an opportunity to say in the benchmark online video remedy, the arbitration in that space is a two-stage arbitration. Stage one of the arbitration is whether a peer has entered into a deal for comparable content, pursuant to a comparable business model. So the three of those four, the first three predicates if you will, are subject to arbitration in the first stage. And only if the arbitrator decides that in fact a peer has entered into a license agreement for comparable content pursuant to the same business model, then you get to the second stage of the arbitration which is on terms and conditions. And only the second stage is baseball-style arbitration. The first stage is regular commercial arbitration.

Joe Flint - *The Los Angeles Times - Analyst*

And thank you, real quick. One of the FCC conditions says you guys are to make comparable programming available -- sorry, wrong one -- offer standalone broadband Internet access at reasonable prices, sufficient bandwidth so customers can access online video services without the need to purchase cable television subscription from Comcast. Would you apply that to Xfinity as well? If I were a Comcast subscriber, could I be a broadband subscriber? Pay for Xfinity, or your -- you know, I believe it's your -- technically your version of TV everywhere, but not half to get the box?

David Cohen - *Comcast Corporation - EVP*

No. The FCC order does not require that. I could have added that to one of the remedies that was requested but was not given. There is nothing that FCC order does not interfere with or prohibit the use of an authenticated model and or what Time Warner would call TV Everywhere. So the TV Everywhere, the authenticated model remains allowable under the terms of the FCC order.

Joe Flint - *The Los Angeles Times - Analyst*

Okay. I got you. Thank you for --.

David Cohen - *Comcast Corporation - EVP*

I say this. The only limitation on authenticated content is that to the extent that we make NBC Universal content available to Comcast on an authenticated basis, we have to make that content available to other MVPDs also on an authenticated basis, assuming they have the security and the infrastructure capable of providing the copy protection that is necessary in a TV Everywhere environment.

Operator

Ryan Nakashima with Associated Press.

Ryan Nakashima - *Associated Press - Analyst*

You said in -- among the conditions you do not have to agree to that there was no wholesale, high-speed data remedy, I think. Can you say what that means and how different from the $49.95 standalone plan that you did agree to?

David Cohen - *Comcast Corporation - EVP*

There were multiple --. There were some parties, most notably EarthLink, which advocated a condition that we would have to wholesale our high-speed data service to other providers, such as EarthLink who would then have the right to resell our high speed data service. There was a wholesale high speed data condition placed on the AOL Time Warner merger and that --. And a number of parties advocated for such a condition in this space. And neither the Justice Department nor the FCC accepted such an argument.

Operator

Julia Boorstin with CNBC. Julia, your line is open. Please respond. That question has been withdrawn. Cecelia King with the Washington Post.

Cecelia King - *The Washington Post - Analyst*

My head exploded about 15 minutes ago when you explained all the online video conditions and the specificity. I don't want to get too much into [these], but can you -- you said that there are different time limits to different conditions. What are the time limits? What's the time limit or at the statute whatever for the limitation for these online OVD conditions? And also -- I'm -- .

David Cohen - *Comcast Corporation - EVP*

I can answer. Seven years. You can go get another question. The answer is seven years.

Cecelia King - *The Washington Post - Analyst*

Thank you. And also, they do seem off -- they do seem very tailored and specific to this transaction. But this is also from -- and correct me if I'm wrong, it seems like this is the first time the federal government has actually addressed that space, the online video space, through this merger. And do you think that there needs to be, if you are held by these sorts of conditions, do you think that there needs to be another look or a broader approach by regulators to also reform regulation to include your competitors?

David Cohen - *Comcast Corporation - EVP*

I -- look, these conditions are tailored. I think they are tailored. I think they are tailored, both to the transaction and they are tailored to attempt to deal with the potential theoretical harm that could result from a vertically integrated distributor from a vertically integrated cable company that has a multichannel video distribution business and now has a substantial content portfolio, which makes them transaction-specific. But I also think that they were focused and defined in a way to ensure that we would have an appropriate -- why would have to plate play fair in the space, we would have the rest of the playing field to be able to innovate and to compete and to run our business.

So we are comfortable with the conditions the way they have turned out. Whether based upon the experience that we have with these conditions, whether future regulatory conduct -- whether future regulatory or legislative activity would be appropriate for the rest of the industry, I think that's something we -- I think that's got something we would have to visit at the time. But it is, I mean you've all --. Cecelia, you and I have had over 20 discussions about this transaction and I've always emphasized to you our view that there is a difference between a transaction-specific condition and a non-transaction-specific condition.

I can't argue that this condition is not transaction-specific. It is very much tied to the transaction. And therefore I think is appropriate as a matter of administrative law.

Operator

John Eggerton in Broadcasting and Cable.

John Eggerton - *Broadcasting and Cable - Analyst*

Just wanted to clear up, for me, the authentication issues. So what's your understanding -- under what circumstances would you not have to make it available to another service that say was going to authenticate but say couldn't -- what would they be having to do [wrongly]? Not securing (multiple speakers) or whether they were going to be secure or protect your content in the same way?

David Cohen - *Comcast Corporation - EVP*

Let's say they just didn't have -- I mean, it took us some real time. But it's not a big deal. I think at this point, certainly with all the major MVPDs have the capacity to offer authenticated content -- but let's just say that you had a small MVPD that hadn't made the investments and hadn't licensed the technology from someone else. And they didn't really have any way to make sure that only their subscribers was going to see the content that went out over their video websites and that if anyone --. So that basically anyone who turned, tuned on to their website would be able to get the content, that would break the security and the model of authenticated content, which is that it is only available to cable subscribers.

So when today, in the Comcast world, when somebody requests our content on an authenticated basis, we require a certification from them that they have the ability to limit the audience for the content that we are licensing to them to their subscribers. So that's all I'm talking about.

Operator

Julia Boorstin with CNBC.

Julia Boorstin - *CNBC - Analyst*

I was looking for a little bit more detail on the price constraints in the FCC conditions, that it's necessary that you offer the services at reasonable prices and of sufficient bandwidth to access online video. If you could just go into this a little bit more. I mean, is there any concern that this could encourage cord cutting or are these types of price restrictions unusual for this type of deal?

David Cohen - *Comcast Corporation - EVP*

The only specific price restriction is the three-year standalone broadband price restriction to offer standalone broadband service of at least 6 mg down for $49.95 a month. And that condition really doesn't apply to cord crediting. That condition really applies to the Commission's desire to make sure that we would make available standalone broadband service at a reasonable price which, basically, they accepted as the price that we were using today when we did not have all this content that we now [alone] after the transaction closes.

So I think that is all that there is to that condition again. It is a three-year condition, not a seven-year condition.

Julia Boorstin - *CNBC - Analyst*

But the paragraph that I'm quoting from the FCC today is that "customers -- so that customers can access online video services without the need to purchase a cable television subscription from Comcast."

David Cohen - *Comcast Corporation - EVP*

I think that -- I think that, at summary, is all you are looking at is a press release summary.

Julia Boorstin - *CNBC - Analyst*

Yes. But I just note that was different from the more specific points.

David Cohen - *Comcast Corporation - EVP*

I think that is just a summary of the more specific point. And I think when you see the order in the next couple of days, you'll see that the order is as I have referenced it.

Julia Boorstin - *CNBC - Analyst*

Which is not a threat to -- which would not be a cord cutting threat?

David Cohen - *Comcast Corporation - EVP*

I mean, let me say this. I mean I -- you are asking it's a complicated question. I think we -- as I said, we offer standalone broadband service today. We have no plans not to offer standalone broadband service. Our broadband service is an incredibly important part of our business. It's much faster growing than our video services today.

We've publicly explained on numerous earnings calls and in numerous public fora and I'll add this one to it. That to date, we are not seeing a lot of evidence of cord cutting. When we see -- although we are losing basic cable customers, we think that is more attributable to the economy. And in the last year, we think it is more attributable to customers going back to broadcast television with the improvement of broadcast antennas over the last year or two.

So I don't think the Commission was trying to either foster or -- I don't think the Commission was trying to foster cord cutting in this proceeding. And I don't think we were trying to take steps to prevent it. I don't think cord cutting was a major focus of the transaction review.

Operator

Yinka Adegoke with Reuters.

Yinka Adegoke - *Reuters - Analyst*

This is a quick one. I'm trying to get a sense of how much these conditions would cost Comcast and if there are any tax benefits as well? Particularly when you think about things like helping with broadband loop to low income homes, that kind of thing?

David Cohen - *Comcast Corporation - EVP*

So, the answer is, we don't have a quantification here. But these are -- there's nothing in this program that is particularly high cost. There is nothing in this entire collection of conditions in the aggregate that would change the financials and the financial projections that we have for the Company.

In the broadband opportunity program, you know we're -- we're not planning on losing money as a result of having the program. You know, we are providing our economy, our economy level of service at $9.95 a month, but we are not going to lose money in providing that service. We would -- I mean, it's sort of how you're going to define it.

To the extent you think that those people would've bought our economy level of service at its regular pricing which might be $24.95 today or $19.95 in some markets, you can say we are losing $10 or $15 a month in subscription revenue. But I think I would argue that if those people were going to subscribe to the service, they would have subscribed. They are not likely to be subscribers unless we drop the price in this particular way.

So, but there will be cost to the program in terms of subsidizing the hardware and in terms of the digital literacy component. But these are all activities in which we are very actively engaged today. We're -- we have -- one of our major community investment focuses is digital literacy and driving broadband adoption. One of our largest nonprofit partners is One Economy, which is our expected partner to engage in digital letters he effort as a part of this program.

So all this -- though this program represents a major step up for us in these activities, I mean this is a step up that we think is justified by the business and is a step up that we are very proud of, and that we are prepared to make the investments necessary to really drive the adoption needle over the next few years.

Yinka Adegoke - *Reuters - Analyst*

(multiple speakers) so there's no sort of tax forgivenenss or anything like that? As part of the (multiple speakers).

David Cohen - *Comcast Corporation - EVP*

I don't think there's -- I don't think there is a tax forgive -- there's not -- there's no tax benefit to this that I am aware of.

Sena Fitzmaurice - *Comcast Corporation - VP - Government Communications*

Thank you. And we're going to do two more questions, please.

Operator

Georg Szalai. Hollywood Reporter.

Georg Szalai - *The Hollywood Reporter - Analyst*

Another quick cool question. I was wondering what specific steps do you guys have to take, you know, to be in line with the conditions here? Do you have to remove certain people from the Management Board? What you have to do in order to basically comply?

David Cohen - *Comcast Corporation - EVP*

I will let Rick take that question.

Rick Cotton - *NBC Universal - EVP and General Counsel*

I think there are basically two -- broadly, two steps. Yes, we will not have a Board member and we will also not have voting rights and we will not have veto rights. We will not have influence with respect to the management or Board level operation or ownership -- equity ownership that we have in Hulu. It actually will become a passive economic investment.

David Cohen - *Comcast Corporation - EVP*

So mechanically, I will let Rick kick me if I get this wrong, there will be a resignation of a Director from the Board and a possible amendment of some of the governing documents of Hulu.

Rick Cotton - *NBC Universal - EVP and General Counsel*

Yes. I think there -- we will have to have a written renunciation of several rights that we have in our current equity ownership.

Sena Fitzmaurice - *Comcast Corporation - VP - Government Communications*

Thank you. Okay, Operator, last question. And just before we get to the last question, I did want to let everyone know that we will have a transcript of this call available tomorrow on the transaction website. That's www.Comcast.com\NBCU Transaction.

And if you have additional questions you need help with from me, please e-mail me. Now, operator, last question.

Operator

Gautham Nagesh with The Hill Newspaper.

Gautham Nagesh - *The Hill Newspaper - Analyst*

I noticed that on the DOJ call, they spoke specifically of preserving enforcement authority in the nascent online video market. I just wanted to ask if that -- you seem sort of confident that the conditions attached to the online video condition, as it were, were pretty stringent in the sense they wouldn't really open up NBC programming beyond the sorts of companies that are already really functioning in that market.

So I wanted to know what you think of the fact that the Department of Justice is going to be handling enforcement in that area?

And the other question would be with regards to local sportscast on the Internet. What exactly would be considered comparable content to a local broadcast of sports? Especially since Comcast has exclusive rights in a lot of the margins?

David Cohen - *Comcast Corporation - EVP*

Let me answer the first question first, which is that the Justice Department -- the substance of the Justice Department remedy is virtually identical to the substance of the FCC remedy. And while obviously the Justice Department has its own inherent authority to enforce its decree, but it has the inherent authority to enforce are the same two doors that I'd define -- that is the benchmark door and the full freight door and the Department of Justice decree and its press release both specifically state that so long as there is an FCC enforcement process in place, the DOJ will ordinarily defer to the FCC.

So although the FC -- the Justice Department has the inherent authority to enforce the same remedies with the same kind of an arbitration mechanism as exists at the FCC, the clear contemplation here is that the Justice Department ordinarily defer to the FCC process which again has the same standards and the same arbitration process. So there's no -- we haven't set up two completely different schemes here with two different sets of rules and two different enforcement mechanisms.

There's one and I applaud it -- when I applaud it, the Justice Department and the FCC, I should specifically say that we are especially appreciative for them working so hard with us to basically have unified remedies here so that there would not be different in forcing regimes and different standards in the two places where there's overlap between their remedies. That is, in the online video space and the net neutrality space.

Sorry now I talked and I forgot -- remind me. Other sports program. Right. I think the -- I'm going to answer your question but then it is going to remind me of an important limitation in the online video space that I didn't mention. Which is, I think the only content that would be comparable to local sports programming would be local sports programming. I don't think there is any other comparable content.

And the caveat -- I'm going to give you two caveats, which is obviously an OVD can get access to online video content from us only if we have the rights to give them that content. So for example, and I'm not saying this is true -- but for example if Major League Baseball in licensing a Comcast regional sports network, a baseball game did not give us the rights to put that content online -- that is, reserving the rights to the team or to the League, we -- an OVD couldn't come and ask us to get access to those rights because we would not legally have access to them. Number one.

And number two is, you mentioned the notion of exclusivity. There are carve outs in these remedies for what I'll call industry typical exclusivity arrangements. And so to the extent that it is standard in industry practice, for example, to have an exclusive window in film content, that can continue in an OVD. It can continue in the future and OVD would not be entitled to carry content that was subject to an industry typical exclusivity arrangement.

So those are further limitations, if you will, on the focused online video remedies.

Rick Cotton - *NBC Universal - EVP and General Counsel*

Would it be helpful just in terms of talking about comparability just to take a little bit of the mystery out of it in this sense? Which is that the government's approach to this was to ask itself what was the nature or what would be the nature of future competition in terms of online distributors? And it really came up with two answers.

It said if an online distributor wanting to have the programming that a current typical MVPD Time Warner Cable had, for example, the online distributor ought to be able to get it. So that's the full -- that's the first story. The second was, well, suppose an online distributor wanted to have less than that? And then the question is, how do you decide what NBCU under Comcast ownership is obligated to license.

And the answer they came up with was well if a company that is like NBCU -- that's the peer concept -- licensed comparable program or licensed programming, what should NBCU have to do? So just in a very commonsense way, the answer to that was, Well, NBCU should have to do what its like peer, its like competitor did. And part, obviously, of the answer to that is you would have to look at, well, what's the nature of the programming that it licensed. That is where the notion of comparability came from. And just the way the business operates, it licenses business -- it licenses online in different business models. And you have to look at, well, what programming did it license to a particular business model?

So the notion of comparability is just trying to say NBCU should have to do something that is like what its competitors did. And so I think David's answer in terms of comparability flows from that. But it's actually a fairly common sense concept. It just becomes -- it does become a little complicated in its implementation.

Sena Fitzmaurice - *Comcast Corporation - VP - Government Communications*

Thank you. Thank you all for joining us today. David, do you have any concluding words?

David Cohen - *Comcast Corporation - EVP*

No, only to thank you for your attention. I know this is complicated. I hope we've been able to provide a fuller context for you. And again, if you need follow-up, please e-mail Sena.

Sena Fitzmaurice - *Comcast Corporation - VP - Government Communications*

Thank you all very much. Thanks, everyone, for joining.

Operator

Thank you for participating in today's conference call. You may now disconnect.
