

signal we saw no meaningful demand for the network among Comcast customers in these markets. After our repeated offers to relaunch and carry the EstrellaTV stations were rejected by LBI, we then decided that it would be better to dedicate our scarce bandwidth to other uses, and determined that it was not worth it to our customers to pursue voluntary carriage of EstrellaTV in these markets any further.

4. Before I turn to the negotiations with EstrellaTV, I will first address relevant background concerning the relationship between cable operators such as Comcast and broadcast networks generally, Comcast's carriage of Spanish language broadcast networks, and Comcast's historical carriage of EstrellaTV. This discussion provides important context for showing the unreasonableness of EstrellaTV's carriage demand, and why LBI's allegations that Comcast acted to protect Telemundo and NBC Universo are not only untrue, but also illogical. I then turn to the details of the negotiations between Comcast and EstrellaTV in 2014 and 2015, including our reasons for rejecting EstrellaTV's various unprecedented proposals for { [REDACTED]) license fees. I then review the paucity of customer complaints that were raised when EstrellaTV pulled its signals in Houston, Denver, and Salt Lake City, notwithstanding a sustained anti-Comcast public relations campaign waged by EstrellaTV in an effort to persuade Comcast customers to disconnect their service. Finally, I explain why EstrellaTV's efforts to connect its complaint to Comcast's carriage of NBC Universo are without merit.

The Relationship between Broadcast Networks and Cable Operators

5. Broadcast networks, including the English-language "Big Four" (NBC, CBS, ABC, and Fox), the Spanish-language "Big Three" (Univision, Telemundo, and UniMás), and dozens of less-popular English and Spanish-language broadcast networks, transmit their programming over the air in television markets across the country through owned and operated

(“O&O”) broadcast stations and independently-owned broadcast stations (“affiliates”). Since 2011, Comcast has owned both the NBC and Telemundo broadcast networks and, in certain markets, O&O stations that transmit their programming.

6. Under the FCC’s regulatory regime, broadcast networks obtain carriage on the systems of cable operators such as Comcast in two principal ways. First, any broadcaster that operates a “full-power” station, that is, one that transmits a full-power digital signal in a particular market, may opt for “must-carry” status, in which case all cable operators in that market must distribute the station’s signal to their customers. Must-carry guarantees carriage but provides no compensation for a broadcaster. Alternatively, a broadcaster may seek to be carried by a cable operator through a negotiated “retransmission consent” agreement that may include compensation and other terms. Broadcast stations must elect either must-carry or retransmission consent status every three years.

7. Whereas cable operators are required to carry the signals of broadcast stations that elect must-carry, they are not obligated to carry the signals of broadcast stations that elect retransmission consent. Rather, those stations are carried only if the broadcaster and cable operator agree on the terms and conditions of carriage, which can vary based on the market, the appeal of the programming, and numerous other factors. {

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8. A “low-power” broadcast station (or “LPTV”)—that is, one that transmits a low-power signal in a particular market—generally is not entitled to insist on mandatory must-carry carriage (although certain LPTVs can). Many low-power stations nonetheless obtain carriage on cable systems by entering into voluntary carriage agreements with cable operators such as Comcast. { [REDACTED] [REDACTED] }

9. Finally, broadcasters can and often do obtain distribution of their network programming on a cable operator’s systems by negotiating for placement of the programming with a local television station owner in a particular market, instead of arranging for carriage directly through the cable operator. In these cases, the local station typically has a retransmission consent agreement with a cable operator that requires carriage of both the station’s “primary” signal and additional “multicast” signals. The station can put the network programming on either the primary or multicast signal. More valuable programming, (*e.g.*, a Big 4 English-language network or Big Three Spanish-language network) is typically placed on the primary signal of the local broadcast station, which becomes an “affiliate” of the broadcast network. Less valuable programming is typically placed on the station’s multicast signal.¹

Comcast’s Carriage of Broadcast Networks

10. Comcast’s principal objective is to provide attractive programming to its customers at a price that provides them with a good value proposition. Comcast faces intense competition for video customers from DBS operators such as DirecTV and DISH, as well as wireline competitors such as Verizon FIOS and AT&T U-verse, and overbuilders such as RCN

¹ Although broadcast networks largely rely on TV antennas (and retransmission by cable operators) for their distribution, some broadcast networks also make a satellite feed of their signal available to cable operators. If a cable operator elects to transmit the satellite signal, it can then distribute the network to customers in so-called “white areas” where the network does not have a broadcast antenna.

and WOW! (all multichannel video programming distributors or “MVPDs”). Increasingly, Comcast also faces competition from online video distributors, which now provide both live linear and on-demand programming to viewers.

11. In this intensely competitive environment, cable operators such as Comcast must constantly assess how to provide compelling programming that customers crave at a price and in packages that those customers will find affordable and attractive. Cable operators are also capacity-constrained: there are simply many more cable and broadcast programmers seeking carriage on our cable systems than our bandwidth allows. Increasing demand for bandwidth-intensive high-definition channels is also putting pressure on Comcast’s available network capacity.

12. Similarly, cable operators such as Comcast have been under increasing cost pressure in recent years as content acquisition costs have skyrocketed. { [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] } As a result, Comcast is always seeking to strike a balance between content acquisition costs and providing programming that its customers demand. That is as true for our carriage of Spanish-language programming as it is for English-language programming.

13. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED].

14. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] } { [REDACTED]

[REDACTED] } notwithstanding

the fact that it is and was consistently the second-highest rated Spanish language broadcast

network, both nationally and in most local markets. { [REDACTED]

[REDACTED] }

15. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] }

Comcast's Carriage of EstrellaTV

16. Comcast was EstrellaTV's largest distributor, until February 2015, when EstrellaTV pulled its signals from Comcast in Houston, Denver, and Salt Lake City. Comcast distributed EstrellaTV's O&O stations in these three markets to { [REDACTED] } customers under must-carry elections. Comcast also carried, and continues to carry, a full-power EstrellaTV affiliate in San Francisco (reaching over { [REDACTED] } current customers) as a must-carry station.

{ [REDACTED] }

17. Comcast has also entered into voluntary agreements for carriage of EstrellaTV's O&O low-power stations in New York and Chicago (serving, together, { [REDACTED] } customers).

{ [REDACTED] }
[REDACTED]
[REDACTED] } Finally, Comcast distributed EstrellaTV to { [REDACTED] } customers in various other markets, including large Hispanic markets such as Albuquerque and Miami, through agreements with EstrellaTV broadcast affiliates that transmit EstrellaTV on their multicast signals. { [REDACTED] [REDACTED] }

Initial Discussions with EstrellaTV Regarding Retransmission Consent

18. In September 2014, I learned that EstrellaTV intended to opt out of must-carry carriage in Houston, Denver, and Salt Lake City, and seek a retransmission consent agreement for the three-year term beginning January 1, 2015. Michael Ruggiero from ATV Broadcast, a consulting company that assists broadcasters in their negotiations with cable providers, reached out to me on behalf of EstrellaTV. Mr. Ruggiero also told me { [REDACTED]

[REDACTED] } that he would be working with John Heffron, LBI's Executive Vice President, Network and Digital Content.

19. { [REDACTED] }
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] } As mentioned above, even EstrellaTV’s third-party owned full-power affiliate in San Francisco is, and has historically been, carried pursuant to must-carry. { [REDACTED]

[REDACTED]

[REDACTED] }

20. I nonetheless embarked upon a good-faith negotiation with EstrellaTV. Mr. Ruggiero specifically noted in an email dated September 8, 2014 that { [REDACTED] [REDACTED] } which was certainly true. On October 14, 2014, certain of my colleagues and I met with Mr. Ruggiero, Lenard Liberman (CEO of LBI), John Heffron (Executive Vice President, Network and Digital Content for LBI), Blima Tuller (CFO of LBI) and Rocky Delgadillo (an LBI board member).

21. When embarking on a carriage negotiation, it is my ordinary practice to understand a station’s or network’s position and appeal in the marketplace by reviewing ratings, the network’s distribution platform (*e.g.*, affiliated full-power stations, LPTVs, multicast signals), as well as the level and breadth of carriage of the network by Comcast’s competitors. Accordingly, prior to the October 14, 2014 meeting, my team assembled and reviewed EstrellaTV’s carriage on Comcast systems in the top 40 Hispanic markets, as well as noting its carriage by Time Warner Cable (“TWC”) (as Comcast then had an agreement to merge with TWC, which was called off in April of 2015). Our analysis showed that, as of October 2014, Comcast distributed EstrellaTV to approximately { [REDACTED] } customers through a combination of must-carry and other arrangements. { [REDACTED]

[REDACTED]

[REDACTED] } See Exhibit 1 at 2.

22. I also looked at the carriage of EstrellaTV in markets in which the network does not have a signal eligible for must-carry status, to see whether competitors were granting EstrellaTV carriage beyond their obligations under FCC rules. For example, I found that in markets such as New York and Chicago, where EstrellaTV does not have a right to carriage under the must-carry rules, Comcast carried EstrellaTV but some of our competitors in those areas such as DISH and DirecTV did not. In addition to not carrying EstrellaTV's LPTVs, I found that both DBS operators did not carry EstrellaTV's multicast signals or satellite feed. This reinforced my view that EstrellaTV's request of Comcast for even more distribution was out of step with the marketplace assessment of the demand for the network.

23. We also reviewed Nielsen ratings data to compare EstrellaTV's national viewership to that of other Spanish-language broadcast networks (Univision, Telemundo, UniMás, MundoFox/MundoMax, and TV Azteca). We examined local Nielsen ratings for Hispanic households in large Hispanic markets to compare EstrellaTV's viewership to all broadcast networks (both Spanish and English-language) in those markets. The information that we compiled is attached as Exhibit 1.

24. Our ratings analysis similarly confirmed what I had believed: it showed that EstrellaTV was not particularly popular among Hispanic audiences in the major Hispanic markets served by Comcast. In Houston, the largest and most heavily Hispanic-penetrated Comcast market among the three markets, EstrellaTV lagged well behind Univision, Telemundo, and UniMás among Hispanic households. EstrellaTV's ratings were better in the primetime hours, but it still fared worse than Univision, Telemundo, and UniMás. EstrellaTV enjoyed even less popularity among Hispanic viewers in New York and Chicago, which are both markets where the network owns low-power stations that are carried by the major cable operators (TWC,

[REDACTED]

28. [REDACTED]

[REDACTED]

Exchange of Retransmission Consent Proposals in November 2014

29. I had my next communications with EstrellaTV in November 2014. On November 12, 2014 I received an email from Jake Martinez, with whom I had previous

professional dealings, informing me that he had just been hired by EstrellaTV and would be taking over the retransmission consent negotiations with Comcast going forward. On Thursday, November 13, 2014 I sent Mr. Martinez a standard form draft retransmission consent agreement

{ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] } The draft agreement also included a proposal granting Comcast certain digital rights, { [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] }

30. On November 18, 2014 Mr. Martinez sent me a term sheet attaching EstrellaTV's proposed terms for a deal. The proposal bore little resemblance to the draft I had sent him or the position that I had articulated at the October 14, 2014 meeting. { [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

31. After receiving the proposal, my team and I did an evaluation of the total cost to Comcast of Mr. Martinez’s November 18, 2014 proposal. That analysis is attached as Exhibit 3.

[REDACTED]

32. On November 23, 2014 I responded to Mr. Martinez, { [REDACTED]

[REDACTED]

33. Mr. Martinez responded on November 26, 2014, { [REDACTED]

[REDACTED]

34. { [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Negotiations with EstrellaTV in December 2014 and January 2015

35. With the January 1, 2015 date for a retransmission consent agreement looming, the parties agreed, on December 18, 2014, to maintain EstrellaTV's carriage in Salt Lake City, Houston, and Denver through January 22, 2015, { [REDACTED]

[REDACTED]

[REDACTED] }

36. On January 2, 2015, Mr. Martinez sent me another proposal { [REDACTED]

[REDACTED]

[REDACTED] } Mr. Martinez and I continued to talk throughout January, although we made no real progress. We scheduled a meeting between EstrellaTV executives and my team in Philadelphia for February 2, 2015. On January 16, 2015, Comcast and EstrellaTV signed another extension agreement, in which we agreed to maintain EstrellaTV's carriage { [REDACTED]

[REDACTED] } through February 5, 2015.

37. On January 23, 2015, in anticipation of the upcoming Philadelphia meeting, I responded in writing to Mr. Martinez's January 2, 2015 proposal. { [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

38. On January 29, 2015, Comcast and EstrellaTV signed another extension agreement, in which we agreed to maintain EstrellaTV's carriage { [REDACTED] } through February 12, 2015 while we continued to negotiate.

EstrellaTV's February 1, 2015 Proposal

39. On February 1, 2015, the day before our scheduled meeting in Philadelphia, Mr. Martinez sent me a revised proposal that sought { [REDACTED]

[REDACTED]

40. I met with Mr. Martinez, Lenard Liberman, and Jose Liberman (Chairman of LBI's board), among others, at Comcast's offices on February 2, 2015. { [REDACTED]

[REDACTED]

[REDACTED]

41. On February 4, 2015, Comcast and EstrellaTV signed another extension agreement, in which we agreed to maintain EstrellaTV's carriage { [REDACTED] } through February 19, 2015.

42. The next day, February 5, 2015, I responded formally to EstrellaTV's February 1, 2015 proposal and to the points made by EstrellaTV at the February 2, 2015 meeting. { [REDACTED]

[REDACTED]

press release included a link to a website—www.nopierdasestrellatv.com—that Comcast customers in those cities could use to register complaints.

45. I can only speculate as to why EstrellaTV decided to take its case public, but it appeared to us that EstrellaTV thought that we might waiver and accept its unreasonable demands in order to avoid a public carriage dispute, given our ongoing effort to obtain regulatory approval for the TWC merger. However, Comcast remained convinced that it was not defensible to incur { [REDACTED] } expense for a network that had only limited appeal to our customers.

EstrellaTV Pulls Its Signal from Comcast

46. Against this background, on February 13, 2015, Mr. Martinez sent me a lengthy response to my February 5, 2015 email. { [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] }

47. { [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] }

48. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] } I have already said this but it bears repeating: throughout this entire process my team and I never once considered EstrellaTV’s potential impact on Telemundo or NBC Universo in determining the appropriate terms and conditions of carriage for EstrellaTV.

49. I had further telephone conversations with Mr. Martinez between February 13 and February 19, 2015, the day that EstrellaTV and Comcast’s most recent extension agreement { [REDACTED]

[REDACTED] } expired. { [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] }

50. At midnight on February 20, 2015, EstrellaTV pulled its stations’ signals from Comcast systems in Salt Lake City, Houston, and Denver. As far as I am aware, it was the first time that any broadcaster had ever pulled its signals from Comcast.

Minimal Customer Reaction to EstrellaTV’s Decision to Pull Its Signal

51. After taking its network away from our customers in these three cities, EstrellaTV intensified its negative media campaign, blaming Comcast for the loss of the network and urging Comcast customers to drop their service. EstrellaTV ran ads on You Tube, Facebook, Instagram,

and Twitter, falsely claiming that Comcast discriminated against Hispanics. In Houston, EstrellaTV heavily promoted the phone line it had set up to coach customers through their disconnection from Comcast’s service. In Denver, EstrellaTV hosted a concert, giving free admission to Comcast customers who cancelled their service. And in Salt Lake City, EstrellaTV offered \$100 gift cards in return for proof of cancellation of Comcast service.

52. Notwithstanding EstrellaTV’s sustained efforts, a tiny fraction of the hundreds of thousands of Hispanic customers who lost access to EstrellaTV called to complain or disconnect their service as a result. {

[REDACTED]

53. {

[REDACTED]

Subsequent Discussions with EstrellaTV

54. Notwithstanding the minimal impact on Comcast from EstrellaTV’s decision to pull its signals, and in spite of the vigorous public relations war waged by EstrellaTV, we still

pursued negotiations to end the dispute. On March 23, 2015, I had a meeting in Philadelphia with representatives from EstrellaTV, including Mr. Martinez and Winter Horton, COO of LBI.

{ [REDACTED] } As a result, in preparation for that meeting, I reviewed { [REDACTED] [REDACTED] [REDACTED] [REDACTED] } When, for example, I reviewed ratings for all of 2014, I found EstrellaTV ratings to be well below those of Univision and Telemundo.

{ [REDACTED] [REDACTED] }

55. The March 23, 2015 meeting did not produce a deal. { [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] }

56. Throughout the spring of 2015, Comcast continued to monitor customer reaction to EstrellaTV's signal pull in Salt Lake City, Houston, and Denver. { [REDACTED] [REDACTED] [REDACTED] }

57. As 2015 rolled on, we saw increasingly little reason to continue any discussions with EstrellaTV. { [REDACTED] }

[REDACTED]

58. On August 12, 2015, I spoke to Mr. Horton on the telephone. { [REDACTED]

[REDACTED]

59. I received a letter from Mr. Horton on September 30, 2015, urging me to resume negotiations with EstrellaTV. { [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

60. In late 2015, EstrellaTV hired another new head of distribution, Cathy Lewis. In late January 2016, Ms. Lewis contacted me to set up a meeting to discuss carriage in Houston, Denver, and Salt Lake City. Notwithstanding all of the unsuccessful discussions with EstrellaTV, I agreed to meet with her on February 5, 2016. Ms. Lewis cancelled the meeting.

NBC Universo

61. Although I understand that EstrellaTV seeks, through this proceeding, carriage parity with Telemundo, I also understand that it has alleged that Comcast discriminated against EstrellaTV in order to also benefit NBC Universo, a Comcast-owned cable network formerly known as mun2 and rebranded as NBC Universo in February 2015.

62. EstrellaTV's claim is wrong. Put simply, NBC Universo played no role at all in Comcast's decision-making process concerning EstrellaTV. Moreover, EstrellaTV's allegations that Comcast treats NBC Universo more favorably than EstrellaTV are without merit.

63. In the first place, it makes no sense to compare carriage of a cable network such as NBC Universo with carriage of a broadcast network such as EstrellaTV. { [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EXHIBIT 1