> a holder of some AWS spectrum, so we could actually build a network. The conclusion was we have 20 megahertz of spectrum, clearly not enough to do what we really want to do. We don't want to be the seventh competitor in a market that we think is mature from the voice side. And it's a huge economic investment, which we're uncomfortable there's a real return for.[17]

In essence, the focus was on adding wireless to an existing product set with an overall business plan that provided a return on the investment, not simply becoming another wireless voice provider, regardless of the cost or product fit.

Mr. Angelakis elaborated on this evolving analysis in 2010, and here again the complete context of Mr. Angelakis' statement emphasizes the goal of adding mobility to Comcast's existing products in a way that enhanced those products and provided a reasonable return on what its analyses demonstrated would be a significant financial investment.[18] Mr. Angelakis contrasted this approach with simply owning a wireless network:

> The business perspective is we think we have superior products in the house, video, data, voice somewhat integrated, as well as now in some of these in businesses. And we want to be able to offer our customers mobility; we want to be – have the customers be able to access those services and access them anywhere, anywhere, whether it's through a wireless network or whether it's through things like WiFi.
>
> So the real goal for us has been how do we provide that mobility, and I think today we have really sort of a three-part strategy. We have one, we're doing a lot with apps where we're utilizing someone's network and we are using tablets and Android and iPhones where people can access certain parts of their services all remotely, all through an application-type effort.
>
> We also are deploying WiFi, and in some markets we deployed WiFi in 4,000 points, in Philadelphia, and we'll be doing some more of that, relatively low-cost, and we're seeing how people are utilizing that service and WiFi is both inside the home as well as outside the home in areas that have high traffic.
>
> And then we still do have a relationship with Clearwire and with Sprint on the 4G and 3G side, and I think we're always evaluating that. We have no desire to own a wireless

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17 Statement of Michael J. Angelakis, CFO & EVP, Comcast Corporation, Goldman Sachs Communacopia Conference, Transcript at 5 (Sept. 16, 2009).

18 Comcast's desire to integrate a wireless product with its wired product set also is evinced by the fact that SpectrumCo acquired AWS licenses only in geographic areas where its owners had cable systems.

> network, we have no desire to write large checks, but we would like to find a way where we can offer that kind of mobility for our products in a strategic way that makes sense and that we can enhance value of those products for our customers and obviously try to get a positive ROI. So we're always evaluating that, but the key strategy really hasn't changed over the last few years.[19]

Read in light of the statements above, Mr. Angelakis' statement at the 2012 Citi Media Conference that "[w]e never really intended to build that spectrum" was a shorthand reply on a subject with a long and complex history. It described the thought process following years of evaluation and analysis, and was not intended to describe Comcast's or SpectrumCo's intentions at the time when the AWS licenses were acquired.

In sum, a review of the complete statements by Mr. Angelakis over the years demonstrates that Comcast's consistent goal was to develop and explore potential uses of the spectrum as part of a viable long-term business plan that effectively added mobility to Comcast's product set with a business plan that would provide an appropriate return on the substantial investment required. Comcast's cautious and thoughtful exploration of its wireless options was consistent with the Commission's buildout and service rules,[20] of which Comcast was cognizant as it cleared the spectrum of incumbent microwave operators and evaluated the various technical, financial, and other marketplace factors that affected use of the AWS spectrum.

18. Describe in detail and provide all documents discussing whether and if so how the Company:

> **a. conditioned or otherwise connected its decision to enter into the Spectrum License Purchase Agreements on the execution or consummation of any of the Agreements or any other commercial agreement or arrangement; or**
>
> **b. conditioned or otherwise connected its decision to enter into any of the Agreements on the execution or consummation of the Spectrum License**

[19] Statement of Michael J. Angelakis, CFO & EVP, Comcast Corporation, Goldman Sachs Communacopia Conference, Transcript at 8 (Sept. 20, 2011).

[20] *See* 47 C.F.R. §§ 27.13(g) and 27.14(a).

Purchase Agreements, any of the other Agreements, or any other commercial agreement or arrangement; The response should include, but not be limited to, the nature of and the purposes or objectives underlying any such condition or connection.

All responsive documents have been produced herewith.

Comcast welcomes the opportunity to clear up the confusion that has arisen in some quarters about the relationship between the SpectrumCo Spectrum License Purchase Agreement[21] and the Commercial Agreements. Two separate issues have been conflated. One relates to the practical interdependence of how these agreements were negotiated. The other relates to the legal independence of the agreements.

The Spectrum License Purchase Agreement and the Commercial Agreements were negotiated and signed concurrently, as is common practice among parties simultaneously negotiating multiple mutually-beneficial agreements. Neither Comcast nor SpectrumCo would have entered into the Spectrum License Purchase Agreement had Comcast (and the other SpectrumCo owners) and Verizon Wireless not come to terms on the Commercial Agreements. In that sense, the transactions were integrated.[22] This integration was important because Comcast's objective all along has been to have a viable strategy and business plan to provide wireless options to its customers. Comcast viewed the spectrum as a strategically important element of that plan, and it would not have relinquished the AWS licenses without having in hand alternative ways of achieving its wireless goals.

As we have previously said, however, as a legal matter the Spectrum License Purchase Agreement and the Commercial Agreements are separate from and not contingent on each

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21 Comcast does not address in this response the separate Cox Spectrum License Purchase Agreement.

22 *See* Eliza Krigman, POLITICO, *Comcast Executive Defends Verizon-SpectrumCo Deal*, Mar. 8, 2012.

other.[23] In fact, with the exception of the executory Reseller Agreement, the Commercial Agreements are in effect today, but the AWS license assignments have not occurred, as they require Commission approval (and completion of the Hart-Scott-Rodino review process at the Department of Justice). Moreover, if the Spectrum License Purchase Agreement is not approved, the Commercial Agreements nevertheless will remain in effect, and if the parties were to terminate the Commercial Agreements, the Spectrum License Purchase Agreement would still be effective.[24]

19. Provide all documents discussing whether the agreements have an impact on the state of competition on any Mobile Wireless Service or Mobile Wireless Product.

All responsive documents have been produced herewith.

20. To the extent not already provided, provide all documents cited in the Public Interest Statement or Joint Opposition and the attached declarations, and any data, documents or analyses provided to, reviewed by, or relied upon in preparing those declarations, grouped by declaration, Public Interest Statement, or Joint Opposition.

Any internal data, documents, or analyses responsive to this Request have been produced in response to other Requests. External sources cited in the Comcast- and SpectrumCo-specific sections of the Public Interest Statement and Joint Opposition, as well as Exhibit 6 to the Joint Opposition, have been compiled and attached as Appendix B.[25]

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[23] Public Interest Statement at 23; Joint Opposition at 70.

[24] *See* Letter from Bryan N. Tramont, Counsel to Verizon Wireless; Michael H. Hammer, Counsel to Comcast Corporation; and J.G. Harrington, Counsel to Cox TMI Wireless, to Marlene H. Dortch, Secretary, FCC, WT Docket No. 12-4, at 2 (Feb. 9, 2012).

[25] The compilation does not include Commission or judicial materials.

APPENDIX A

[REDACTED]

APPENDIX B

Request 20:

Documents Cited in Comcast/SpectrumCo Portions of Public Interest Statement

MANAGEMENT DISCUSSION SECTION

Analyst, Goldman Sachs

Okay, we're about ready to start the 11 o' clock session. We're really pleased to have Comcast joining us today, it's Michael Angelakis, who is the Chief Financial Officer of Comcast. He joined Comcast in 2007. Before that most recently he was a Managing Director at Providence Equity Partners from 1999 to 2007. So, Michael welcome to Communacopia.

Michael J. Angelakis, Chief Financial Officer

Thank you.

QUESTION AND ANSWER SECTION

<Q>: Maybe, we'll startup with how we've been setting a lot of these discussions up, which is just wrapping some macro context around, what pattern through the cycle and then we'll get into potentially what happens coming out of the cycle, but if you can sort of set us up with what you think sort of broadly the impact has been on sub-growth in ARPU?

<A – Michael Angelakis>: Yeah, if you actually go back and you think about the economy right now, and actually I think there is optimism. Clearly, unemployment is challenged, housing is challenged, local advertising continues to have some issues, although, we're cautiously optimistic.

But I think if you go back to the early part of 2007 and you look at our company and if you look at some of the metrics and actually if you painted a scenario, that said, we were going to go into one of the deepest recession since the great depression. We were going to have two large competitors overbuild us to roughly 30%. How would we have performed, and since that time, we've lost about a million video customers. We really don't like it, but that's been an impact related to clearly the economy and certainly additional competition.

It actually put on though, about eight million voice and data customers, so net-net we're up about seven million customers since the beginning of 2007. We've also grown revenue, cash flow, free cash flow considerably, EPS, we've also had an impact on advertising, which has been negative. So I feel pretty good that we have navigated this cycle in a pretty positive way and if that scenario has played out, I look at execution and say execution has been pretty good during a really difficult cycle.

<Q>: And if you think about the ARPU component through this cycle, obviously there is sort of dueling headwinds here, competitive and cyclical, how would you sort of disaggregate the two?

<A – Michael Angelakis>: Well, I think the way one out of four of our customers take off three products. You have to think about it that way. And we really look at total ARPU and we've grown ARPU considerably, we've grown it 7% year-to-date. If you take out advertising, which is not done as well as we had hoped, we've grown about 9%, I think is the number. So we are super-focused on ARPU. It's a really important element and there is a natural balance between what our financial results and what our customer growth and that balance we are obviously trying to manage very, very – in a granular way.

<Q>: As we start to think about the other side, I mean certainly at this conference, the media side at least has been bullish and started to talk about inflections and trends, wondering as you start to think about the cyclical uptick, it's – maybe if we can sort of attack both segments on the volume side and the pricing side, what do you think, what sort of pickup should we expect?

<A – Michael Angelakis>: Well, I think in the rebound, part of a big correlation for us is housing growth. So if housing formation comes back, we undertake ample share of that. Secondly, if the consumer gets healthy, I think we're going to see growth in ARPU related to more services and also I think that our advertising will do better. We have lost roughly one to two percentage points of cash flow related just to advertising. So I think we are positioned, both internally with regards to how we've taken cost out of the business, but also externally with our products that when the market comes back, whether it's housing growth or consumer confidence or advertising, I think we're pretty well positioned.

<Q>: I think the latest data points out of the company, you certainly said this on the second quarter call and then sort of reiterated more recently, the – talking about sort of trend rates exiting the second quarter positioning people for 3Q and sort of giving a message that 3Q looks more like 1Q, in particular I think on the broadband side. I'm wondering, I guess couple of questions attached to that a) is that still the view, but b) I think more importantly, is it far enough into the quarter to sort of make that claim, I think Time Warner Cable actually was saying that September is the big month within the quarter, so that's where the inflections really occur, it's too early to call. Maybe just some comments on that and then I'll be sort of have a couple follow ups?

<A – Michael Angelakis>: Yeah. First of all, I think quarter-to-quarter is a terrible measurement period. I think we look at the company and manage the enterprise on an annual basis and certainly longer than that in terms of how we create value. In the second quarter, I think we had an aberration with particularly high-speed data. I think we of course corrected that and I think we feel very good about how our net adds are performing with regards to the third quarter.

So I just go back to the comment I made earlier, we are in a very granular fashion managing unit growth and financial metrics and I think they sometimes will swing quarter-to-quarter depending on we're in the back-to-school season now, depending on seasonality, depending on a whole number of factors. But I think that the third quarter from the unit perspective is shaping up just fine.

<Q>: And those comments have been mostly attached to the HSD numbers, I'm wondering are we to assume that there is sort of pull through attached to that voice and video?

<A – Michael Angelakis>: I don't want to say too much, but I feel pretty comfortable. I mean we are in almost the middle of September that our performance on the unit side, we're pretty pleased with so far. We've got two or three more release left.

<Q>: Yeah, great. Obviously, another big topic recently given the news flows ownership limitation, wondering if you can step us through the recent removal of the ownership caps, and whether it really has a meaningful impact to your outlook for consolidation.

<A – Michael Angelakis>: I really don't think it has any meaningful impact. It is a really nice win. We thought the law was from a regulatory perspective inappropriate and unfair. We're delighted we've won. We really don't see a major impact. And that clearly begs a question with regards to further consolidation in the cable industry. From our standpoint, we believe we have a lot of scale. So any kind of cable acquisition is going to be far more analytical from a financial perspective in terms it has to be compelling financially, so I don't see the rule change having much of an impact at all.

<Q>: And in terms of making a compelling financially, IRR is it – what type of synergies they are attached and when you look at sort of the cost elements with a lot of people focusing on programming, how would you think about programming relative to incremental scale, are there really big benefits there?

<A – Michael Angelakis>: Well you mean in terms of more cable?

<Q>: Yeah.

<A – Michael Angelakis>: Yeah, I don't particularly think so. I think that we are the low cost provider on the programming side. I think when the company did the AT&T broadband deal, they were very meaningful benefits of scale. I think we've benefited from that and I really don't see us going from 24 million to 27 million really having material benefits of further scale. What is a good transaction for us would be we're going to generate a terrific risk-adjusted return on any type of cable or other acquisitions and I think we are pretty disciplined about that.

<Q>: Great. As we think about the M&A path from here. I think part of it ties into what the corporate mentality actually is right now. As I talk to investors we launched a coverage last weekend. What I consistently hear is you're somewhere between growth value there's not – there is an income component that potentially could be bigger, and so people think about placement of this company and a lot of it obviously would tie into the M&A trajectory. It seems like cable deals would be about cost cutting IRRs and sort of driving the value component versus those other things you could actually do on the growth side, whether it's augmenting, the SME business and sort of the franchise there, or augmenting I have to say on the content side, how should we think through this in sort of a corporate mentality and corporate approach here?

<A – Michael Angelakis>: We are in eight lines of business. We have eight revenue streams in the company. And I think our goal is to reinforce our competitive advantages in every one of those revenue streams, whether we do it through organic investment or whether we do it from acquisition, really the goal and how – we talked about this last week or Steve did, we get up every morning thinking about how do we reinforce that competitive advantage and we have many.

Each of those eight businesses, by the way, are in different levels of maturity of growth, have different opportunity sets and we explore every single one in a great level of that. We are pretty financially disciplined whatever we do, whether it's an organic investment or an acquisition, to me, have to go through both the strategic filter and the financial filter. We've talked about this before. And our goal is to generate great strategic and financial returns as we move and grow those eight businesses.

So you brought up SME. SME, we think is a terrific opportunity. We have line of sight on revenues. it proves growing 51%, the market that we're attacking today, 51% year-over-year. The market we're attacking today is approximately $15 billion. We're now only roughly a $1 billion of that, and we have real momentum in that business and we've focused on that business.

By the way, we've done a 100% of that growth all organic. And even when our team and Bill Stanford come to us for capital for that which we've invested in, we put it through the same filter whether we bought a company or investing organically. When we think about business services and cell backhaul, which is another area, which we size at roughly $1 billion that's a same financial analysis, because we think that's a real opportunity for us to extend our network.

There's clearly another opportunity in terms of moving up to scale in terms of the enterprise market. Right now, the market we're focused on is really companies with 20 or less employees. That's a relatively small marketplace in terms of $15 billion, but there are lot of companies probably double that size that are in that sort of second tier of market. And we are preparing thinking and I want to say too much about going into that business pretty aggressively.

<Q>: Great. Maybe we can switch to article favorite topic, return of cash to shareholders, I'm sure you've left about a lot. Can you step us through, I guess, the current balance sheet framework and maybe layering under that, you're on a deleveraging path right now, but you've eliminated most of the near-term maturities, you guys have done a great job of sort of taking the tower risks off the table in the coming years, it seems like we're close to a level where you probably should feel very, very comfortable about the business, when do we sort of slowdown the deleveraging path and think about other avenues?

<A – Michael Angelakis>: Okay. Let's just go back a couple of years and this is a metric that doesn't get talked about a lot. But at the end of 2007, our debt to free cash flow was about 13.5 times. Okay, that's a number that doesn't necessarily get a lot of attention, but certainly a number that when you say your free cash flow is really the amount of dollars you're going to have to service that debt and it's at 13.5 times, strong company, but not as strong as we'd like it to be.

I think we will end this year 2009, where we have retired roughly $3.3 billion of debt this year and we'll be roughly 6.5 times maybe a notch or two lower than that. I feel pretty comfortable with the progress we've made over the last two years of doing two things, one is growing free cash flow, and two is modestly deleveraging from roughly a $32 billion balance sheet to around a $29 billion debt level. So I feel pretty good about that.

With regards to return of capital and we do look at a dollar of debt repayment, a dollar buyback and a dollar dividend that's all returning capital and accretive to equity. And if you think this year, we'll probably retire roughly 3.3 billion. We have an $800 million dividend. We've already bought back 200 plus billion of stock and we'll continue that. We are at $4.1 billion of return of capital, actually, $4.3 billion of return of capital through roughly the first six months in the year. And I think that we have a real focus on how do we return capital in a smart intelligent way.

<Q>: And just, I guess, a followup there is, if you think about the dividend payout ratio sitting – hovering right around 20% depending on the quarter, is that the right ratio over time to sort of preserve the opportunities that you see whether it's on the M&A front or deleveraging front, or do you think you could move that ratio up meaningfully and still preserve the type of flexibility you want in the company?

<A – Michael Angelakis>: There's a real balance between those three elements of a dividend, a buyback and debt repayment. I think we're pretty comfortable that we've done a solid job of de-risking some of the balance sheet, adding more liquidity, and bringing our cost of capital down a bit, particularly given the macro economic environment, we've lived through over the last 12 or 18 or 24 months. When we think about a 20% payout ratio, we don't want to be pigeonholed in that. If you look at net income it's slightly higher than that, the payout ratio in the sort of 23, 25%. If you look at free cash flow, it's hovering around that number. So I think the key for us is what's the right balance between buybacks and debt repayment and dividend and our hope is that as the company progresses, we'll continue to increase the dividends.

<Q>: Great, maybe we'll switch over to wireless, real quickly. One logistical reminder, if you do have questions remember there's people that will walk up and down and get your questions. We'd love to have this to be sort of 25 minutes of my questions, 15 minutes of yours, so definitely don't hesitate. On wireless, out of the range of options right now what – can you sort of address why Clearwire remains the right partnering strategy --

<A – Michael Angelakis>: There has been a lot of discussion about this, but let's – again it's kind of funny we're going back, let's look at a couple of years ago. A couple of years ago, when we started to look at wireless as how do we extend our three products, our core three products for our customer base. To us it's not necessarily about a quad play in terms of handset and bundles. It's much more of we have a robust data business, which is a terrific premium business. We have a very good phone business, which is growing nicely. And we have a terrific video business.

How do we take those three products and add mobility to them to enhance the product set? We started looking at it in great depth and you come to sort of three options. We are a holder of some AWS spectrum, so we could actually build a network. The conclusion was we have 20 megahertz of spectrum, clearly not enough to do what we really want to do. We don't want to be the seventh competitor in a market that we think is mature from the voice side. And it's a huge economic investment, which we're uncomfortable there's a real return for.

So you take that option you say analyzed it, looked at it, pushed it off to the side. The other option is do you want to purchase a company. And I don't think we have any desire to purchase a wireless company. And then, you look at, can you partner and where is the best partnership that you can actually have. And if you go back to what our goal and objective was of adding mobility to our three core products, you need a hell of a lot of spectrum, and you need a hell of a lot of nationwide spectrum. And Clearwire with the merger with Sprint is uniquely positioned to have a lot of spectrum across the country and clearly in our core markets.

And it was a real opportunity for us to invest. We're part owner of the network. We also have a founder's preference on wholesale access to that network and to-date, we've been pretty satisfied with how that's gone. We've launched in two markets. We're launching in a number of markets, about – important in itself for which was our first launch, about 30 to 35% of the customers that are taking the Clearwire products are brand new customers to Comcast. That in itself is pretty compelling. So we like the partnership and we think it was when you look at what the options are it was I think the right choice.

<Q>: Can you help us think through funding for Clearwire, from your perspective, it's an entity, which probably will need additional capital infusions at some point. You had obviously two paths, get diluted or contribute, keep the existing stake or potentially even bump it up. How would you approach that?

<A – Michael Angelakis>: Well, we don't have any obligations to fund any further dollars into Clearwire. We're about a little bit more than an 8% shareholder. The question really lies I think and I'm not ducking the question relies with Sprint who is a 51% shareholder as well as with Clearwire. I think that they will be funding. I think the company will build out its network like it's doing now and from our perspective, we will evaluate whatever financing it does we have preemptive rights, but again we're only an 8.5% shareholder. We didn't have a Board too.

<Q>: As we think about the strategy in wireless data you had a couple market launches that seem to be going incredibly well. How do we think about where you sit in terms of the product stack over time in wireless? As the carriers would think about it, if they think about wireless as sort of disaggregating the products, you have text messaging which is credibly high margin subsidizing the ratio of voice which sort of sits in the middle and then you have data which is at the bottom at this point quite frankly laptop card data that probably put us at very bottom in terms of the margin opportunity. So why is that sort of the right products that's solely to be attaching yourself to in the wireless market at this point?

<A – Michael Angelakis>: Well I think two things. Clearwire isn't a telco. It has all virgin spectrum. So I think when you look at that product stack, it is – it can be quite profitable just on the data side with the differentiated product. I think the telcos have different constraints including their own issues around spectrum management.

I think from our side why we are leading with broadband is we think that our broadband product is absolutely a terrific product. We have more headroom to grow that business. It's a high margin product. We've put a lot of money into increasing speed and things like DOCSIS 3.0. So we thought it was a natural extension to bundle our in-home product which has say 20 megabits in the home within out of the home product, which will be between three, four, five megabits.

So we looked at it as a natural extension. As you know, we are launching – we're testing today a service called On Demand Online, I can envision at some point in the future, that having a wireless component. And there's been lots of discussion about voice clients at some point and I don't want to say much more than that, but I think that data is really an important product for us to lead in the wireless side.

<Q>: Maybe if we could switch gears to video, you guys are obviously in the process of transitioning through to All-Digital, what are the key things as we come out near the size that allows you to deal with the company.

<A – Michael Angelakis>: A really good snapshot, and that one, this is a huge initiative for us. We are spending between four and $500 million this year and next year on both the All-Digital and DOCSIS 3.0 effort. A snapshot of what it looks like on the other end is probably Portland, Oregon where that was our first market, which is now complete. We have launched over a 100 high-definition channels. We have launched many ethnic channels, so I think we're probably now the leader in that market with regards to ethnic channels. We have DOCSIS 3.0, so we have really high-speed.

In addition, we are working on Project Infinity, which is our VOD platform. So I think the product leapfrog some of our competitors in that particular market and we've seen great reception with the product, particularly in the markets that have been completed. So, this is very important to us and we think that the results in terms of when a market is complete from a whole number of areas in terms of product positioning, customer satisfaction, and operations to the real improvement.

<Q>: A lot of your investors seem to focusing on video ARPU, we touched to some extent video coming out of the cycle, but I wonder if you could just isolate ARPU, are you optimistic that we can sort of get back to historical trend growth rate, or is the competitive environment sort of changed that?

<A – Michael Angelakis>: I think the economic environment has changed, and clearly the competitive environment has changed. We're not completely focused on video ARPU, we're more focused on gross ARPU, given that one out of four customers takes all three services. I do think the days of implementing five, six, 7% rate increases are not – on the video side, certainly won't be there for us this year and next year. And I think that's a result of really just the economy – the economy and to some degree competition. But I think we'll continue to grow total ARPU and you just look at, we are laser focused on ARPU and if you look at through the year, if you take out advertising, we're sort of 9% year-on-year up, which I think is pretty good performance.

<Q>: If we take the – as of the cost side of the equation, I would say everybody sort of focused on programming costs. Over the last couple of days we've got a number of channel operators, media companies in here, sort of taking the other side of this and saying what we've seen over the last couple of years with our data programming cost is the new norm and if anything goes up from here. What's your view in terms of '09, which looks like a relatively elevated year? Is this the new norm or do we sort of move that down from here?

<A – Michael Angelakis>: Well, first I think the radar continues. Secondly, I think we are the low cost provider. So if you look at our competitors, you look at even our peers, we are the low cost provider on programming. I think we are seeing a period this year where it's a bit higher than it has been historically. Our goal is to bring that number down next year, but it is an issue and I think that we are fighting in the trenches everyday related to that issue. And I think it has an impact. I think what you're going to do will have an impact on video margins, it does. But we are taking cost out of the business as well and I think we've been able to keep margins steady to even a little bit up over the last five years. I think the benefits we have in terms of cost savings and product mix with high-speed data to less new business services and as advertising comes back, I think we have a good shot at having our margins continue to be stable and maybe increase a little bit, not a lot.

<Q>: So do you think even beyond the very near term that you're just playing out, is that kind of a medium term view where we should expect maybe gross margin declines but operating margins yet still relatively flat given the cost that you are taking out?

<A – Michael Angelakis>: Again you're isolating on the video business. I think when you look at the other two businesses, I think you see margins obviously increase. We've taken a tremendous amount of cost out of our voice and out of our data business, and I think SME is generating absolutely terrific margins as well. And we are focused on getting into more higher margin business and as I mentioned advertising which is a high-margin business, one that has high operating leverage, we've actually took a hit from because of what's happened in the economy and we're hoping that's going to come back some time next year.

Now, on advertising third quarter, fourth quarter, we have tough comps, but I think that next year we're hopeful that that business returns well.

<Q>: If we could talk about data that seems to be potentially the other side where you actually do have pricing leverage now clearly you've got an infrastructure already build out, All-Digital will help that, DOCSIS 3.0 will help that. I guess that the both cases there is pricing leverage and we can see ARPU increases in data. I'm wondering what we've seen in the industry recently even you guys doubled speed without a price hike attached to it. So how does this sort of all fit into the potential for ARPU increases?

<A – Michael Angelakis>: Well, I think there is a press release today that we have taken some rate adjustments on high-speed data, in the High-Speed Data business. So we do think we have some pricing power there. We have done a terrific job of increasing speeds and increasing customer satisfaction. We think we are clearly the leader in that business and we've also seen our competitors actually take price increases with regard to that data business.

So we love the business. I think we will see a bit of an increase in that business, a bit of an increase in the video business as well, but we're being very careful and conscious with the tough economy we're dealing with.

<Q>: If we think about the potential for future ARPU increases, is it more driven by the step up of the cost of different tiers or is it migration within the tiers where people are moving from lower tiers to mid or upper?

<A – Michael Angelakis>: I don't know the answer to that. I think that we have – we are seeing tiers, we have a Blast service. We've actually been selling that higher price, higher speed service, roughly three to one to the lower price service. So I think indeed for speed and as video becomes more relevant with regards to people looking at sports clips in the morning, I know my kids every morning get up early and go online, and look at sports clips, and our service is geared to providing a great experience for that.

<Q>: We've got a couple of questions sort of following up on SME, which you touched on earlier. $15 billion opportunity, obviously a huge opportunity and Neilson's covering the telcos that's obviously a big margin opportunity as well, I think you reference that...

<A – Michael Angelakis>: Provided you actually given your – such a long telco history. I'm actually delighted that you recommended us. We have more education to do. We really have a lot more education to do. But all I can say is I take my hat, great job.

<Q>: All right, thanks for the thoughts. How do you think about the pricing strategy versus an RBOC maybe just sort of there is two path here, there is a big margin opportunity in that, yeah, there is probably ample penetration opportunity. You've got most of the telco versus an opportunity that really drives share gains versus an incumbent that aids pseudo-monopoly market in many areas, at least has the chance right now. How do you sort of balance the two?

<A – Michael Angelakis>: We have grown the SME business year-over-year 51%. Now, it's still roughly a $1 billion of run rate revenue. So I think you're going to continue to see us push that business. We're going to expand that business in other areas. We think we have terrific momentum. We think there is a real balance between market share and making sure our growth is profitable and that's a really important point. I think that we should talk about is we are very focused. We want to grow the business. We want to grow it really profitably.

We don't necessarily believe in market share that forfeits profitability. Our view is we think we can balance both appropriately and both the consumer as well as in the business side. And I think you'll see us continue to grow the SME in other areas of commercial services as aggressively as we can.

<Q>: As we think about the capabilities you can and will offer over time, clearly there is an enormous opportunity in the sub 20 markets. What point does it make sense to the extent – to extend the capabilities, to try to tackle something bigger and what exactly are the capabilities that you need to move upstream?

<A – Michael Angelakis>: I mean we just launched yesterday or the other day in Minneapolis a 100 megabits commercial service. So I think you will see us increase our sophistication level in terms of going after those customers. I think when we think about Metro Ethernet and we think about other areas of growth, those are areas we are clearly pursuing. It took us time to build the infrastructure, the sale force for the SME business and I think we've done that well and we have momentum in that business and – but we don't want to distract that momentum. But I think we will layer on top of it other areas of growth that we think are real opportunities for us and I can tell you that we are heavily looking at that right now.

<Q>: We'll switch to some audience questions. There is one, sort of going back to capital allocation, but it ties into existing assets and you obviously mentioned that AWS spectrum you have SpectrumCo. How does shareholders get comfortable that over time these are productive assets working for them?

<A – Michael Angelakis>: The AW – I would say the AWS spectrum actually increased in value pretty considerably over time and I think that there's a real goal to make sure that the Clearwire partnership is successful and works well for us and meets the goal objectives we have. I think I've said this before, when Clearwire has met the objectives and it's hard to say exactly what that is. I think we will evaluate what to do with that AWS spectrum. But right now we – I think it's an appreciating asset and from our standpoint, we will continue to hold it and make sure Clearwire is successful.

<Q>: Another question on, if you think about the structure of the video market and look at some of the leading edge at least offerings out there whether it's whole home DVR that you've seen or the DTV sports package, sports offerings, how are you competing against that higher-end segment of the market?

<A – Michael Angelakis>: I think on the multi-room DVR, we have launched a number of services. We just launched iPhone App for different service. So there is a – there is certainly product development where we'll leapfrog one, somebody will leapfrog us there, they don't move. But I think that we're competing pretty effectively. We have a meaningful product development team that is always looking at, how do we improve and enhance meaningfully, not just a press release, a product or a feature for our customers.

So, on the NFL which I think that is SUNDAY TICKET, that is a level of frustration for us, but it is what it is and I think we are doing a good job. We just launched RedZone and we're marketing RedZone which is we're trying to find a way to provide more sports to our customers. That one does sort of [inaudible] little bit.

<Q>: I think the capital spending for the company there is identified on one-year term?

<A – Michael Angelakis>: Your question or somebody else's question?

<Q>: This is back to my question--

<A – Michael Angelakis>: Okay.

<Q>: Certainly open and honest here, but once we get through All-Digital, DOCSIS 3.0, two pretty big projects and I realize one heck a lot more expense than the other, but the – as we get through these near-term projects, are there any other things from the horizon you could think that would keep CapEx sort of where it is now or should we expect level the CapEx to continue trending down over time?

<A – Michael Angelakis>: I think the goal for us is to be really smart about how we invest CapEx. I think the outcome of that is that intensity will continue to decline. I think the projects related to All-Digital and DOCSIS 3.0 are finite. I think we are investing in interactive advertising. I think we're investing in Wi-Fi. I think we're investing in Business Services, we just spent some time talking about adding investment to Business Services. We're trying to be very focused on how we allocate CapEx. But I think the outcome is that the intensity will continue to come down. And that we will continue to fund those projects, which we think has attractive profitable growth characteristics.

<Q>: As we think about longer-term capital intensity, I had to pin you down, I think but just how would you think – do you think in CapEx to rev turns, is that how you like to get investors thinking about it?

<A – Michael Angelakis>: I'm in different. I look at it as a whole number. I think that if you look at 2007, it was roughly six billion plus dollars, it was, 5.7. I think we'll come in at – I'm not going to give you guidance, but I think we'll bring it down. And I think next year, we have a chance of bringing it down in absolute dollars as well.

<Q>: Okay. Another one of my questions, cost cuts, how should we think about opportunities for additional cost-cutting in the business?

<A – Michael Angelakis>: I think we are laser focused on cost cuts. I mean the business – this is no secret, the business has slowed down, both in terms of economic issues as well to advertising or housing growth, it's slowed down. And as it slows down we will take more cost out of the business. So I think we have more continued opportunity this year, next year to take more cost out of the business. We took cost out of the business last year. We're not the type of company that issues a press release and says we are laying off x number of people. We did do that, but we did not do a press release last year, but we did on one of our calls, articulate exactly what our plans were. I think you'll see us take more cost out of the business this year and next year.

<Q>: So we'll end with a couple audience questions. We've had a number of focus on maybe more a function of geography, and where you are, but a number focused on FiOS and how you compete against FiOS. How do we get confident that this is sort of a – can be a constructive situation as opposed to aggressive situation. I think there has been some pricing action recently, which speaks to that wonder if you could walk us through that.

<A – Michael Angelakis>: I don't want to – they're a fine company. They can speak for themselves. I think we're competing effectively with FiOS. I think they have a good product. I think we have a good if not better product. By the way, they're overlapped to us as roughly 15% today. So the other 85% is not FiOS over built, but I think we're starting to even see some win backs from them, where they've come into a market, people want to try the service, it's not as great as it's advertised or a bit more expensive and we're getting some customers back, but – and they've done rate increases recently that I think are pretty aggressive. So I think that we're competing well against them.

<Q>: Do you do win-back surveys to determine when you actually get some back from FiOS which I realize it's very early on, but I'm wondering if you can pinpoint why exactly they're coming back, what are they frustrated with?

<A – Michael Angelakis>: Well, I think it's all of the above. I think that unfortunately we do sub or two every once in a while and if we miss an appointment or VOD product didn't come through, that could be a trigger to move to somewhere else. By the way, no one is perfect and that happens to them as well. I think that their ARPUs are higher than ours. So I think that there are some pricing aspects there. Actually they are – I'm not going to go into too much, but I think we're competing well against them. We are very focused on win backs not just on FiOS by the way, but on U-Verse and DIRECTV and Dish and there's a real goal for us to try to keep our video customers, whether we're retaining them or taking them from our competitors.

<Q>: Okay. Last question which is an audience question that actually overlap with one of mine so balance here but online video and just how to think about relationships you have with the programmers and the opportunity versus the risk over time?

<A – Michael Angelakis>: In a very short time, by the way, we created Fancast. We've also help to create TV Everywhere with our friends at Time Warner. TV Everywhere is a service that we think is complementary to our core service. People are watching more TV today than they ever have. Also in order to watch TV Everywhere or Fancast, we think you need a really high-speed modem or a high-speed access, which again I think we are terrific at. So we just don't see the threat as significant in terms of online. We think it as relatively complementary. And frankly, we're leading the charge with regards to developing products whether it be Fancast or On Demand Online and we think the cable programming group, in particular I think is endorsing On Demand Online and [inaudible] a very good utilization for people who want to watch TV on a PC or a laptop.

<Q>: Great, we're about out of time. Michael, thanks so much for joining us today.

Michael J. Angelakis, Chief Financial Officer

Pleasure.

PARTICIPANTS

Corporate Participants

Michael J. Angelakis – Chief Financial Officer & Executive Vice President

MANAGEMENT DISCUSSION SECTION

Analyst, Goldman Sachs

Great, thanks. I think we're ready to go. And again, everybody, thanks for joining us. We're really excited about the lineup we have this year. I think we have the opportunity to get off to a particularly strong start this afternoon with Michael Angelakis, the Chief Financial Officer of Comcast. Welcome.

Michael J. Angelakis, Chief Financial Officer & Executive Vice President

Thank you. Glad to be here.

Analyst, Goldman Sachs

Lots of things to discuss obviously. I think with the industry backdrop, there are certainly lots of debates around ARPU trajectory and cord cutting. I think one thing is clear though as we look at the second quarter trend rates, the first quarter trend rates, what we sort of know about the data is on the cable side, there have been some very positive inflections that we're seeing at Comcast that we aren't necessarily seeing in the rest of the industry. If you look at PSU adds, up in 2Q versus 2Q last year; nobody else in the industry did that. If you look at basic video losses, a decline in the loss rate in 2Q; nobody else did that. Would love to help you think us through what's going on at Comcast that is different than what we're seeing in terms of the rest of the industry? What can you attribute the success to?

Michael J. Angelakis, Chief Financial Officer & Executive Vice President

Well, I think it's a combination of factors. Good morning or good afternoon, everyone. I think we have been very focused on really leading the innovation cycle with regards to our products. If you look at what we've done over the last couple years, where we basically developed the all-digital platform in terms of DTAs, that's basically complete, roughly 90% of our footprint, and that allows for really a much better enhanced video product.

We've also launched DOCSIS 3.0 several years ago. That's basically complete within 90% of our footprint. And we've continually increased speeds with regards to our high-speed broadband. We've also innovated in a variety of different ways, whether it's through iPad and Xfinity.com, whether it's with how we do with navigation and how we do with user interfaces. And I think the entire experience for our customer in terms of the product has increased substantially over the last three or four years. And I think we are somewhat unique in leading some of that development and really focusing on how do we develop a better product for our customers, particularly video, high-speed data and voice.

Second thing I think we've done is really focused on customer service. We have continued to increase our customer service scores over the last year or so. We are very focused on retention. We're very focused on making sure we do things right the first time. There's been a renewed granular focus with regards to how we're competing and how we serve the customer, and that I think is paying off in spades.

I also think that overall we're competing better. Combined with customer service and combined with better products, I think how we're competing with our customers, with the folks that we've been competing, telcos, satellite and so forth. We're just doing a much better job in terms of executing.

I think we also have developed, and I'm not sure how many folks in our service area here, but additional branding with things like Xfinity.com and Xfinity Television Service. The Xfinity brand, which is now in almost 90% of our footprint, has really high customer awareness. And the brand is actually doing very well with non-customers who feel better about Comcast, and our existing customers feel better with that brand with regards to having a good value for money or technologically advance.

So I give our operations team really high marks of really just focusing on execution, blocking and tackling. But it's been a couple years in the making. And we've actually had three consecutive quarters of year-over-year improvement, not just one in terms of second quarter. Some of the metrics you've mentioned for the last three quarters we've actually outperformed last year. So there's a – we are feeling pretty good about our product, which we're continuing to innovate, and we'll spend more and more time on providing more value to the customer and we're getting better at customer service. There's more work to do there. And our brand will continue to drive. All that's wrapped up with financial results in ARPU and retention management, and again, I think we're doing a terrific job there. So a real credit to our operations team who is just very focused on executing the plan we have.

Analyst, Goldman Sachs

That's lots of food for thought. So we'll get into a lot of those sort of topics in the discussion. I guess maybe just to frame for the audience, there's a lot of moving parts in the revenue trajectory at Comcast at this point. We've got commercial, which obviously very exciting opportunity, the ability to steal a lot of share from the telcos. Broadband; that continues to be a share game. I think a lot of investors are excited about it as an incremental ARPU opportunity as well. Residential video where you've been holding your own, but there are secular concerns. This is generally translated at least in the cable side to sort of mid-single-digit revenue trajectories. We sort of think through all these different components. Is that sort of right framework going forward?

Michael J. Angelakis, Chief Financial Officer & Executive Vice President

Yes. I mean, we really look at product by product or service by service and really go deep in terms of analyzing each of those services. The video product, it's a terrific product, it's a much better product than it was four years ago and I suspect tomorrow it'll be a better product than it is today. That revenue is low single-digit; we're selling more services to the high end. There is – and you mentioned this in your opening remarks – a bit of a bifurcation. But it is a terrific business, really free cash flow generative, and it's a mature business. We all have to recognize that. But I think we have a lot of confidence that we can continue to grow that business.

You look at the broadband business, terrific business, double-digit revenue growth. We have 34% penetration of our market. I think you have to believe that broadband is going to be an 85%, 90% penetrated market. I think people several years ago would have brought that number way down, but I think today it's probably 85%, 90%, and we have 34% of the market. I think we have clear product superiority there. And we're doing lots of things with regards to increasing speeds of those services, and obviously as we make more investments in that product with DOCSIS 3.0 and other services we're increasing ARPU.

People forget voice a little bit; I wouldn't really want to forget voice. Voice is a 6% or 7% growth business, very high margins. We only have 17% of the market penetrated there, so if you think about even with wireless substitution, there's a lot of room for growth in the voice business. And we're bundling it within our service categories, and I think people dismiss it, but it's a terrific business for us and we're continuing to grow that business nicely.

You mentioned business services. Business services is growing 40% plus. We have pretty small market share today. We have a $1.7 billion run rate business on a market that you could define as $25 billion or $30 billion. And right now we're in the execution phase of the small end of the market. We're still in the building block stage of the middle part of that, but we're very excited about the opportunities there and we think we have again a better product and some real competitive advantages and some real pricing capabilities.

You mentioned advertising. Advertising is up for us on our core business about 7.5% this year. Political has some – that's not including political. And our advertising business is just under $2 billion and that's growing nicely, and we think there's opportunities within that business particularly around interactivity and some of the things we're working on.

So we have a combination of products, and we're continuing to plant seeds for new products, whether it's home security or cell backhaul or other areas where we are really looking out over two, three, four five years and how do we invest and leverage our network in a way we can continue to grow the business. So all those categories are in different stages of their development, but there's a level of optimism that we can execute that.

Analyst, Goldman Sachs

I guess – yes, I wanted to ask a couple questions about sort of the economic overlay, as I said, I mentioned in opening remarks, this sort of high-end, low-end bifurcation. I guess as we track the commentary that you guys made and particularly in relation to the second quarter, it was sluggish connect activity initially and then we made some tweaks to get volumes back and we saw progress. I think many investors, when they hear we made some tweaks, it's sort of associated with promotional activity, discounting, and that's what gets the volumes back. I don't think that was the case for you guys, but can you step us through what you did and what works in this environment?

Michael J. Angelakis, Chief Financial Officer & Executive Vice President

Yes. I want to make sure we're clear: that's not how we're focused. People ask me pretty consistently where do we really focus, and if there's two words, we're very focused on profitable growth. So we really pushed that mantra throughout our entire organization; we're very focused on customer lifetime values. So we know how our sort of bundle of service look like from a customer lifetime value standpoint.

With regards to B1, which I think is what you were talking about, we have lost more customers in the B1 category than others. We are really focused on customer lifetime value, so those can be very profitable customers, because don't forget about 70% of our customer base takes more than one product, actually takes two products, and 35% of our customer base takes all three products.

So we are super focused on making sure that customers that come on to our service represent positive customer lifetime value, and whether they are high-end customers or lower-end customers, we're trying to bundle them. We're using a variety of channels. We're using online channels, which have been very good for us this year. We've revamped how we're putting on customers with Connect Online, a whole variety of other channels, but I don't think it's as promotional as some people might think.

Analyst, Goodman Sachs

There's also the seasonal overlay that we sort of have to think about as it relates to 2Q and 3Q. Steve was asked this question last week about volumes, and I think his response was, historically when I was involved in this business, I used to get freaked out in July and August, but then September I'd calm down and volumes came back, and he said he was optimistic. I'm wondering if you can put sort of a finer point on it. Are you seeing volumes come back the way you'd expect in September?

Michael J. Angelakis, Chief Financial Officer & Executive Vice President

Yes, there is some seasonality in the second quarter; there's some seasonality because you have snowbirds and you have college folks sort of leave and that impacts our connects and has always impacted our connects. So I can tell you Steve would have anxiety in the second quarter related to what that really looks like. And then in the third quarter, you do tend to get some of that back with regards to September in back-to-school and those kinds of areas. We are very focused on back-to-school. I don't want to give guidance, but I hope you hear from my tone, we have a level of confidence in our business. We think we're continuing to execute well across all categories, and we'll see where the third quarter plays out, but we feel pretty good about how the business is performing.

Analyst, Goldman Sachs

Great. One of the other things that comes up, and it could be a longer-term discussion – love your perspective on it, but this sort of concept of added territory video. And this is, it's more a theoretical debate at this point than anything, but you I think, recently, the second quarter call, your comment was, we haven't found a model that actually makes sense. And I guess I wanted to probe that a little bit more because this to me would seem to come down to success being driven by the scale operator with programming. And you guys would seem to be [ph] in that seat (12:36), so I'm wondering if you can give us a little bit more detail or color around why it wouldn't make sense [ph] with the amount of footprint. (12:41)

Michael J. Angelakis, Chief Financial Officer & Executive Vice President

We may be uniquely positioned with a lot of ingredients, but if you really look at our business, our key asset is the network we have. And if you look at our penetrations, where we have – our network path is a little bit more than 50 million homes. And we have 23 million video customers. We have 34% high-speed data penetration. We have 17% voice penetration. We have low teens, 12% or so, on small business services. That's the small part and really embryonic on the medium side.

The best return that we can do is to increase connection to that network, whether they be voice, video, data or they be on the business services side. We want to leverage that network; we want to leverage the relationship we have with our customers. We want to be able to control the experience and service that customer. So when we look at the opportunities we have and we think over the next 5 or 6 or 10 years where we think we can show the most profitable growth that is sustainable, we think it's being able to leverage our network. We don't necessarily believe today doing an outer network service on somebody else's network and negotiating with programmers and very low barrier to entry is a great business proposition for us.

Analyst, Goodman Sachs

And is that decision a silo approach of we do this and no one else does and what are the sort of silo economics? Or is that sort of – is there additional consideration there: if we do this then everyone else is potentially going to do it to us and this is industry Armageddon and that's what ruins the economics?

Michael J. Angelakis, Chief Financial Officer & Executive Vice President

No, no. I don't think it's that. I think it's we're – you want to – a large company with a lot of folks and you want to point your organization to focus on where you can drive the highest ROI that has real sustainability to it. And I think we've concluded that leveraging our network where we think we have a lot of growth left within our territory is the highest ROI that is sustainable. So I'm not sure the sustainability of out of network with regards to programming costs and you really don't differentiate and we've looked at this a number of times and continue to come back to we have terrific opportunities in the communities that we serve, which is over 50 million homes.

Analyst, Goodman Sachs

Maybe we can switch to broadband; that's obviously a big opportunity. You've talked about it more in sort of penetration gains, which makes a ton of sense. I think investors are also excited about the ARPU opportunity. And when we look at your share versus telco, which obviously continue to take just dominant share, would suggest...

Michael J. Angelakis, Chief Financial Officer & Executive Vice President

I wouldn't use that word, but that's okay.

Analyst, Goodman Sachs

Very high share. It would suggest – you've got room for greater pricing differential than you have right now. And so the question I get from investors is why not monetize that differential.

Michael J. Angelakis, Chief Financial Officer & Executive Vice President

Well, I think we are monetizing it, and I think we are being very careful about the balance between market share and ARPU growth. We've invested a lot in our broadband products. With DOCSIS 3.0, we're putting WiFi modems in; we call them [ph] Dorys (16:11). We are increasing speeds of our service, and we also are increasing pricing. This year through the second half, I belief 75% of our high-speed database has experienced a rate adjustment with regards to their broadband service. But what I think is probably more important is we are taking share. Over the last eight quarters, if you add up the net adds by the two large telcos, Comcast alone has outperformed the large two telcos in terms of share shift pretty dramatically over the last eight quarters. And we feel really good about that product.

So we feel good that we're able to take share from a competitive standpoint. We feel good that we think the market is expanding somewhat, and if you're a believer in broadband you've got to believe it's going to 85%, 90%. And then we've also over the last several years have done rate adjustments that commensurate with our investment in the broadband service. So we're increasing ARPUs.

So it's a terrific business for us and there's a real balance between the ARPU and share. And I think we're growing both really nicely. I think second quarter revenues were up over 10%, and that's a pretty good number on a business that is as large as that is.

Analyst, Goodman Sachs

And so with the investments you've made, the tiers you created and hopefully migrating customers up the tiers, is the expectation from here that ARPU growth improves in broadband?

Michael J. Angelakis, Chief Financial Officer & Executive Vice President

Yes. About 24% of our base takes a higher-tier service, which means more speed. I think there's a real hunger for more speed and we're taking speed up again. So people who have our flagship service, their speeds are going up. People who have our Blast! service, their speeds are going up, and over time we're continuing to monetize that I think that if you really look at our broadband business, we have absolutely monetized that business and we will continue to do so.

It's a really terrific business, and importantly we think we are creating a wider moat from our competitors by increasing speeds and doing a variety of different things that we think competitively we have a much stronger product. And the numbers speak for themselves in terms of share shift, while we're also increasing ARPU. It's pretty hard to do where you can increase ARPU I think as dramatically as we have and increase the number of customers as dramatically as we have.

Analyst, Goodman Sachs

Maybe switching gears to business services, there's always sort of very large numbers thrown out about what the actual opportunity – [ph] and footprint (18:51) opportunity is. As investors look to cut the current capability set, and where the capabilities extend, and we've obviously seen a range of [ph] SELAC (19:05) and cloud computing deals that both you and a number of your peers are engaged in. Where is the current capability set? Is there sort of a certain employee size that you can help us think about and maybe sort of cut this down?

Michael J. Angelakis, Chief Financial Officer & Executive Vice President

So this is another pretty exciting area for us. We have to recognize it's a relatively new area for us. And we divide the market pretty much in three categories. We divide the market in a small business, and that is businesses that have less than 20 employees. These are restaurants; lawyers' offices, small ones; doctors' offices; and that business really got going about three years ago and has really got momentum. We've invested capital in that business, put in an entire new sales force. How we service that customer is different, and these are really important high ARPU customers for us.