

COMCAST CORP  
Form 10-K  
February 21, 2013  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM TO

Commission file number 001-32871

COMCAST CORPORATION

(Exact name of registrant as specified in its charter)

PENNSYLVANIA  
(State or other jurisdiction of

incorporation or organization)

One Comcast Center, Philadelphia, PA  
(Address of principal executive offices)

Registrant's telephone number, including area code: (215) 286-1700

27-000798  
(I.R.S. Employer Identification No.)

19103-2838  
(Zip Code)

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

Title of Each Class	Name of Each Exchange on which Registered
Class A Common Stock, \$0.01 par value	NASDAQ Global Select Market
Class A Special Common Stock, \$0.01 par value	NASDAQ Global Select Market
2.0% Exchangeable Subordinated Debentures due 2029	New York Stock Exchange
5.00% Notes due 2061	New York Stock Exchange
5.50% Notes due 2029	New York Stock Exchange
8.375% Guaranteed Notes due 2013	New York Stock Exchange
9.455% Guaranteed Notes due 2022	New York Stock Exchange

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:**

NONE

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

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Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

As of June 30, 2012, the aggregate market value of the Class A common stock and Class A Special common stock held by non-affiliates of the Registrant was \$67.542 billion and \$16.992 billion, respectively.

As of December 31, 2012, there were 2,122,278,635 shares of Class A common stock, 507,769,463 shares of Class A Special common stock and 9,444,375 shares of Class B common stock outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE

Part III The Registrant's definitive Proxy Statement for its annual meeting of shareholders presently scheduled to be held in May 2013.

**Table of Contents**

## Comcast Corporation

## 2012 Annual Report on Form 10-K

## Table of Contents

**PART I**

Item 1	<u>Business</u>	1
Item 1A	<u>Risk Factors</u>	29
Item 1B	<u>Unresolved Staff Comments</u>	38
Item 2	<u>Properties</u>	38
Item 3	<u>Legal Proceedings</u>	39
Item 4	<u>Mine Safety Disclosures</u>	39

**PART II**

Item 5	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	40
Item 6	<u>Selected Financial Data</u>	43
Item 7	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	44
Item 7A	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	70
Item 8	<u>Financial Statements and Supplementary Data</u>	73
Item 9	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	127
Item 9A	<u>Controls and Procedures</u>	127
Item 9B	<u>Other Information</u>	127

**PART III**

Item 10	<u>Directors, Executive Officers and Corporate Governance</u>	128
Item 11	<u>Executive Compensation</u>	129
Item 12	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	129
Item 13	<u>Certain Relationships and Related Transactions, and Director Independence</u>	129
Item 14	<u>Principal Accountant Fees and Services</u>	129

**PART IV**

Item 15	<u>Exhibits and Financial Statement Schedules</u>	130
	<u>Signatures</u>	135

This Annual Report on Form 10-K is for the year ended December 31, 2012. This Annual Report on Form 10-K modifies and supersedes documents filed before it. The Securities and Exchange Commission ( SEC ) allows us to incorporate by reference information that we file with them, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this Annual Report on Form 10-K. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this Annual Report on Form 10-K. Throughout this Annual Report on Form 10-K, we refer to Comcast Corporation as Comcast; Comcast and its consolidated subsidiaries, including NBC Universal, Inc. (now named NBCUniversal Media, LLC ( NBCUniversal )) following the close of our transaction on January 28, 2011, as we, us and our; Comcast Cable Communications, LLC and its subsidiaries as Comcast Cable; Comcast Holdings Corporation as Comcast Holdings; and NBCUniversal, LLC as NBCUniversal Holdings.

Our registered trademarks include Comcast, NBCUniversal and the Comcast and NBCUniversal logos. This Annual Report on Form 10-K also contains other trademarks, service marks and trade names owned by us, as well as those owned by others.

## Table of Contents

### Part I

#### Item 1: Business

We are a global media and technology company with two primary businesses, Comcast Cable and NBCUniversal. We were incorporated under the laws of Pennsylvania in December 2001. Through our predecessors, we have developed, managed and operated cable systems since 1963, and in 2011, we acquired control of the businesses of NBCUniversal. We present our operations in the following five reportable business segments:

**Cable Communications:** Consists of the operations of Comcast Cable, which is the nation's largest provider of video, high-speed Internet and voice services ( cable services ) to residential customers under the XFINITY brand, and we also provide these services to businesses.

**Cable Networks:** Consists primarily of our national cable networks, our regional sports and news networks, our international cable networks, our cable television production studio, and our related digital media properties.

**Broadcast Television:** Consists primarily of the NBC and Telemundo broadcast networks, our NBC and Telemundo owned local broadcast television stations, our broadcast television production operations, and our related digital media properties.

**Filmed Entertainment:** Consists primarily of the operations of Universal Pictures, which produces, acquires, markets and distributes filmed entertainment worldwide.

**Theme Parks:** Consists primarily of our Universal theme parks in Orlando and Hollywood.

In 2012, our Cable Communications segment generated 63% of our consolidated revenue and more than 80% of our operating income before depreciation and amortization. The Cable Networks, Broadcast Television, Filmed Entertainment and Theme Parks segments comprise the NBCUniversal businesses and are collectively referred to as the NBCUniversal segments.

Our other business interests primarily include Comcast-Spectacor, which owns the Philadelphia Flyers and the Wells Fargo Center arena in Philadelphia and operates arena management-related businesses.

For financial and other information about our reportable segments, refer to Note 19 to our consolidated financial statements included in this Annual Report on Form 10-K.

#### Available Information and Websites

Our phone number is (215) 286-1700, and our principal executive offices are located at One Comcast Center, Philadelphia, PA 19103-2838. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to such reports filed with or furnished to the SEC under Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), are available free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov) and on our website at [www.comcastcorporation.com](http://www.comcastcorporation.com) as soon as reasonably practicable after such reports are electronically filed with the SEC. The information posted on our website is not incorporated into our SEC filings.



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**Table of Contents**

## General Developments of Our Businesses

The following are the more significant developments in our businesses during 2012:

an increase in consolidated revenue of 12.0% to \$62.6 billion and an increase in consolidated operating income of 13.6% to \$12.2 billion

an increase in Cable Communications segment revenue of 6.4% to \$39.6 billion and an increase in Cable Communications segment operating income before depreciation and amortization of 6.3% to \$16.3 billion

an increase in total NBCUniversal revenue to \$23.8 billion, which represents a 12.7% increase on a pro forma basis and includes \$1.4 billion related to our broadcasts of the 2012 London Olympics and the 2012 Super Bowl, and an increase in total NBCUniversal operating income before depreciation and amortization to \$4.1 billion, which represents a 9.0% increase on a pro forma basis

the completion of SpectrumCo's transaction to sell its advanced wireless services ( AWS ) spectrum licenses to Verizon Wireless for \$3.6 billion, of which our portion of the proceeds was \$2.3 billion, and the commencement of sales under our agency agreements with Verizon Wireless, which provide for, among other things, the sale of our cable services by Verizon Wireless and our sale of Verizon Wireless products and services (the SpectrumCo transaction )

the redemption by A&E Television Networks LLC ( A&E Television Networks ) of NBCUniversal's 15.8% equity interest in A&E Television Networks for \$3 billion in cash proceeds (the A&E Television Networks transaction )

## Recent Developments

On February 12, 2013, we entered into an agreement to acquire GE's 49% common equity interest in NBCUniversal Holdings for approximately \$16.7 billion. In addition, NBCUniversal agreed to acquire from GE the portion of 30 Rockefeller Plaza in New York City that NBCUniversal occupies and CNBC's headquarters in Englewood Cliffs, New Jersey for approximately \$1.4 billion. The transactions, which are subject to customary closing conditions, are expected to close by the end of March 2013.

The consideration will consist of \$11.4 billion of cash on hand; \$4 billion of senior unsecured debt securities issued by a holding company ( HoldCo ), whose sole asset is its interests in NBCUniversal Holdings; \$2 billion of cash funded through a combination of Comcast's existing credit facility and NBCUniversal's credit facility, which is expected to be amended, among other things, to substitute HoldCo as the sole borrower; and \$725 million of Holdco preferred stock. After closing, we will control and consolidate HoldCo and own all of its capital stock other than the preferred stock. HoldCo's debt securities and credit facility will be guaranteed by us and the cable holding company subsidiaries that guarantee our senior indebtedness. The preferred stock will pay dividends at a fixed rate and can be put to HoldCo for redemption at par on the later of seven years following the issuance of the preferred stock and three years following the sale by GE of shares to unaffiliated third parties, and thereafter, every third anniversary of such date (a Put Date ). Shares of preferred stock can be called for redemption by HoldCo at par one year following each Put Date applicable to such shares.

**Table of Contents****Description of Our Businesses****Cable Communications Segment**

The table below summarizes certain customer and penetration data for our cable system operations.

December 31 (in millions)	<b>2012</b>	2011	2010	2009	2008
Homes and businesses passed <sup>(a)</sup>	<b>53.2</b>	52.5	51.9	51.2	50.6
Video					
Video customers <sup>(b)</sup>	<b>22.0</b>	22.3	22.8	23.6	24.2
Video penetration <sup>(c)</sup>	<b>41.4%</b>	42.5%	43.9%	46.0%	47.8%
Digital video customers <sup>(d)</sup>	<b>21.2</b>	20.6	19.7	18.4	17.0
Digital video penetration <sup>(d)</sup>	<b>96.6%</b>	92.0%	86.6%	78.2%	70.3%
High-speed Internet					
High-speed Internet customers	<b>19.4</b>	18.1	17.0	15.9	14.9
High-speed Internet penetration <sup>(c)</sup>	<b>36.4%</b>	34.6%	32.7%	31.1%	29.5%
Voice					
Voice customers	<b>10.0</b>	9.3	8.6	7.6	6.5
Voice penetration <sup>(c)</sup>	<b>18.7%</b>	17.8%	16.6%	14.9%	12.8%

Basis of Presentation: Customer metrics include our residential and business customers. Information related to cable system acquisitions is included from the date acquired. Information related to cable systems sold or exchanged is excluded for all periods presented. All percentages are calculated based on actual amounts. Minor differences may exist due to rounding.

- (a) Homes and businesses are considered passed if we can connect them to our distribution system without further extending the transmission lines. Homes and businesses passed is an estimate based on the best available information.
- (b) Generally, a home or business receiving video programming from our distribution system counts as one video customer. In the case of some multiple dwelling units ( MDUs ), we count video customers on an FCC equivalent basis by dividing total monthly revenue received from a contract with an MDU by the standard monthly residential rate where the MDU is located.
- (c) Penetration is calculated by dividing the number of customers by the number of homes and businesses passed.
- (d) Digital video customers include customers receiving digital signals through any means, including CableCARDs and digital transport adapters. Digital video penetration is calculated by dividing the number of digital video customers by total video customers.

**Cable Services**

We offer a variety of cable services over our cable distribution system to residential and business customers. Subscription rates and related charges vary according to the services and features customers receive and the type of equipment they use, and customers are typically billed in advance on a monthly basis. Residential customers may generally discontinue service at any time, while business customers may only discontinue service in accordance with the terms of their contracts, which typically have 2 to 5 year terms.

**Video Services**

We offer a broad variety of video services with access to hundreds of channels depending on the level of service selected. Our levels of service typically range from a limited basic service with access to between 20 and 40 channels of video programming to a full digital service with access to over 300 channels. Our video services generally include programming provided by national broadcast networks, local broadcast stations, and



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national and regional cable networks, as well as governmental and public access programming. Our digital video services generally include access to our On Demand service and an interactive, on-screen program guide. We also offer packages that include extensive amounts of foreign-language programming, and we offer other specialty tiers of programming with sports, family and international themes. We tailor our video services offerings serving a particular geographic area according to applicable local and federal regulatory requirements, programming preferences and demographics.

Our video customers may also subscribe to premium network programming. Premium networks include cable networks such as HBO, Showtime, Starz and Cinemax that generally offer, without commercial interruption, movies, original programming, live and taped sporting events and concerts, and other features.

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## **Table of Contents**

Our On Demand service provides our digital video customers with more than 30,000 standard-definition and high-definition programming choices. A substantial portion of our On Demand content is available to our digital video customers at no additional charge. Digital video customers subscribing to a premium network have access to the premium network's On Demand content without additional fees. Our On Demand service allows our video customers to access or order, including some for a specified fee, individual new release and library movies and special-event programs, such as sporting events and concerts. We plan to continue increasing the number of On Demand choices available, including HD programming.

Our HD video service provides customers that have an HD set-top box with high-resolution picture quality, improved audio quality and a wide-screen format. Our HD service includes a broad selection of HD programming choices, including major broadcast networks, leading national cable networks, premium networks and regional sports networks. In addition, our On Demand service provides HD video customers with a selection of up to 6,000 HD programming choices in select markets over the course of a month. We also offer select programming in 3-D format, on both linear channels and through On Demand, to our HD customers who have 3-D capable TV sets. Our DVR service allows digital video customers to select, record and store programs on their set-top box and play them at whatever time is convenient. Our DVR service also provides the ability to pause and rewind live television.

Our video customers also have the ability to use XFINITY.net or our mobile apps for smartphones and tablets to view certain live programming and some of our On Demand content, browse program listings, and, in select markets, schedule and manage DVR recordings. In 2012, we launched our Streampix subscription video service that allows video customers to view additional movies and other content through On Demand or XFINITY.net or by using our mobile apps.

### High-Speed Internet Services

We offer a variety of high-speed Internet services with downstream speeds of up to 105 Mbps, subject to geographic market availability, and we also have introduced speeds of up to 305 Mbps in limited markets. These services also include our Internet portal, XFINITY.net, which provides access to email, an address book, online storage and online security features. Our customers also have the ability to access these services, including manage their email accounts and security features, using our mobile apps for smartphones and tablets.

### Voice Services

We offer voice service plans using an interconnected Voice over Internet Protocol ( VoIP ) technology that provide either usage-based or unlimited local and domestic long-distance calling and include options for international calling plans, voicemail, voicemail transcriptions, text messaging, caller ID and call waiting. For customers with our high-speed Internet services, our voice services also provide customers with the ability to access and manage voicemail, text messaging and other account features through XFINITY.net or by using our mobile apps for smartphones and tablets.

### Business Services

We offer our cable services to small (up to 20 employees) and medium-sized (up to 500 employees) businesses ( business services ). In addition to the features provided to our residential cable services customers, our services for business customers include a website hosting service, an interactive tool that allows customers to share, coordinate and store documents online, hosted voice services using cloud network servers, a business directory listing, and the added capacity for multiple phone lines that meet the needs of our business customers.

In 2012, we began increasing the number of services we offer to medium-sized business customers, including adding advanced voice services and our metro Ethernet network services. We also provide cellular backhaul services to mobile network operators, which help our customers manage continued growth in demand for network bandwidth.

## **Table of Contents**

### **Advertising**

As part of our distribution agreements with cable networks, we generally receive an allocation of scheduled advertising time on the cable networks that we may sell to local, regional and national advertisers. In most cases, the available advertising time is sold by our sales force. In some cases, we work with representation firms as an extension of our sales force to sell a portion of the advertising time allocated to us. We also coordinate the advertising sales efforts of other multichannel video providers in some markets. In addition, we generate revenue from the sale of advertising online and on our On Demand service.

### **Other Revenue Sources**

We receive revenue related to cable franchise and other regulatory fees. We also receive revenue related to our digital media center, commissions from electronic retailing networks, and fees from other newer services, such as our home security and automation services and expanded technical support services. Our cable franchise and regulatory fees represent the fees required to be paid to federal, state and local authorities that we pass through to our customers. Under the terms of our franchise agreements, we are generally required to pay to the cable franchising authority an amount based on our gross video revenue. Our home security and automation offering provides home monitoring services to our customers as well as the ability to manage other functions within the home, such as lighting and climate control, through XFINITY.net or our mobile apps for smartphones and tablets.

### **Technology**

Our cable distribution system uses a hybrid fiber-optic and coaxial cable network that we believe is sufficiently flexible and scalable to support our future technology requirements. This network provides the two-way transmissions that are essential to providing interactive video services, such as On Demand, and high-speed Internet and voice services. We are also leveraging our network to develop and deliver innovative services to our customers efficiently and in an accelerated fashion.

We continue to develop and launch new technology initiatives, such as:

developing and launching next-generation media and content delivery platforms, such as our new X1 platform, that use IP technology and our own cloud network servers to deliver video and advanced search capabilities

enabling a variety of consumer electronic devices, including computers, tablets, smartphones and Internet-connected televisions, to search, control and display the programming and other content we provide to our video customers

expanding the use of our network to launch new services, including providing services to medium-sized businesses and offering home security and automation services

developing wireless options to extend our services outside the home to provide mobility through the use of apps for smartphones and tablets, deploying Wi-Fi in portions of our service areas and marketing Verizon Wireless services with our cable services offerings in select markets

deploying multiple tools to recapture bandwidth and optimize our network, including using advanced video encoding and digital compression technologies

developing technology and software that allow customers to better identify problems with our cable services and provide for better integration of our software with third-party software



## **Table of Contents**

### **Sources of Supply**

To offer our video services, we license a substantial portion of our programming from cable and broadcast networks, as well as local broadcast television stations. We attempt to secure long-term programming distribution agreements with our content providers. We also license individual programs or packages of programs from programming suppliers for our On Demand and streaming services. We seek to include in our distribution arrangements the rights to offer such programming to our subscribers through multiple delivery platforms that may be used in a variety of locations, such as through On Demand and XFINITY.net and through our mobile apps for smartphones and tablets.

Our video programming expenses are affected by the programming license fees charged by cable networks and fees for retransmission of local broadcast television stations' signals and by the number of video customers we serve and the amount of content we provide. We anticipate that our programming expenses will continue to increase.

We purchase from a limited number of suppliers a significant number of set-top boxes, network equipment and services that we use in providing our cable services.

For our high-speed Internet services, we license software products (such as email and security software) and content (such as news feeds) for our portal, XFINITY.net, from a variety of suppliers under contracts in which we generally pay on a fixed-fee basis, on a per subscriber basis in the case of software product licenses or on a video advertising revenue share basis in the case of content licenses.

For our voice services, we license software products (such as voicemail and text messaging) from a variety of suppliers under multiyear contracts. The fees we pay are generally based on the consumption of the related services.

We use two vendors to provide customer billing for our cable services.

### **Customer and Technical Services**

Our customer service call centers provide 24/7 call-answering capability, telemarketing and other services. Our technical services group performs various tasks, including installations, plant maintenance and upgrades to our cable distribution system.

### **Sales and Marketing**

We offer our services directly to residential and business customers through our call centers, door-to-door selling, direct mail advertising, television advertising, Internet advertising, local media advertising, telemarketing and retail outlets. We market our cable services both individually and as bundled services. In addition, in 2012, Verizon Wireless became an agent to sell our cable services in many of the markets in which we provide our cable services.

### **NBCUniversal Segments**

In 2011, we closed the NBCUniversal and Universal Orlando transactions in which we acquired control of the businesses of NBCUniversal and Universal Orlando, respectively. For additional information on the NBCUniversal and Universal Orlando transactions, refer to Note 4 to our consolidated financial statements included in this Annual Report on Form 10-K.

**Table of Contents****Cable Networks**

Our Cable Networks segment consists of a diversified portfolio of 15 national cable networks, 11 regional sports and news networks, various international channels, our cable television production studio, and our related digital media properties, which are primarily brand-aligned and other websites. The table below presents a summary of our national cable networks.

Cable Network	Approximate U.S. Subscribers at December 31, 2012 (in millions) <sup>(a)</sup>	Description of Programming
USA Network	99	General entertainment
Syfy	98	Imagination-based entertainment
E!	97	Entertainment and pop culture
CNBC	97	Business and financial news
MSNBC	95	24 hour news
Bravo	95	Entertainment, culture and arts
Golf Channel	84	Golf competition and golf entertainment
Oxygen	79	Women's interests
NBC Sports Network	78	Sports
Style	76	Lifestyle
G4	62	Gamer lifestyle
Chiller	43	Horror and suspense
CNBC World	35	Global financial news
Cloo	34	Crime, mystery and suspense
Universal HD	27	General entertainment HD programming

(a) Subscriber data is based on The Nielsen Company's January 2013 report, which is derived from information available during the period December 19, 2012 through December 25, 2012, except for Universal HD, which is derived from information provided by multichannel video providers.

Our 11 regional sports and news networks serve a combined 39 million subscribers across the United States, including key markets such as Atlanta, Baltimore/Washington, Boston, Chicago, Philadelphia, Portland, Sacramento and San Francisco.

We market and distribute our cable network programming in the United States and internationally to multichannel video providers, as well as to digital distributors, such as Netflix and iTunes. These distributors may exhibit our content on television, including video on demand and pay-per-view, online and through mobile apps for smartphones and tablets.

Our cable networks produce their own programs or acquire programming rights from third parties. Our Cable Networks segment includes our production studio, Universal Cable Productions, which identifies, develops and produces original content for cable television and other distribution platforms both for our cable networks and for those of third parties. We license this content to cable networks, broadcast networks and digital distributors.

Our Cable Networks segment generates revenue primarily from the distribution of our cable network programming and from the sale of advertising. Distribution revenue is generated from distribution agreements with multichannel video providers. Advertising revenue is generated from the sale of advertising time on our cable networks and related digital media properties. We also generate content licensing and other revenue primarily from the licensing of our owned programming to various distribution platforms in the United States and internationally.

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## **Table of Contents**

### **Broadcast Television**

Our Broadcast Television segment operates the NBC and Telemundo broadcast television networks, which together serve audiences and advertisers in all 50 states. Our Broadcast Television segment also includes our owned NBC and Telemundo local broadcast television stations, our broadcast television production operations, and our related digital media properties.

Our Broadcast Television segment generates revenue primarily from the sale of advertising and from content licensing. Advertising revenue is generated from the sale of advertising time on our broadcast networks, owned local television stations and related digital media properties. Content licensing revenue is generated from the licensing of our owned programming in the United States and internationally, including to cable and broadcast networks and digital distributors, such as Netflix. We also generate revenue from the sale of our owned programming on standard-definition DVDs and Blu ray discs (together, DVDs) and through other digital distributors, such as iTunes. In addition, our owned local television stations are beginning to receive fees from multichannel video providers in exchange for retransmission consent that allows carriage of the stations' signals. We also receive a portion of the retransmission fees received by our NBC affiliated broadcast television stations. We expect these fees to increase in the future as we, as well as our NBC affiliated broadcast television stations, renegotiate distribution agreements with multichannel video providers.

#### **NBC Network**

The NBC network distributes more than 5,000 hours of entertainment, news and sports programming annually, and its programs reach viewers in virtually all U.S. television households through more than 200 affiliated stations across the United States, including our 10 NBC owned local television stations. The NBC network develops a broad range of entertainment, news and sports content and also airs a variety of special-events programming. The NBC network's television library consists of rights of varying nature to more than 100,000 episodes of popular television content, including current and classic titles, unscripted programming, sports, news, long-form and short-form programming, and locally produced programming from around the world. In addition, the NBC network operates various websites that extend its brands and content online.

The NBC network produces its own programs or acquires the rights to programming from third parties. NBCUniversal has various contractual commitments for the licensing of rights to multiyear programming, primarily sports programming. Our most significant sports programming commitments include an agreement with the NFL to produce and broadcast a specified number of regular season and playoff games, including *Sunday Night Football* on NBC through the 2022-23 season and the 2015, 2018 and 2021 Super Bowl games. In addition, the NBC network owns the U.S. broadcast rights for the summer and winter Olympic Games through 2020. We also have broadcast rights to a specified number of NHL games through the 2020-21 season, U.S television rights to English Premier League Soccer beginning in 2013 through the 2015-16 season and certain PGA TOUR golf events through 2021. NBCUniversal's sports programming agreements also include rights to distribute content on our national cable networks, including NBC Sports Network and Golf Channel, on our regional sports networks where applicable, and also online, including through mobile apps available for smartphones and tablets.

Our broadcast television production operations develop and produce original content, including scripted and unscripted series and talk shows that are licensed to broadcast networks, cable networks, local broadcast television stations and other distribution platforms owned by us and third parties, as well as through the sale of DVDs, both in the United States and internationally. We also produce first-run syndicated shows, which are programs for initial exhibition on local television stations in the United States, on a market-by-market basis, without prior exhibition on a network. We currently distribute some of our television programs after their initial exhibition, as well as older television programs from our library, to local broadcast television stations and cable networks in the off-network syndication market.

**Table of Contents***NBC Local Broadcast Television Stations*

We own and operate 10 NBC affiliated local television stations that collectively reached 31 million U.S. television households, which represents approximately 27% of all U.S. television households, as of December 31, 2012. In addition to airing the NBC network's national programming, our local television stations produce news, sports, public affairs and other programming that addresses local needs and acquire syndicated programming from other sources. The table below presents a summary of the NBC affiliated local broadcast television stations that we own and operate.

DMA Served <sup>(a)</sup>	Station	General Market Rank	Percentage of U.S. Television Households <sup>(c)</sup>
New York, NY	WNBC	1	6%
Los Angeles, CA	KNBC	2	5%
Chicago, IL	WMAQ-TV	3	3%
Philadelphia, PA	WCAU	4	3%
Dallas-Fort Worth, TX	KXAS-TV	5	2%
San Francisco-Oakland-San Jose, CA	KNTV	6	2%
Washington, D.C.	WRC-TV	8	2%
Miami-Ft. Lauderdale, FL	WTVJ	16	1%
San Diego, CA	KNSD	28	1%
Hartford, CT	WVIT	30	1%

(a) Designated market area (DMA) served is defined by Nielsen Media Research as a geographic market for the sale of national spot and local advertising time.

(b) General market rank is based on the relative size of the DMA among the 210 generally recognized DMAs in the United States based on Nielsen estimates for the 2012-13 season.

(c) Based on Nielsen estimates for the 2012-13 season. The percentage of U.S. television households does not reflect the calculation of national audience reach under the FCC's national television ownership cap limits. See [Legislation and Regulation](#), [Broadcast Television](#), [Ownership Limits](#), [National Television Ownership](#).

**Telemundo**

Telemundo is a leading Hispanic media company that produces, acquires and distributes Spanish-language content in the United States and internationally. Telemundo's operations include the Telemundo network, its owned local television stations, the mun2 cable network and brand-aligned digital media properties.

The Telemundo network is a leading Spanish-language broadcast television network featuring original telenovelas, theatrical films, news, specials and sporting events. Telemundo develops original programming primarily through its production studio and also acquires the rights to content from third parties. We currently hold the Spanish-language U.S. broadcast rights to FIFA World Cup soccer from 2015 through 2022 and the Spanish-language U.S. broadcast rights for the NFL games that the NBC network will broadcast through the 2022-23 season as part of our agreement with the NFL.



**Table of Contents***Telemundo Local Broadcast Television Stations*

As of December 31, 2012, Telemundo owned 15 local television stations, including 14 local television stations affiliated with the Telemundo network and an independent television station in Puerto Rico. The table below presents a summary of these local television stations, which collectively reached approximately 56% of U.S. Hispanic television households as of December 31, 2012.

DMA Served <sup>(a)</sup>	Station	Percentage of U.S.	
		Hispanic Market Rank <sup>(b)</sup>	Hispanic Television Households <sup>(c)</sup>
Los Angeles, CA	KVEA	1	14%
New York, NY	WNJU	2	10%
Miami, FL	WSCV	3	5%
Houston, TX	KTMD	4	4%
Dallas-Fort Worth, TX	KXTX-TV	5	4%
Chicago, IL	WSNS-TV	6	4%
San Francisco-Oakland-San Jose, CA	KSTS	7	3%
San Antonio, TX	KVDA <sup>(d)</sup>	8	3%
Phoenix, AZ	KTAZ	9	3%
Fresno, CA	KNSO <sup>(d)</sup>	14	2%
Denver, CO	KDEN-TV	16	2%
Las Vegas, NV	KBLR	23	1%
Boston, MA	WNEU <sup>(d)</sup>	24	1%
Tucson, AZ	KHRR	25	1%
Puerto Rico	WKAQ-TV		

(a) DMA served is defined by Nielsen Media Research as a geographic market for the sale of national spot and local advertising time.

(b) Hispanic market rank is based on the relative size of the DMA among approximately 14 million U.S. Hispanic households as of December 31, 2012.

(c) Based on Nielsen estimates for the 2012-13 season. The percentage of U.S. Hispanic television households does not reflect the calculation of national audience reach under the FCC's national television ownership cap limits. See [Legislation and Regulation](#) [Broadcast Television](#) [Ownership Limits](#) [National Television Ownership](#).

(d) Operated by a third party that provides certain non-network programming and operations services under a time brokerage agreement.

**Filmed Entertainment**

Our Filmed Entertainment segment produces, acquires, markets and distributes both live-action and animated filmed entertainment worldwide. We also develop, produce and license live stage plays.

We produce films both on our own and jointly with other studios or production companies, as well as with other entities. Our films are produced primarily under the Universal Pictures, Focus Features and Illumination names. Our films are marketed and distributed worldwide primarily through our own marketing and distribution companies. We also acquire distribution rights to films produced by others, which may be limited to particular geographic regions, specific forms of media or certain periods of time. Our content consists of theatrical films, direct-to-video titles and our film library, which is comprised of more than 5,000 titles in a variety of genres.

We have entered, and may continue to enter, into film cofinancing arrangements with third parties, including both studio and nonstudio entities, to jointly finance or distribute certain of our film productions. These arrangements can take various forms, but in most cases involve the grant of an economic interest in a film to an investor. Investors generally assume the full risks and rewards of ownership proportionate to their ownership in the film.



## **Table of Contents**

The majority of our produced and acquired films are initially distributed for exhibition in movie theaters. After their release in movie theaters, we sell and license our films through various methods. We distribute our films globally by selling them in DVD format to retail stores, rental kiosks and subscription by mail services, and through digital distributors. We also license our films, including selections from our film library to cable, broadcast and premium networks, digital distributors and to video-on-demand and pay-per-view services.

The volume of our content that is made available through digital distributors is increasing as consumers continue to seek alternative ways to view our content. These methods include the sale of our films through online retailers, such as iTunes, that allow for the video downloading of a digital copy of a film, and also the licensing of our films to Internet video streaming services, such as Netflix.

Our Filmed Entertainment segment generates revenue primarily from the worldwide distribution of our produced and acquired films for exhibition in movie theaters, the sale of our owned and acquired films on home entertainment formats, such as DVDs, and the licensing of our owned and acquired films. We also generate revenue from producing and licensing live stage plays and distributing filmed entertainment produced by third parties.

## **Theme Parks**

Our Theme Parks segment consists primarily of our Universal theme parks in Orlando and Hollywood. Universal Orlando includes two theme parks, Universal Studios Florida and Universal's Islands of Adventure, as well as CityWalk, a dining, retail and entertainment complex. Universal Orlando also features three on-site themed hotels in which we own a noncontrolling interest. Our Universal theme park in Hollywood consists primarily of Universal Studios Hollywood. In addition, we receive fees from third parties that own and operate the Universal Studios Japan theme park in Osaka, Japan and the Universal Studios Singapore theme park on Sentosa Island, Singapore for the licensing of the right to use the Universal Studio brand name and other intellectual property, and other services. We also own a water park, Wet'n Wild, located in Orlando.

Our Theme Parks segment licenses the right to use a substantial amount of intellectual property from third parties for its themed elements in rides, attractions, retail outlets and merchandising.

Our Theme Parks segment generates revenue primarily from theme park attendance and per capita spending at our Universal theme parks in Orlando and Hollywood, as well as from licensing and other fees. Per capita spending includes ticket price and in-park spending on food, beverages and merchandise.

## **Competition**

All of our businesses operate in intensely competitive industries and compete with a growing number of companies that provide a broad range of communication, entertainment and information products and services to consumers. Technological changes are further intensifying and complicating the competitive landscape and consumer behavior. For example, companies continue to emerge that offer services and devices that enable digital distribution of movies, television shows and other video programming, and wireless services and devices continue to evolve. Moreover, newer services that distribute video programming are also beginning to produce or acquire their own original content. These new alternative methods for the distribution, sale and viewing of content have been, and will likely continue to be, developed, and will continue to further increase the number of competitors we face.

## **Table of Contents**

### **Cable Communications**

Competition for the cable services we offer primarily includes direct broadcast satellite ( DBS ) providers and phone companies. These competitors offer features, pricing and packaging for cable services that are comparable to the pricing and services we offer. Recently, new video services and devices have emerged that offer digital distribution of movies, television shows and other video programming, some of which charge a nominal or no fee for access. The success of these new services could negatively impact the demand for our video services, including for our DVR, premium network, On Demand and streaming services. Moreover, wireless technology, such as 3G and 4G wireless broadband services and Wi-Fi networks, may compete with our video and high-speed Internet services, and our voice services are facing increased competition as a result of wireless and Internet-based phone services.

### *Video Services*

We compete with a number of different sources that provide news, sports, information and entertainment programming to consumers, including:

DBS providers that transmit satellite signals containing video programming and other information to receiving dishes located on the customer s premises

phone companies that have built and continue to build fiber-optic-based networks that provide cable services similar to ours, which now overlap a substantial portion of our service areas

other providers that build and operate wireline communications systems in the same communities that we serve, including those operating as franchised cable operators

satellite master antenna television ( SMATV ) systems that generally serve MDUs, office complexes and residential developments

online services and devices that offer digital distribution of movies, television shows and other video programming

In recent years, Congress has enacted legislation and the FCC has adopted regulatory policies intended to provide a favorable operating environment for existing competitors and for potential new competitors to our cable services. The FCC adopted rules favoring new investment by certain phone companies in networks capable of distributing video programming and rules allocating and auctioning spectrum for new wireless services that may compete with our video service offerings. See *Legislation and Regulation* below for additional information.

### *Direct Broadcast Satellite Providers*

According to recent government and industry reports, conventional medium-power and high-power satellites provide video programming to 34 million subscribers in the United States. DBS providers with high-power satellites typically offer video services substantially similar to our video services. Two companies, DIRECTV and DISH Network, provide service to substantially all of these DBS subscribers. DBS providers also have marketing arrangements with certain phone companies in which the DBS provider s video services are sold together with the phone company s high-speed Internet and phone services.

### *Phone Companies*

Certain phone companies, in particular AT&T, Verizon and CenturyLink, have built and are continuing to build wireline fiber-optic-based networks that provide video and high-speed Internet services in substantial portions of our service areas. These and other phone companies also may market video services from DBS providers in certain areas where they provide only high-speed Internet and phone services.



## **Table of Contents**

### *Other Wireline Providers*

Federal law prohibits franchising authorities from unreasonably denying requests for additional franchises, and it permits franchising authorities to operate cable systems. In addition to phone companies, various other companies, including those that traditionally have not provided cable services and have substantial financial resources, have obtained cable franchises and provide competing cable services. These and other cable systems offer cable services in some areas where we hold franchises. We anticipate that facilities-based competitors may emerge in other franchise areas that we serve.

### *Satellite Master Antenna Television Systems*

Our cable services also compete for customers with SMATV systems. SMATV system operators typically are not subject to regulation in the same manner as local, franchised cable system operators. SMATV systems offer their subscribers both improved reception of local broadcast television stations and much of the programming offered by our cable systems. In addition, some SMATV system operators offer packages of video, Internet and phone services to residential and business subscribers.

### *Other Video Competitors*

Our cable services also may compete for customers with other companies, such as:

online services and devices that offer digital distribution of video programming, which in some cases may be viewed on traditional televisions or, more recently, on Internet-connected televisions

local broadcast television stations that provide multiple channels of free over-the-air programming and newer services that provide programming from such broadcasts online for a fee

wireless and other emerging mobile technologies that provide for the distribution and viewing of video programming online and through mobile apps available for smartphones and tablets

video rental services and home video products

Some of these competitors offer their services for free or charge a nominal fee for access to their content.

### *High-Speed Internet Services*

We compete with a number of companies offering Internet services, many of which have substantial resources, including:

wireline phone companies

Internet service providers

wireless phone companies and other providers of wireless Internet service

power companies

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municipal broadband networks

Digital subscriber line ( DSL ) technology allows Internet access to be provided to customers over phone lines at data transmission speeds substantially greater than those of dial-up modems. Phone companies and certain other companies offer DSL service, and several of these companies have increased transmission speeds, lowered prices or created bundled service packages. In addition, some phone companies, such as AT&T, Verizon and CenturyLink, have built and are continuing to build fiber-optic-based networks that allow them to

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## **Table of Contents**

provide data transmission speeds that exceed those that can be provided with DSL technology and are now offering these higher-speed services in many of our service areas. The FCC has reduced the obligations of phone companies to offer their broadband facilities on a wholesale or retail basis to competitors, and it has freed their DSL services of common carrier regulation.

Various wireless companies are offering Internet services using a variety of types of networks, including 3G and 4G wireless high-speed Internet networks (which employ LTE, WiMAX and other technology standards) and Wi-Fi networks. Some of these services are similar to ours. These networks work with devices such as wireless data cards and wireless embedded devices, such as smartphones, laptops, tablets and mobile wireless routers that connect to such embedded devices. In addition, a growing number of commercial venues, such as retail malls, restaurants and airports, offer Wi-Fi service. Numerous local governments are also considering or actively pursuing publicly subsidized Wi-Fi and other Internet access networks.

### **Voice Services**

Our voice services compete against wireline phone companies, including competitive local exchange carriers (CLECs), wireless phone service providers and other VoIP service providers, such as Vonage. Certain phone companies, such as AT&T and Verizon, have substantial capital and other resources, longstanding customer relationships, and extensive existing facilities and network rights-of-way. A few CLECs also have existing local networks and significant financial resources.

### **Business Services**

Our business services primarily compete with a variety of phone companies, including CLECs. These companies either operate their own network infrastructure or rely on reselling another carrier's network. We also compete with satellite operators who provide video offerings for businesses.

## **NBCUniversal Segments**

### **Cable Networks and Broadcast Television**

Our cable networks, broadcast television networks and owned local broadcast television stations compete for viewers' attention and audience share with all forms of programming provided to viewers, including cable, broadcast and premium networks, local broadcast television stations, home entertainment, pay-per-view and video-on-demand services, online activities, including digital distribution services and websites that provide social networking and user-generated content, and other forms of entertainment, news and information.

Our cable networks, broadcast television networks and owned local broadcast television stations compete for the acquisition of programming and for on-air and creative talent with other cable and broadcast networks and local television stations. The market for programming is very competitive, particularly for sports programming, where the cost for such programming is significant.

Our cable networks compete with other cable networks for distribution by multichannel video providers. Our broadcast television networks compete with the other broadcast networks in markets across the United States to secure affiliations with independently owned television stations, which are necessary to ensure the effective distribution of network programming to a nationwide audience.

In addition, our cable networks and broadcast television production operations compete with other production companies and creators of content for the acquisition of story properties, creative, performing and technical personnel, and with distributors for their content and consumer interest in their content.



## **Table of Contents**

### Filmed Entertainment

Our filmed entertainment business competes for audiences for its films and other entertainment content with other major studios and, to a lesser extent, with independent film producers, as well as with alternative forms of entertainment. Our competitive position primarily depends on the number of films we produce, their distribution and marketing success, and consumer response. Our filmed entertainment business also competes to obtain creative, performing and technical talent, including writers, actors, directors and producers, as well as scripts for films. Our filmed entertainment business also competes with the other major studios and other producers of entertainment content for distribution of their content through various exhibition and distribution outlets and on digital media platforms.

### Theme Parks

Our theme parks business competes with other multi-park entertainment companies. We also compete with other forms of entertainment, lodging, tourism and recreational activities. In order to maintain the competitiveness of our theme parks, we have invested and continue to invest in existing and new theme park attractions and infrastructure. The investment required to introduce new attractions in our theme parks can be significant.

### Advertising

Our cable communications business, cable networks, broadcast television networks, and owned local broadcast television stations compete for the sale of advertising time with other television networks and stations, as well as with all other advertising platforms, such as radio stations, print media and websites.

### Seasonality and Cyclicity

Each of our businesses is subject to seasonal and cyclical variations. See Management's Discussion and Analysis of Financial Condition and Results of Operations Segment Operating Results Seasonality and Cyclicity for additional information.

## Legislation and Regulation

The Communications Act of 1934, as amended (the Communications Act), and FCC regulations and policies affect significant aspects of our businesses, which are also subject to other regulation by federal, state, local and foreign authorities under applicable laws and regulations, as well as under agreements we enter into with franchising authorities. In addition, our businesses are subject to compliance with the terms of the FCC Order approving the NBCUniversal transaction (the NBCUniversal Order) and a consent decree entered into between us, the DOJ and five states (the NBCUniversal Consent Decree), which contain conditions and commitments of varying duration, ranging from three to seven years after September 2011. In addition, certain other aspects of the NBCUniversal Consent Decree are subject to oversight by a federal district court until at least 2013. Legislators and regulators at all levels of government frequently consider changing, and sometimes do change, existing statutes, rules, regulations, or interpretations of existing statutes, rules or regulations, or prescribe new ones, which may significantly affect our businesses. We are unable to predict any such changes, or how any such changes will ultimately affect our businesses. The following paragraphs summarize material existing and potential future legal and regulatory requirements affecting our businesses, although reference should be made to the Communications Act, FCC regulations, the NBCUniversal Order, the NBCUniversal Consent Decree and other legislation and regulations for further information.

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## **Table of Contents**

### **Cable Services**

#### **Video Services**

##### **Program Carriage**

The Communications Act and FCC regulations prohibit cable operators and other multichannel video providers from requiring a financial interest in, or exclusive distribution rights for, any video programming network as a condition of carriage, or from unreasonably restraining the ability of an unaffiliated programming network to compete fairly by discriminating against the network on the basis of its non-affiliation in the selection, terms or conditions for carriage. The FCC has adopted regulations that we believe increase the likelihood of program carriage complaints and is considering proposals to further expand program carriage regulations that may be disadvantageous to us. In July 2012, the FCC ruled against us in a program carriage complaint initiated by The Tennis Channel. We have challenged that decision in court and were granted a stay of the FCC's order pending the court's review. In addition, the NBCUniversal Order prohibits discriminating against a network on the basis of its non-affiliation in the selection, terms or conditions for carriage, and requires that, if we place news and/or business news channels in a channel lineup neighborhood, we must place all independent news and business news channels in that neighborhood. Bloomberg Television filed a complaint at the FCC invoking this condition. The FCC's Media Bureau ruled substantially in favor of Bloomberg but did not grant all of the relief Bloomberg had requested. Both Comcast and Bloomberg have filed applications for review of the order by the full FCC. We have been involved in other program carriage disputes at the FCC and may continue to be subject to program carriage complaints in the future. Adverse decisions in disputes under the program carriage regulations or NBCUniversal Order conditions could negatively affect our business.

##### **Must-Carry/Retransmission Consent**

Cable operators are currently required to carry, without compensation, the programming transmitted by most local commercial and noncommercial broadcast television stations. Alternatively, local broadcast television stations may choose to negotiate with a cable operator for retransmission consent, under which the station gives up its must-carry right and instead seeks to negotiate a carriage agreement with the cable operator. Such an agreement may involve payments to the station. We have recently begun paying certain local broadcast television stations in exchange for their required consent for the retransmission of the stations' broadcast programming to our video services customers and expect to continue to be subject to increasing demands for payment and other concessions from local broadcast television stations. For information on must-carry and retransmission consent issues relating to our broadcast television business, see **Broadcast Television** below and refer to the **Must-Carry/Retransmission Consent** discussion within that section.

##### **Pricing and Packaging**

The Communications Act and FCC regulations limit the prices that cable operators may charge for basic video service, equipment and installation. These rules do not apply to cable systems that the FCC determines are subject to effective competition, or where franchising authorities have chosen not to regulate rates. As a result, approximately 80% of our video services customers are not subject to rate regulation. From time to time, Congress and the FCC consider imposing new pricing or packaging regulations, including proposals that would require cable operators to offer programming networks on an a la carte or themed-tier basis instead of, or in addition to, our current packaged offerings. Additionally, uniform pricing requirements under the Communications Act may affect our ability to respond to increased competition through offers that aim to retain existing customers or regain those we have lost.

##### **Leased Access**

The Communications Act requires a cable system to make available up to 15% of its channel capacity for commercial leased access by third parties to provide programming that may compete with services offered directly by the cable operator. While we have not been required to devote significant channel capacity to

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## **Table of Contents**

leased access to date, the FCC has adopted regulations that dramatically reduce the rates we can charge for leased access channels, although their implementation has been stayed by a federal court pending the outcome of a challenge brought by us and other cable operators and also has been blocked by the Office of Management and Budget. If implemented, these regulations could adversely affect our business by significantly increasing the number of cable system channels occupied by leased access users and by significantly increasing the administrative burdens and costs associated with complying with such regulations.

### **Cable Equipment**

The FCC has adopted regulations aimed at promoting the retail sale of set-top boxes and other equipment that can be used to receive digital video services. With the exception of certain one-way devices, like digital transport adapters, these regulations prohibit cable operators from deploying new set-top boxes that perform both channel navigation and security functions. As a result, most set-top boxes that we purchase must rely on a separate security device known as a CableCARD. In addition, the FCC has adopted regulations aimed at promoting the manufacture of plug-and-play TV sets and other equipment that can connect directly to a cable system with a CableCARD and receive one-way video services without the need for a set-top box. In addition, cable operators must provide a credit to customers who use plug-and-play equipment purchased at retail and allow them to self-install CableCARDS rather than having to arrange for professional installation. The U.S. Court of Appeals for the D.C. Circuit issued a decision in January 2013 vacating some of these CableCARD rules. The decision is not yet final and may be subject to further litigation. If the court's decision becomes final, the FCC may attempt to readopt some or all of these rules, and also consider proposals to supplant CableCARDS with another technology that would enable retail video devices to work on any multichannel video provider system, not just a cable system. We are unable to predict what, if any, proposals might be adopted or what effect they might have on our cable business.

Federal and state legislators and regulators also are considering proposals to impose energy efficiency requirements on our set-top boxes and certain network equipment, although we, other multichannel video providers and equipment manufacturers recently entered into a voluntary agreement taking steps to improve the energy efficiency of set-top boxes. We cannot predict what, if any, effect this agreement will have on potential energy efficiency regulations. In addition, the NBCUniversal Order requires us to fulfill commitments designed to improve the parental control tools and information available to parents, including providing navigation and blocking capabilities for certain set-top boxes.

### **MDUs and Inside Wiring**

FCC regulations prohibit exclusive video service access agreements between cable operators and MDUs or other private residential real estate developments, as well as our enforcement of exclusivity provisions in any of our pre-existing access agreements. FCC regulations also facilitate competitors' access to the cable wiring inside such properties.

### **Pole Attachments**

The Communications Act permits the FCC to regulate the rates that pole-owning utility companies (with the exception of municipal utilities and rural cooperatives) charge cable systems for attachments to their poles. States are permitted to preempt FCC jurisdiction and regulate the terms of attachments themselves, and many states in which we operate have done so. Most of these states have generally followed the FCC's pole attachment rate standards. Utility companies initiated a proceeding in 2009 at the FCC seeking to apply the telecommunications services pole rate formula to all pole attachments over which cable operators provide phone services using interconnected VoIP technology, which is the type of technology we use for our voice services. The pole attachment rates applicable to telecommunications services were significantly higher than the rates we currently pay. In June 2011, the FCC adopted a pole rate formula that reduces the rates for telecommunications service pole attachments to levels that are at or near the rates for cable attachments, but

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## **Table of Contents**

utility companies are able to rebut certain presumptions in the new formula, and it is expected that most will attempt to do so. The FCC ruling is under review in the U.S. Court of Appeals for the D.C. Circuit.

### **Vertical Ownership Limit**

The FCC is assessing whether to revise a limit on the number of affiliated programming channels that a cable operator may carry on a cable system. The FCC's previous limit of 40% of the first 75 channels carried on a cable system was struck down by a federal appellate court in 2001, although the FCC continues to enforce it. The FCC previously clarified that, under the 40% limit, cable systems with 75 or more channels must carry at least 45 unaffiliated channels. Our cable systems routinely carry more than 45 unaffiliated channels, and we currently comply with the 40% limit. Compliance could become more difficult depending on what regulations, if any, the FCC adopts.

### **Franchising**

Cable operators generally operate their cable systems under nonexclusive franchises granted by local or state franchising authorities. While the terms and conditions of franchises vary materially from jurisdiction to jurisdiction, franchises typically last for a fixed term, obligate the franchisee to pay franchise fees and meet service quality, customer service and other requirements, and are terminable if the franchisee fails to comply with material provisions. The Communications Act permits franchising authorities to establish reasonable requirements for public, educational and governmental access (PEG) programming, and some of our franchises require substantial channel capacity and financial support for this programming. The NBCUniversal Order contains various PEG-related conditions, including a requirement that we do not migrate PEG channels to digital delivery on our cable system until the system has converted to all-digital distribution or until the government entity that is responsible for the system's PEG operations expressly agrees. The Communications Act also contains provisions governing the franchising process, including, among other things, renewal procedures designed to protect incumbent franchisees against arbitrary denials of renewal. We believe that our franchise renewal prospects generally are favorable.

FCC regulations establish franchising processes and obligations for new entrants that are different from those applicable to existing providers. For example, these regulations limit the range of financial, construction and other commitments that franchising authorities can request of new entrants and preempt certain local level playing field franchising requirements. In addition, approximately half of the states in which we operate have enacted legislation to provide statewide franchising or to simplify local franchising requirements for new entrants. Some of these statutes also allow new entrants to operate on more favorable terms than our current operations, for instance by not requiring that the new entrant provide service to all parts of the franchise area or permitting the new entrant to designate only those portions it wishes to serve. Certain of these statutes allow incumbent cable operators to opt into the new state franchise immediately or later when a competing state franchise has been issued for the incumbent cable operator's franchise area. However, even in those states, the incumbent cable operators often are required to retain certain franchise obligations that are more burdensome than the new entrant's state franchise.

### **Copyright Regulation**

In exchange for filing reports and contributing a percentage of revenue to a federal copyright royalty pool, cable operators can obtain blanket permission to retransmit copyrighted material contained in broadcast signals. The possible modification or elimination of this copyright license is the subject of ongoing legislative and administrative review. The Satellite Television Extension and Localism Act of 2010 (STELA) made revisions to a cable operator's compulsory copyright license to remove a number of uncertainties regarding the license's operation. In particular, STELA clarifies that, in exchange for certain additional payments, cable operators can limit the royalty calculation associated with retransmission of an out-of-market broadcast station to those cable subscribers who actually receive the out-of-market station. The new law also clarifies that

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## **Table of Contents**

cable operators must pay additional royalty fees for each digital multicast programming stream from an out-of market broadcast station they retransmit that does not duplicate the content of the station's primary stream. It also establishes an audit mechanism for copyright owners to review a cable operator's copyright royalty reporting practices, which the Copyright Office has issued proposals to implement. As required by STELA, the Copyright Office, the GAO and the FCC all issued reports to Congress in 2011 that generally supported an eventual phaseout of the compulsory licenses, although they also acknowledged the potential adverse impact on cable and satellite subscribers and the absence of any clear marketplace alternative to the compulsory licenses. If adopted, a phaseout plan could adversely affect our ability to obtain broadcast station programming and substantially increase our programming costs.

### **High-Speed Internet Services**

We provide high-speed Internet services over our cable distribution system. In 2002, the FCC ruled that high-speed Internet services such as ours are interstate information services that are not subject to regulation as a telecommunications service under federal law or to state or local utility regulation. However, our high-speed Internet services are subject to a number of regulatory obligations, including compliance with the Communications Assistance for Law Enforcement Act (CALEA) requirement that high-speed Internet service providers implement certain network capabilities to assist law enforcement in conducting surveillance of persons suspected of criminal activity.

In 2010, the FCC adopted open Internet regulations applicable to broadband Internet service providers (ISPs). The regulations require broadband ISPs such as us to disclose information regarding network management, performance and commercial terms of the service; bar broadband ISPs from blocking access to lawful content, applications, services or non-harmful devices; and bar wireline broadband ISPs such as us from unreasonably discriminating in transmitting lawful network traffic. The no-blocking and non-discrimination requirements allow for reasonable network management. The FCC has not prohibited speed tiers or usage-based pricing, but has specifically noted that paid prioritization (i.e., charging content, application and service providers for prioritizing their traffic over our last-mile facilities) or an ISP's prioritizing its own content likely would violate these regulations. These regulations are being challenged in federal court by a number of parties. Regardless of the outcome of that case, the court's decision will impact the FCC's authority over broadband Internet service and could result in more regulation that could adversely affect our business. Moreover, under the NBCUniversal Order and the NBCUniversal Consent Decree, we are required to comply with the open Internet regulations regardless of whether they are invalidated in court or otherwise rescinded. In addition, any Internet service we provide, regardless of whether it is accessed through a set-top box, gaming console or computer or other device, must comply with the open Internet regulations.

In addition, the NBCUniversal Order and NBCUniversal Consent Decree include various conditions and commitments requiring us to expand our broadband service areas, to continue to offer all of our high-speed Internet service speed tiers on a stand-alone basis at reasonable market-based prices, to offer a new standalone 6 Mbps downstream tier (known as the performance starter tier) at \$49.95 per month for three years, to maintain a high-speed Internet service of at least 12 Mbps downstream across most of our footprint, and to not discriminate in how we treat specialized services (defined as services we provide over the same last-mile facilities as our high-speed Internet service, but not including our high-speed Internet service, video services or voice services). We have taken a number of steps to comply with these conditions. In 2012, after an FCC inquiry into whether we failed to comply with the stand-alone broadband condition, we entered into a consent decree with the FCC to extend our offering of the performance starter tier for one additional year and to reinforce the promotion of our stand-alone broadband offerings, including training our sales representatives with respect to these offerings.

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## **Table of Contents**

A federal program known as the Universal Service program generally requires telecommunications service providers to collect and pay a fee based on revenue from their services into a fund used to subsidize the provision of telecommunications services in high-cost areas and Internet and telecommunications services to schools, libraries and certain health care providers. The FCC issued an order in November 2011 that changed the way that a majority of Universal Service funds are allocated and began implementing that order in 2012. By focusing on broadband and wireless deployment, and moving away from supporting traditional telephone service, the changes could assist some of our competitors in more effectively competing with our service offerings, while others could receive less funding. The actual impact of the changes is not yet known. The FCC's ruling is under review in the U.S. Court of Appeals for the Tenth Circuit.

In addition, in November 2011, the FCC initiated a further rulemaking on IP interconnection issues, which may have an impact on Internet interconnection arrangements. We have a number of peering and transit arrangements with other network operators, and these arrangements historically have not been regulated by the FCC. We cannot predict what, if any, proposals might be adopted or what effect they might have on our business.

In addition, Congress and federal regulators have adopted a wide range of measures affecting Internet use, including, for example, consumer privacy, consumer protection, copyright protection, defamation liability, taxation, obscenity and unsolicited commercial email. State and local governments also have adopted Internet-related regulations. Furthermore, Congress, the FCC, and certain state and local governments are considering proposals to impose customer service, quality of service, expanded copyright protection requirements, taxation, child safety, privacy and standard pricing regulations on high-speed Internet service providers. It is uncertain whether any of these proposals will be adopted. The adoption of new laws or the application of existing laws to the Internet could have a material adverse effect on our high-speed Internet business.

### **Voice Services**

We provide voice services by using interconnected VoIP technology. The FCC has adopted a number of regulations for providers of nontraditional voice services such as ours, including regulations relating to customer proprietary network information, local number portability duties and benefits, disability access, E911, law enforcement assistance (CALEA), outage reporting, Universal Service Fund contribution obligations, and certain regulatory filing requirements, but has not yet ruled on whether interconnected VoIP service should be classified as an information service or a telecommunications service under the Communications Act. The classification determination is important because telecommunications services are still regulated more pervasively than information services. The regulatory environment for our voice services therefore remains uncertain at both the federal and the state levels. Until the FCC definitively classifies interconnected VoIP service, state regulatory commissions and legislatures may continue to investigate imposing regulatory requirements on our voice services. For example, state commissions in Vermont and New Hampshire have issued orders finding that our voice services qualify as telecommunications services subject to state regulation, although we have challenged both orders in court. In some cases, state legislation precludes state regulation of VoIP-based services notwithstanding how they are classified.

Because the FCC has not determined the appropriate classification of our voice services, the precise scope of interconnection regulations applicable to us as a provider of nontraditional voice services is not clear. In light of this uncertainty, providers of nontraditional voice services typically either secure CLEC authorization or obtain interconnection to traditional wireline phone company networks by contracting with an existing CLEC, whose right, as a telecommunications carrier, to request and obtain interconnection with the traditional wireline phone companies is set forth in the Communications Act. We have arranged for such interconnection rights through our affiliated CLECs. While some traditional wireline phone companies have challenged our

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## **Table of Contents**

right to interconnect directly with them, we have prevailed in all of these challenges, and no such challenges are currently pending. That said, if a regulatory or judicial authority were to deny our ability to interconnect through one of our CLECs, our ability to provide voice services and compete in the area in question would be negatively impacted. In December 2012, the FCC sought comment on two petitions that raise issues concerning the interconnection obligations for IP voice providers, and it also formed a task force to coordinate the FCC's efforts on issues related to the transition of networks from circuit-switched to packet-switched technology, including the issue of IP interconnection. We cannot predict what, if any, proposals might be adopted or what effect they might have on our business. In November 2011, the FCC issued an order clarifying the entire intercarrier compensation regime, which governs the arrangements by which telecommunications carriers compensate one another for exchanged traffic, whether it be for local, intrastate or interstate traffic, or VoIP. The FCC order affirmed the right of CLECs to collect intercarrier compensation when providing interconnection for VoIP providers. However, the FCC's order is currently under appeal with the U.S. Court of Appeals for the Tenth Circuit.

### **Other Cable Services Regulations**

#### **State and Local Taxes**

Some states and localities have imposed or are considering imposing new or additional taxes or fees on the cable services we offer, or imposing adverse methodologies by which taxes or fees are computed. These include combined reporting or other changes to general business taxes, central assessments for property tax, and taxes and fees on video, high-speed Internet and voice services. We and other cable industry members are challenging certain of these taxes through administrative and court proceedings. In addition, in some situations our DBS competitors and other competitors that deliver their services over a high-speed Internet connection do not face similar state tax and fee burdens. Congress has also considered, and may consider again, proposals to bar states from imposing taxes on DBS providers that are equivalent to the taxes or fees that we pay.

#### **Cable Networks**

### **Program Access**

The Communications Act and FCC regulations generally prevent cable networks affiliated with cable operators, other than terrestrially-delivered programming networks, from favoring affiliated cable operators over competing multichannel video providers, such as DBS providers and phone companies that offer multichannel video programming services. In addition, the Communications Act and FCC regulations had limited the ability of cable-affiliated cable networks to offer exclusive programming contracts to a cable operator. In October 2012, the FCC allowed a preemptive restriction on exclusive contracts to expire but reaffirmed that any such exclusive contract could be reviewed on a case-by-case basis in response to a complaint alleging violation of the Communications Act's prohibition against unfair methods of competition or unfair or deceptive acts or practices that hinder significantly or prevent competitors from providing programming to customers. This case-by-case process already allowed multichannel video providers to file program access complaints to try to show that their lack of access to a terrestrially-delivered programming network had hindered significantly their ability to deliver video programming to subscribers. In addition, the FCC is considering proposals to establish presumptions that would make it easier for multichannel video providers to succeed with complaints involving exclusive contracts and to make it easier for them to use buying groups and for such buying groups to pursue complaints under the rules. It is uncertain whether the FCC will act on these proposals and, if adopted, what impact these proposals would have on our cable networks.

The FCC launched a rulemaking in 2007 to consider whether companies that own multiple cable networks should be required to make each of their networks available to multichannel video providers on a stand-alone or "unbundled" basis when negotiating distribution agreements, although it has not further acted on that

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## **Table of Contents**

rulemaking. We currently offer our cable networks both on a bundled and, when requested, on a stand-alone basis. Increased regulatory requirements imposed on the manner in which we negotiate programming distribution agreements with multichannel video providers may adversely affect our cable networks business.

Under the terms of the NBCUniversal Order and NBCUniversal Consent Decree, multichannel video providers can invoke commercial arbitration for program access pursuant to conditions adopted in the NBCUniversal Order against our cable networks and broadcast television networks, including our regional sports networks. In addition, under the NBCUniversal Order and NBCUniversal Consent Decree, we are required to make certain of our cable network, broadcast television and filmed entertainment programming available to bona fide online video distributors under certain conditions, and they may invoke commercial arbitration pursuant to conditions adopted in the NBCUniversal Order and NBCUniversal Consent Decree to resolve disputes regarding the availability of, and the terms and conditions of access to, such programming. For further discussion of these conditions, see [Broadcast Television](#) below and refer to the [Must-Carry/Retransmission Consent](#) and [Internet Distribution](#) discussions within that section.

### **Children's Programming**

The Children's Television Act (CTA) and FCC regulations limit the amount and content of commercial matter that may be shown on cable networks, broadcast networks and broadcast television stations during programming originally produced and broadcast primarily for an audience of children under 13 years of age. FCC regulations also limit the display during children's programming on cable or broadcast of Internet addresses of websites that contain or link to commercial material or that use program characters to sell products. Similarly, FCC regulations prohibit the display of commercials during children's programming on cable or broadcast networks that use program characters to sell products when the commercial is adjacent to children's programming in which the characters appear. The FCC is currently considering whether to prohibit interactive advertising during children's television programming. The NBCUniversal Order includes certain commitments and conditions related to children's television and advertising directed at children, including commitments that we will not insert interactive advertising into children's television programming in any of the advertising spots we control, either as a multichannel video provider or as the programmer, and that we will provide at least \$15 million worth of public service announcements on childhood obesity, FDA nutritional guidelines, digital literacy and parental controls per year until 2016.

### **Broadcast Television**

### **Licensing**

The Communications Act permits the operation of local broadcast television stations only in accordance with a license issued by the FCC upon a finding that the grant of the license would serve the public interest, convenience and necessity. The FCC grants broadcast television station licenses for specific periods of time and, upon application, may renew the licenses for additional terms. Under the Communications Act, broadcast television licenses may be granted for a maximum term of eight years. Generally, the FCC renews broadcast licenses upon finding that the television station has served the public interest, convenience and necessity; there have been no serious violations by the licensee of the Communications Act or FCC regulations; and there have been no violations by the licensee of the Communications Act or FCC regulations, which, taken together, indicate a pattern of abuse.

In addition, CTA and FCC regulations require that the FCC consider in its review of broadcast television station license renewals whether the station has served the educational and informational (E/I) needs of children. Under the FCC's regulations, a station licensee will be deemed to have met its obligation to serve the E/I needs of children if it has broadcast on its main program stream a minimum of three hours per week of programming that has a significant purpose of serving the E/I needs of children under 17 years of age. For broadcast television stations that multicast, FCC regulations include a similar standard whereby the amount



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## **Table of Contents**

of E/I programming deemed to meet the station's E/I obligation increases in proportion to the amount of free multicast programming aired. Under the NBCUniversal Order, we have committed to provide an additional hour of E/I programming per week on either the primary or multicast streams of our owned NBC local broadcast television stations and on the primary signal of our owned Telemundo local broadcast television stations. The FCC is considering whether the requirements for E/I programming have been effective in promoting the availability of educational content for children on broadcast television, and there can be no assurance that the FCC will not impose more stringent requirements.

Under the NBCUniversal Order, we have committed to expand local news and information programming on our owned local television stations and to enter into cooperative arrangements with locally focused nonprofit news organizations in certain markets.

Renewal applications are pending for a number of our broadcast television station licenses. The FCC may grant any license renewal application with or without conditions, including renewal for a lesser term than the maximum otherwise permitted. A station's authority to operate is automatically extended while a renewal application is on file and under review. Four pending applications have been formally opposed by third parties and other applications are pending due to unresolved complaints of alleged indecency in the stations' programming. The Communications Act also requires prior FCC approval for any sale of a broadcast station license, whether through the assignment of the license and related assets from one company to another or the transfer of control of the stock or other equity of a company holding an FCC license. Third parties may oppose such applications. The FCC may decline to renew or approve the transfer of a license in certain circumstances. Although we have received such renewals and approvals in the past, there can be no assurance that we will always obtain necessary renewals or that approvals in the future will contain acceptable FCC license conditions.

### **Ownership Limits**

FCC regulations limit the ability of individuals and entities to have attributable interests above specific levels in local television stations, as well as other specified mass media entities, such as limits on the cross-ownership of broadcast stations and newspapers in the same market. The FCC, by law, must review the ownership regulations detailed below once every four years, and the most recent review was initiated in December 2011 (2011 Media Ownership Notice). We cannot predict when the FCC's current review will be completed or whether or how any of these regulations will change.

#### **Local Television Ownership**

Under the FCC's local television ownership rule, a licensee may own up to two broadcast television stations in the same DMA, as long as at least one of the two stations is not among the top four-ranked stations in the market based on audience share as of the date an application for approval of an acquisition is filed with the FCC and at least eight independently owned and operating full-power broadcast television stations remain in the market following the acquisition. Further, without regard to the number of remaining independently-owned television stations, the rule permits the ownership of more than one television station within the same DMA so long as certain signal contours of the stations involved do not overlap. The 2011 Media Ownership Notice proposes minor modifications to the local television ownership rule. It also raises questions regarding whether local news-sharing agreements, shared services agreements, and joint sales agreements should count toward the FCC's ownership limitations.

#### **National Television Ownership**

The Communications Act and FCC regulations limit the number of television stations one entity may own or control nationally. Under the rule, no entity may have an attributable interest in broadcast television stations that reach, in the aggregate, more than 39% of all U.S. television households. Our owned local television station reach does not exceed this limit.

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## **Table of Contents**

### **Foreign Ownership**

The Communications Act generally limits foreign ownership in a broadcast station to 20% direct ownership and 25% indirect ownership (i.e., through one or more subsidiaries), although the limit on indirect ownership can be waived if the FCC finds it to be in the public interest. These limits have been held to apply to both voting control and equity, as well as to ownership by any form of entity, including corporations, partnerships and limited liability companies.

### **Dual Network Rule**

The dual network rule prohibits any of the four major broadcast television networks, ABC, CBS, Fox and NBC, from being under common ownership or control with another of the four.

### **Must-Carry/Retransmission Consent**

Every three years, each commercial television station must elect for each cable system in its DMA either must-carry or retransmission consent. Federal law and FCC regulations also establish a must-carry/retransmission consent election regime for carriage of commercial television stations by satellite providers. For the period beginning on January 1, 2012 and ending on December 31, 2014, all of the NBC network and Telemundo network owned local television stations elected retransmission consent.

In enacting STELA in 2010, Congress modified certain aspects of the compulsory copyright licenses under which satellite providers and cable operators retransmit broadcast stations. STELA expressly extended to January 1, 2015 an existing prohibition against commercial television stations entering into exclusive retransmission consent agreements with multichannel video providers and also extended a requirement that commercial television stations and multichannel video providers negotiate retransmission consent agreements in good faith. Several other multichannel video providers and third parties filed a petition asking the FCC to initiate a rulemaking to consider changes to the current retransmission consent regulations and also asked Congress to review the issue. The FCC launched a rulemaking in 2011 that, among other things, seeks comment on proposals to modify the good faith negotiating standard and to eliminate regulations providing local television stations with exclusivity protections in their markets for network and syndicated programming. Legislation has been introduced that would eliminate both must-carry and retransmission consent as well as more narrow legislation that would establish an arbitration mechanism to resolve impasses in retransmission consent negotiations. We cannot predict what new laws or regulations, if any, may be adopted or how any such laws or regulations would affect our businesses. In addition to potential remedies under the general retransmission consent regime, multichannel video providers may invoke commercial arbitration under rules established in the NBCUniversal Order to resolve any disputes regarding carriage of any of our owned local broadcast television stations.

### **Internet Distribution**

Under the NBCUniversal Order and NBCUniversal Consent Decree, we are required to make certain of our cable network, broadcast television and filmed entertainment programming available to bona fide online video distributors under certain conditions, and they may invoke commercial arbitration to resolve disputes regarding the availability, and the terms and conditions of access to, such programming. In addition, we are required to continue distributing programming via nbc.com that is generally equivalent to the programming that we distributed via nbc.com as of January 1, 2011, on generally equivalent terms and conditions, so long as at least one of the other major broadcast networks continues to distribute some programming in a similar fashion. We are one of three broadcast network owners of Hulu, but were required to relinquish all voting rights and our board seat in Hulu in connection with the NBCUniversal transaction. If the two other broadcast network owners of Hulu renew their agreements, we must either continue to provide content to Hulu on the terms in place as of January 2011 or enter into agreements on substantially the same terms as the broadcast network that provides the most economically favorable terms to Hulu.

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## **Table of Contents**

### **Broadcast Spectrum**

In February 2012, Congress authorized the FCC to conduct an incentive auction to reassign a portion of the broadcast spectrum for mobile broadband use. Under the statute, broadcasters may voluntarily relinquish some or all of their spectrum rights in exchange for a share of the proceeds of the FCC's auction of the spectrum to mobile broadband providers. Broadcasters that do not voluntarily relinquish their spectrum rights may still be affected as part of the process of clearing and repacking the spectrum for future mobile use, but Congress required the FCC to make all reasonable efforts to preserve broadcasters' over-the-air coverage area and population served, and to reimburse those broadcasters reasonable costs. The FCC currently is conducting a proceeding to implement this statute, including establishing processes for how the spectrum will be repacked and how the broadcasters will be reimbursed for relocation costs. We cannot predict whether or how any such regulations might affect our businesses.

### **Indecency**

FCC regulations prohibit the broadcast of obscene material on television stations at any time and indecent or profane material between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating this prohibition because the vagueness of the relevant FCC definitions makes it difficult to apply. Moreover, the FCC has in some instances imposed separate fines for each allegedly indecent utterance, in contrast with its previous policy that had generally considered all indecent words or phrases within a given program as constituting a single violation. The maximum penalty for broadcasting indecent or profane programming is \$325,000 per indecent or profane utterance.

Indecency regulation has been the subject of ongoing court review, regarding both the FCC's fleeting expletives policy and the FCC's definition of what constitutes indecent material. In June 2012, the U.S. Supreme Court struck down the FCC's assessment of indecency fines against ABC and FOX on the grounds that the agency failed to provide fair notice of its standards and enforcement policy. However, the Court declined to rule on the constitutionality of the FCC's indecency policy under the First Amendment. This ruling may result in the FCC's clarification of its policy and future indecency-related enforcement actions. From time to time, we have received and may receive in the future letters of inquiry from the FCC prompted by complaints alleging that certain programming on our owned local television stations included indecent or profane material. Increased content regulation, particularly if it is vague and difficult to apply, could have an adverse effect on our broadcast television business.

### **Sponsorship Identification**

Federal legislation and FCC regulations provide that whenever a broadcast station transmits any programming for which it has received money, service or other valuable consideration, it must provide an accurate on-air identification of the sponsor of the programming. In 2008, the FCC commenced a proceeding to examine whether embedded advertising, such as product placements and product integration, in broadcast programming should be subject to stricter disclosure requirements and whether the sponsorship identification regulations should be extended to cable networks, although the FCC has taken no action.

### **International Regulation**

International regulation of television broadcasting varies widely according to jurisdiction and includes the regulation of programming and advertising. For example, the European Union (E.U.) establishes minimum levels of regulation across all E.U. member states focused on content and advertising, which also extends to nonlinear television services, although E.U. countries are free to impose stricter regulation in certain areas.

### **Filmed Entertainment**

Our filmed entertainment business is subject to the provisions of trade practice laws in effect in 25 states and Puerto Rico relating to theatrical distribution of motion pictures. These laws substantially restrict the