## MANAGEMENT DISCUSSION SECTION

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Good morning.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

Good morning. Thank you for coming.

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Good to be here.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

So let's start off with some bigger picture growth drivers – growth and revenue drivers. The last two quarters, you saw some signs of stabilization in data and voice ARPU. Some of this impact – some of this is the impact of SME in the mix. Can you tell us what else is going and is the ARPU sustainable?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, for those of you who don't follow our business closely and even those of you who do, it's important to remember when you look at a cable company that close to half of our revenue comes from businesses other than video, and you've got small and medium-size business and I agree with everything Jessica said about the opportunity there, but you've really got to look at how big our data business is, how big our phone business is, how big the advertising business is, and of course content, and really within all of those businesses, there's times when units go up, there are times when ARPU goes up, there are times when cash flow goes up and ebb and flow of the competitive dynamic, and what we're really trying to do is find the sweet spot that maximizes our cash flow over a long period of time.

If you look at our high-speed data business in particular over the last 10 years, our ARPU has remained remarkably constant, over $40 during that entire period, despite the fact the RBOX has dramatically discounted that business and we think has a much lower ARPU than we have, and one of our goals is to try to keep that ARPU where it is or as close to where it is as possible. That having been said, with the normal ebb and flow of competition, it may decline a little bit, it may go up a little bit, but I don't think it's going to change in too material a way.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

And what do you envision as your greatest potential area of growth?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, as your presentation mentioned, small and medium-size business, we're about an $800 million small and medium-sized business company right now, growing at 50% on an annual basis, and it's rare that you'll find a business that's that big that is growing at that kind of a growth rate, and we see that kind of growth continuing. So small and medium-sized business clearly could add, in my opinion, a couple billion dollars to our revenues over the next five or so years.

That having been said, we have other businesses that could add as much. The high-speed data business, despite the fact that it's now over a dozen years old, I think has a lot more growth. Right now we have about 15 million high-speed data customers out of a footprint of 50 million. In about 75% of our footprint we clearly have a better product than DSL, and in the 25% of our footprint where we have fiber-based competition, our product is as good, and we're investing a lot of money – have invested a lot of money in DOCSIS 3.0 to improve our speed.

Wi-Fi, we're looking at very carefully, a lot of other different things to enhance and grow that high-speed data business, and it would not surprise me at all if over the next five or so years, we add two or $3 billion worth of high-speed data revenue that we don't currently get, and then you've got interactive advertising and a bunch of other different growth opportunities, and to me that's one of the nice things about our business. The video business is clearly mature and we're facing more and more competition, but the other businesses, our strategy is to keep growing all of those other businesses so that we can grow free cash flow and increase the value of the company.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

On the cost side, how should we think about programming expenses in 2010 and beyond? There are a lot of things that are affecting programming costs beside just your annual renewal of contracts. So maybe you can touch on what the drivers are including retransmission fees, how you see that developing, the impact of a higher digital base, as you go all digital?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, the toughest part of the video business, I think, is the programming cost increase that we've worked awfully hard to try to keep down and when we went from eight million subscribers to over 20 when we did the AT&T deal, we worked very hard to try to restrain the cost increases, but it's tough, and if you look at our company and probably the industry, programming cost increases were around – we were around 9.5%.

I think this year, and the industry was probably thereabouts, maybe a little bit higher, because we're larger than the other players on the cable side. It's a lumpy part of our business, and this year was a higher lump. We had a lot of retransmission consent, expirations, we had Univision, we had a lot of other big deals that expired this year. I think next year'll probably – 2010 will probably look a lot more like 2008, but ideally, you'd like to get those programming cost increases down to an inflationary level if your pricing is going to be increased on an inflationary basis and it's a real challenge for the industry that historically we have not done a great job managing.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

Do you pay more for On Demand Online or TV Everywhere, whatever you guys call it? On Demand or something?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

No, I don't know. I don't think that model works. I think if you start with what the consumer wants, the consumer wants free product on the Internet. They don't want to pay per click, and I think they will get that product for free whether we give it to them or they get it illegally or they find another way to get it.

The idea behind On Demand Online or TV Everywhere is very simple, and that is that we have the exact same interest that the content providers have in making sure that we get ahead of the steam roller that's the Internet, and you look at so many other businesses in the media space where they didn't get ahead of it, whether it's music or newspapers or radio, didn't have a model that protected their core business, and then boom, here comes the Internet as this destroyer of wealth.

Our theory is, and if you look at most of the entertainment companies, they make 60, 70% of their EBITDA from cable content, and every time a person stops subscribing to cable or satellite, those entertainment companies lose that revenue, the same way we lose that revenue, and it's very much in everyone's interest to preserve that model, which really exists nowhere else in the world the way it exists in the United States.

So our pitch, and so far it's receiving a very good reception, we have 22 different cable content providers who've signed up for our service. Our pitch is anybody who subscribes to cable or satellite or telco video should be able to get a lot of that programming on the Internet if they first prove that they're a subscriber, and that is very, very positive for an entertainment company to be unshackled and to not have to argue with us about what they put on the Internet or not, and not have to worry that if they put too much in the Internet, all of a sudden people are just going to stop subscribing, and so the content companies make money from the advertising and they get to popularize their brand, and the whole concept here is that first and foremost, you keep that ecosystem that's the affiliate revenue stream plus advertising for the content providers and of course cable and satellite companies keep the subscribers.

So we launched a site that has this authentication. It's very complicated technically, although we think we've figured it out. We have 5,000 people in it in a beta site. We're rolling out nationally in the next 30 or 60 days, and just like Video-On-Demand in the beginning, I think there's a little bit of natural conversation that needs to take place to make sure that entertainment companies are comfortable putting their products out, that it's not going to get stolen, that the authentication does work and we have the same concerns. The nice thing is we're on the same side of the table, but I think we got a model here that will – if we do it right, will allow us to get ahead of what is inevitable, and that's people watching more video on the Internet. We just want to make sure that the video they watch is the stuff that we pay for and the cable content providers provide on that basis.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

Data and voice have helped to overcome declining video margins. How much more upside is there on the margin side?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

In terms of the percentages, you put some margin numbers up where you said I think that telephone was 80% and video and high-speed data was 95%. Margin's a very – it's sort of an interesting economic exercise in a cable company, because you essentially have one pipe and a lot of your costs are capital related and essentially fixed, and then you have a series of call centers and technicians and a lot of their activity is shared. A third of our installs, something like that, our Triple Play install. So it's hard to precisely determine what the margins are, and we would have people in our shop that say, look, you're true fully allocated high-speed data margin is nowhere near 95%.

That having been said, data, small business, interactive advertising, telephone don't have programming costs embedded in their cost structure and about 25% or thereabouts of our video revenue go into programming costs. So those other businesses are higher margin, and what you're seeing, I think we have the highest margin in the cable business, or we're right up there, and what you're seeing is our margin is staying the same or going up slightly as the mix of our business shifts away from video towards some of these some other inherently higher margin businesses. I don't think we're going to go from a 41% margin to 46% in 12 or 18 months, but I do think it would be natural to see us start to inch that margin up as we get into these businesses that have a relatively better cost structure like small and medium-sized business data and phone.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

Going in the right direction. After all the digital and wireless rollouts are complete, what is next for Comcast from both a CapEx and a strategic perspective? Maybe encompassing that, do you have any plans for a network DVR?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, one of the questions historically that's haunted the cable industry, as you know, is there's always something else. There's – you build your plan to 550 and then there's a 750 rebuild and an 860 rebuild and the good news I think, if you step back and look at our company, and I think a lot of cable companies have a similar profile, but let me just tell you at Comcast, we were spending about 20% of revenues on capital just a couple years ago, and now we're about 13% of revenues are spent on capital, and free cash flow as you know is growing very dramatically, and so what we're trying to do is manage the company so that capital essentially stays flat or maybe goes down a little bit, but certainly doesn't increase as a percentage of revenues, and so the business becomes – as it grows, becomes less and less capital intensive.

That having been said, whether we spend 5 billion or 4.5 billion, we still spend a lot of money on capital and the projects that you've been talking about, taking the company all digital is an expensive proposition where 10% of our company's completed with that, we have about half of the company going through that in one form or another, and that is a real investment and a real intellectual bandwidth in capital and operating focus and costs, and then we have DOCSIS 3.0, et cetera.

I think after those projects, there will be other enhancements, other product enhancements. I don't see anything on the time horizon that's going to change the capital intensity of the business, because those are big projects and we can have other big projects come in their place. We're very interested in the network DVR. We think that is a great application and really applaud Cablevision and Tom Rutledge for taking the lead in terms of how they've approached that.

We think Switched Digital Broadcast is a great technology and the one thing that we've learned over the last 40 or 50 years, people always want more. They want more in their video, they want more channels, they want more Video-On-Demand, they want more on the Internet side. They want more websites and functionality and more speed, and so one way to think about our business, we're always looking out two or three years, saying well, we can only really get one or two major things done, and how do we do that in a way that operationally and financially it doesn't get too lumpy or throw the company out of kilter.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

Switching gears a little bit, have you noticed any pick-up at all in advertising, either from – at the local level at the cable systems, or national with your cable networks?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Yeah, I think there's a little bit of reason for hope. We – Charlie Thurston, who runs Comcast Spotlight, our advertising business, it may be two or three months ago, I'd call him and he'd say, well, pacings are 80% of last year, which in a business that was 1.5 billion, that's a big drop off, and maybe 45 days ago he was saying, I'm seeing pacings at 85% of last year, and the last time I talked to him, he said, well, I'm seeing pacings at 90 or 95% of last year, and we had a week over 100, and it's amazing when you get an advertising executive who's excited about being down 5 or 10%.

But I do think there is some grounds for optimism. About a third of our advertising business historically has been automotive and there are signs, I think, that the big car companies are starting to spend a little bit more now, and just a feeling that it's coming back, and even though our advertising business is only 5% of our revenues, it's very high incremental cash flow, and if that business comes back, it's going to add a point or two to our operating cash flow growth when it does come back. So we're watching it very carefully. I think clearly too early to say, eureka, the advertising business has come back, but it's certainly better than it was.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

And anything on the cable networks? They're kind of small for you.

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, it's interesting. The cable net is sort of the way it seemed to us was that local was hit much harder than national, and within national, every cable channel is in a different category, and our cable channels like E! and Golf and VERSUS and our regional sports businesses were enjoying pretty good ratings dynamics. So the fall off that we saw in our local spot advertising business was more dramatic. The cable content side, I would call sort of shaky and watching it week to week, but less dramatic as a fall, and so less of a feeling that there's a recovery.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

And then moving up to the balance sheet, your balance sheet's obviously very strong. Net debt to EBITDA was less than two times, and you have very significant capacity. What will the company's business next look like in the next three to five years, and would you be interested in more content?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, if you look at cable companies over the last 10 or 20 years, I joined the company 11 years ago. It's really amazing how deleveraged our company and other cable companies have gotten, the idea that a cable company trades at two times, coming from where the industry came, and we've obviously worked very hard to get our company in that position. We feel like there's more competition than ever with the economy in the kind of shape it's in. We like where we are from a leverage point of view and I think would be uncomfortable if our leverage was significantly higher.

And then, you've got all sorts of trade-offs to make in terms of how you see the business and the capital intensity going forward. In terms of the company as a whole, we're 95% cable distribution right now. The other 5% is video content and Internet content, and I think at our core, we believe that content and distribution work well together, and people say, well you know, Time Warner just split up Time Warner and Time Warner Cable. We say, yeah, we've noticed that, but if you look at what Rupert Murdoch did with BSkyB, if you look at what John Malone did, I think there are a lot of case studies where content and distribution, particularly in a world where the distribution has technology that can deliver content in new and innovative ways, you really can create a lot of value by putting content and distribution together, particularly if that content is cable content.

And again, when you look at the big media companies, the best businesses that all of us have in the entertainment business, I think, are the cable content channels, and those channels with that dual revenue stream are really good businesses, and I think we wouldn't be doing our job if we didn't try to figure out a way to get bigger in those businesses. We love E!, we love VERSUS, we love Golf and our regional sports networks. Those businesses are growing more rapidly than our cable business, and if the opportunity came about where we could add cable content to our portfolio, I think we'd do it.

Just to sort to get it right out there, I don't think that means doing a big deal with our stock. I think all of us think our stock is significantly undervalued. So I don't think that means doing a big deal with our stock. I also don't think that means doing a big $50 billion acquisition. I think it's more trying to find opportunities that are complementary with our core business that don't take our balance sheet and push it back into a position which we've worked so hard to get it down to two times, and we'll see, and we're going to try to make sure that we're disciplined and we have higher IRRs and good free cash flow generation and we'll see if anything comes available. If it does, we'll certainly look at it.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

And on the distribution side, the courts just struck down the 30% cap. Does it mean anything to you? What are the pros and cons of a bigger footprint?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, we never really thought there were good grounds for having that kind of 30% cap. So the day that the announcement came out to us, it wasn't a surprise or it didn't really change our worldview. We really like the cable business. I think when you look out five or 10 years, cable's going to be right at the core of whatever Comcast becomes. We like the business. We're continuing to invest in it. It's really a part of the DNA of the company, and we would like to get bigger in cable if the economics were right.

I don't think we wake up every morning saying, how do we get bigger in cable. Pretty hard for me to see how there would be significant synergies on the programming side or on the hardware side when you go from 24 million subscribers to 27 or 30, whereas 10 years ago, we looked at it and said, in the world that we see coming we need some scale. We want to get bigger in cable. We don't wake up every day saying, how do we get bigger in cable, but if there's a way to acquire cable systems for what we consider to be a good price, ones that are contiguous or well-managed, we would certainly look at whatever was out there.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

Okay. Let's go to some of the newer businesses. On SME, it sounds like from your comments that you – I don't want to put words in your mouth, but are you comfortable with the $2.5 billion in revenue that the company has publicly stated as target for, I think 2012 as the year?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Yes. I think – it's interesting, we're a big company and we have all these different lines of businesses, and what you want to do is constantly be starting businesses that two or three years down the line can be a real driver, and there was a time – Bill Stemper, who runs our commercial business, has sort of – one of my quotes on the wall of his office, there was a time when on an analyst call I said, I'm getting anxious because we're not moving fast enough with small and medium-sized business. Now we're moving fast enough.

It took a long time, I think to get all the right infrastructure, to make sure that the product was right, to make sure our people were trained, we had enough sales people. We have thousands of people working in our commercial area and it took longer than I wish, I was impatient, but now I think they're growing very, very nicely. They're right on track to hit something like 20, 25% of the small and medium-sized business in our footprint.

And you know it's interesting, when you did your presentation you were talking about companies that are 20 people or less. That's one area of the commercial market. There's also, and you mentioned sale backhaul, but there is slightly larger companies, larger companies, all sorts of different ways that we can potentially use our platform and use the base that we have, and I think what you'll see is we'll hit that 2.5 billion and then we will continue to evolve and morph and get into related businesses and keep trying to drive that growth engine for the company, and if you look over the next two or three years, about a third of our operating cash flow growth comes from commercial.

And so everybody in our company right now, two or three years ago you'd do budget reviews and the general managers would sort of feel like they had to put a slide in about commercial. Now, right up front, in the center, you get a general manager who spent 20 years providing residential service, talking articulately about what we have to do to get better in commercials. So I think there's a lot of opportunity. I think we're clearly going to make that a big business and I think that business will morph and change and maybe even be bigger than we think today.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

What are the margins of SME now, and what do you think you can get to?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

I don't think your 50% is far off. First, you have to put the infrastructure in place, but the fact of the matter is, one of the reasons why we can deliver that kind of value is that the investment on the plan has already been made, and you imagine a law firm on the main line of Philadelphia that is in an office complex near a residential area.

We might have fiber that literally goes right by or even goes into their building already. And so the incremental cost to take that law firm and give them very, very robust high-speed Internet, much better than a T1 line or certainly than DSL, to get telephone service in there, that incremental cost is very low and allows us to provide a really attractive proposition.

We try to over serve that market because we're not in the really big business commercial market. We really hired people and geared ourselves to that small and medium-sized market. So we may be the first company that has actually called on that law firm and had someone go and say, okay, what do you need, and really sit down and prescribe the right solution.

So when you put that all together, I think there's no question as we've achieved scale that that small and medium-sized business market is value margin accretive whether it's 50 or 55 or 45, depending on how you allocate the cost. It's clearly higher than our overall margin. So as it grows, it should be a nice look for us.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

And on wireless backhaul, can you help us size that business opportunity, and also can you say how much you plan to invest next year?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, it's a very substantial opportunity and if you think about it, the number of towers in the United States is going to increase, not decrease, and if you're Verizon or AT&T Wireless, you probably don't want to give backhaul, all other things being equal, to one of your direct head-on-head wireless competitors, just doesn't feel right. So I think the cable industry is very uniquely positioned because we have fiber close to a lot of these towers.

It's quite capital intensive, but you tend to get long-term contracts, so if you're spending a lot of capital, but you have a three-year deal and a positive ROI and are able to compete because you've got fiber deep into your footprint in a way that another company does not, it's a great opportunity. I think the capital – it's hard to precisely size it, because the business we've only been in really of any real substance for about a year or so, but it could be a significant place for a significant investment but the good news is you don't invest unless you get a secure contract that has a very high IRR.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

And let's move on to wireless, obviously an important topic. On the second quarter conference call, Clearwire's CEO said that consumer adoption of 4G in the early markets of Portland and Atlanta were strong. Can you talk about your view of that launch? What lessons you've learned that can be applied to future markets like Philly, Chicago?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, for those of you who don't follow us too carefully, we launched 4G service based on WiMAX with the Clearwire joint-venture as the plumbing or the delivery of the service, although it's branded, it's Comcast branded. We launched in Portland, Oregon on June 1 and we launched in about a month ago in Atlanta, and in both of those markets, we are significantly ahead of our projections. We're doing a lot of installs.

We're selling transactionally. So people call in and they say I just moved to town, I'd like to get video and high-speed Internet, and we'll say, well, you can get video, high-speed Internet in your house and out of your house, and here is a very attractive offer for a 12-month basis, and what we're finding is a higher percentage of people who are really calling up for high-speed data and video service are also taking this mobile product than we've thought and maybe the best news is we believe that because we're offering in-home and out-of-home very high-speed data rates, that we're getting people back from DSL.

So people are calling up and saying, I really like this idea of having this great high-speed data service in my home and being able to take it out of my home on my laptop, and I know that AT&T and Verizon and Quest can't offer those kind of speeds. So I will disconnect my DSL service or never get it in the first place and come over, and to me, that's something that we're watching very, very carefully, that kind of share shift, and so far in Portland again, it's only a couple months into it, two or three months into it. It really looks like that product is working out.

The game plan with Clearwire is to launch to the majority of Comcast's markets in the next year, 4G and we have a real time to market advantage versus LTE. We will be the first place in many of these markets where you can get the kind of data speeds that we're going to be able to deliver, and I think our feeling is particularly since high-speed data is so core to our company and such an important part of our mix, anything we can do to enhance that product and add value to that product including this 4G product we ought to do.

So we're hardcore about 4G. We're going to attack it aggressively and are working with Clearwire to make sure that we get as many of our markets lit up as soon as we can.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

Now, what is your view on wireless substitution and data? Do you think that the landline pipe will always provide additional benefits and mobile is – it's just – what's your view of wireless?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, if you take our three core products, video, data and voice, I think there's wireless substitution in the voice business now around 5% of all people who get a landline phone disconnect that phone and go to wireless, around 5% of all the people with a wireline phone disconnect that and go to cable or some other provider. So you've got wireless substitution on the phone side of about 5%.

There is really no evidence that we can find that significant numbers of people are doing wireline substitution for video or data, and if you think about it, which is not to say there aren't anecdotal evidences, evidence of college kids, or someone saying, my cable subscription was too high or my satellite service was too expensive, I'm just going to get stuff on the Internet, but if you look at the number of multichannel video subscribers, I think it's increased every quarter for the last 10 years and it's still increasing, it's not going down, and the same kind of data coming out of the high-speed data business.

And I think the answer is, that if you think about it, if your home is located in the right place, your wireless phone can work perfectly as a substitution. It really delivers you all the functionality of your wireline phone, depending on where you live, for you that may not be the case, but many, many times, that's the case. That is not the case with high-speed data and that's not the case with video, and I don't think it'll ever be the case, and the reason for that is the bandwidth intensity of both the video and the high-speed data business is increasing so dramatically and we think it's going to continue to increase over the next 10 or 20 years, that wireless just can't catch up.

And you look at the video side, you now have the vast majority of people going into Best Buy, when they buy a television set, they're buying a high-def set. There will be 3D television, there's already 3D television. We think that, that is going to be a product that people will want to consume. All of the bandwidth intensity of Video-On-Demand and everything else, we think you're going to want to pipe into your home, you're going to need to pipe into your home to power a really, really big high-def set.

And the same thing's true on the data side. We're now – in most of the country, we're offering 12 meg down and I can remember when we first went to a meg down, and it was probably only seven or eight years ago. And the adoption curve for Internet video, which is one of the reasons why TV Everywhere is so important, the adoption curve for online video is steeper than any adoption curve we've ever seen, steeper than DVD, steeper than VCR, steeper than any other curve we've seen – and that's got to continue, and the quality, I mean, just two or three years ago, the idea that you could watch the kind of programming you're watching right now on your PC with the kind of quality you have right now was almost unthinkable, and you're not going to be able to do that wirelessly.

And so we feel very confident that video and high-speed data cord cutting, if we do our job right, and part of that is On Demand Online and some other things that we're doing, will not dramatically impact those businesses, as opposed to the telephone business where I'd think that 5% is going to keep going for many years to come.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

On the voice side, you said on the second quarter call that the Clearwire product may eventually have a voice component. What's the time line of that?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, we just got going with Clearwire, so I think it's sort of premature. We continue to say that when we look at the wireless cellular phone market, unbelievably competitive, six or so companies all spending a ton of money, very competitive, looks to us like slowing growth rate, looks to us like very hard to get into that market and compete with a me-too product, and then when we look at our customers, our customers are not clamoring for us to provide a cell phone service.

When you move to town, you call up for TV, Internet and wireline phone, but the odds are, you're bringing your cell phone, and the odds are you have a contract that may go out another year or two. You're not really clamoring for all four to be put together.

So to us, there's no burning need to have a cellular product, and I'm not sure when we get in the wireless business that we're going get into – wireless voice business, we're going to get into it in a traditional way. Rather than come and be another one of those six companies competing with traditional cellular business, wouldn't it be great to come in a different way on top of a 4G service or with a Wi-Fi voice product or some way that was different and disruptive and really kind of change the market as opposed to coming straight down the middle of the pike and being the seventh big competitor.

  

But right now, what we're trying to do is get that wireless data product out and get that in as many of our products as we can, and we're obviously working real hard on trying to figure out how voice evolves, but I think our priority right now is data.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

Okay. On data, obviously the second quarter you saw has some softness, but you also said that July – you had started to see a pickup. Has that pickup continued?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, I think what we've said, and I want to be careful how I say this, on the second quarter call, we said that we gained about 300,000 high-speed data subs in the first quarter, and in the second quarter that fell off very dramatically to less than 100,000, and what we said was we thought the third quarter would look a lot more like the first quarter than the second, and I think that's definitely true. We, at the time, said we thought the second quarter was an aberration, and again, it's very hard because you've got all these other initiatives, you've got the country's digital transition, we're moving to all digital in a lot of markets.

Our advertising mix changes, our competition comes in and gets more or less aggressive, but I think there's a lot more growth in the high-speed data business, and I think our second quarter high-speed data number was an aberration on the low side, and we're going to do everything we can to make sure that the third quarter, fourth quarter and into the future we do better on high-speed data and I think we will. How's that?

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

You kind of danced around that one, but that's okay. On DOCSIS, you've been – Comcast has really led the way on making your footprint DOCSIS 3.0 ready. Why is it so important to you? And what are your expectations longer term?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, we have 15 million high-speed data customers and they pay us about $500 a year, and so you take that, and as you noted earlier, that's a really good business, high-margin business, very low churn, wonderful business, and I think anything we can do to make that product better we should pursue and we should look very carefully at.

DOCSIS 3.0 allows you for the first time to really dramatically increase your capacity for high-speed data. We have maybe 80 or 90 analog channels. Heretofore, we've only been allocating only one of those 80 or 90 channels to our high-speed data business. So imagine that, a seven or $8 billion business on one out of 80 or 90 channels. DOCSIS 3.0 allows you to do something called channel bonding, which means putting together channels so you can really get data speeds that are 100 meg if you want.

And so we decided to try to get 80% of the company DOCSIS 3.0 compliant as quickly as possible by the end of this year and we've done that, and again when you're competing with DSL, which is all our competition in 75% of the country, and they struggle to get five meg and you can offer 50, 75 or 100 and you have all these services doing very, very high-quality video or high-quality gaming or everything else, I think those kinds of investments are what's going to really power the next generation of growth on the DOCSIS side.

So we were aggressive with our rollout, probably more aggressive than any other cable company that I'm aware of, and it's intrusive. You've got to go into head ins and change all the equipment. Good news is most of that – the spending's behind us, the intrusiveness is behind us, and now we get to have the fun of putting the pedal to the metal and really starting to advertise that higher bandwidth product and hopefully gaining more share.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

Another initiative that you guys have been a leader on is interactive advertising, Canoe, but there have been a lot of delays in getting it launched. Can you just talk about some of the challenges and expectations of getting this thing up and running?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Well, I think the good news is everybody I talked to who really thinks about our business understands how huge an opportunity interactive advertising is, which is one of the reasons why you always ask about it. It really has a huge, huge potential, and one of the frustrations, and it was the same thing with our small and medium-sized business, is why it's not coming faster.

I think the easy answer is, the first thing you have to do is put the whole cable industry together, because the real opportunity is a national opportunity, not a local opportunity, and we've done that with this joint-venture called Canoe which we stood up, I think about 18 months ago, and then once you do that, you then have to make sure that your systems and your software are common so that someone – if someone wants to do an interactive advertisement or voting and polling in American Idol, it's an easy thing to do. They can sit at an advertising agency and with the hit of one key on their PC, place an order, know that the ads going to run, know it's going to work, know that all of the sort of plumbing is set and that's what we're in the middle of now.

We hired a CEO about a year ago, David Verklin. He's got a significant sized management team. We're targeting this fall for a rollout of a variety of interactive applications based on a technology called EBIF that allows you to get a – request a brochure or vote and poll real interactive application. It works. We're doing it in a couple million homes now. Hope to be doing it in, as an industry in over 10 million homes in the not-too-distant future. So it's coming and we – obviously when your core advertising business is going backwards, you want it to come quickly and you know it's a big opportunity. So we're pushing hard.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

And what kind of conversations are you having with advertisers? How receptive are the advertisers and what about the cable and broadcast...

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Oh, I think everybody's dying for it. I think what you don't want to do is have discussions that are six months in advance or 12 months in advance, but I think it you'd be hard pressed to find an advertising agency that doesn't say, I really want to bring the functionality of the Internet to the place where people spend most of their entertainment time, which is a television set. So I think the agencies are very interested in it, the programmers by and large are very interested in it, and obviously the cable MSOs are interested in it. We just need to make it happen.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

And have you determined what the splits will be at all?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

No, we have some general ideas on the right way to structure the business, but no, I think a lot of that is going to evolve as we get closer, and it depends on the specific product and how tough the product is, but the real goal is if you look at the migration of dollars away from broadcast or national television, toward the Internet, and away from other businesses and toward the Internet, if we can have the kind of targetability and measurement that the Internet has and take some of those dollars back from the Internet and put them back into the TV platform, there's going to be plenty of money to spread around for everybody and I think it could be one of the biggest upsides for a cable content company as well as obviously a cable MSO.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

And does broadcast play into that as well?

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

I think broadcast could play into that. If you think about it, if you have a local ABC O&O or affiliate, we can use our technology, take Philadelphia, to make that local Philadelphia ABC station, enable that station to have targetable ads or have ads that provide voting and polling and requests for information, and we can do it for any kind of television provider, whether they're a traditional cable channel or broadcast.

**Jessica Reif Cohen, Equity Research Analyst, Managing Director, Banc of America Securities – Merrill Lynch**

All right. Well, we're out of time. Thank you so much.

**Stephen B. Burke, Chief Operating Officer, Comcast Corporation; President, Comcast Cable Communications**

Thank you, Jessica.