U.S. Senate Committee on the Judiciary,
Subcommittee on Antitrust, Competition Policy, and Consumer Rights
Hearing on "The Comcast/NBC Universal Merger: What Does the Future Hold for Competition and Consumers?"

March 15, 2010

Responses to questions for the record submitted by Senator Orrin Hatch:

1. **Much of the debate surrounding this merger is likely going to center on whether the current FCC regulations – particularly those relating to program access and carriage – are sufficient to protect competition in a post-merger environment. Under the FCC's program access regulations, a vertically integrated video content distributor – like Comcast – is prohibited from demanding discriminatory rates and terms from its competitors when it licenses its own content.**

   Some have argued that, once it owns NBC Universal's content, Comcast could simply raise the price it charges itself for the same content, thereby raising the cost for its competitors without running afoul of the FCC regulations. Under such a scenario, Comcast would be paying nominally higher prices, but any related losses would be internalized. Its competitors, on the other hand, would see their costs increase significantly and, as a result, we'd likely see more costs passed on to customers. What's to stop Comcast from taking this approach? And, as a follow-up, is Comcast willing to accept conditions on the merger to address program access concerns – including possible arbitration requirements and agreements not to pull programming in the middle of a dispute?

Competition is – and will remain – intense among cable programming networks and multichannel video programming networks ("MVPDs"). Competition does – and will continue to – act as a restraint against unfair practices in the distribution and programming business segments. The new NBCU will continue to have strong incentives to reach as broad an audience as possible. To do that, NBCU will need to secure the best possible distribution not only from Comcast, but also from other MVPDs, which together serve over 75 percent of MVPD households. If NBCU charges excessive prices for its programming, it will risk losing distribution and that, in turn, will translate quickly into revenue losses as affiliate fees and advertising revenue both decline. So the realities of a competitive marketplace provide strong protection against the concerns that you identify; the costs of a foreclosure strategy would outweigh any conceivable benefit. As Professor Richard Epstein of the University of Chicago has written, speaking specifically about the Comcast-NBCU joint venture, "why would either company wish to make its network weaker than it need be, by entering into actions of exclusion that hurt itself as much as any outsider?"

Nonetheless, the FCC's program access regulations remain available as a backstop. The program access rules that currently apply to the Comcast cable networks will now apply to NBCU's cable networks as well, providing a regulatory backstop to prevent unfair practices and discrimination by distributors who are affiliated with programmers. Comcast always has abided by these program access rules and never has been found to have violated them.

Given the protections provided first and foremost by the imperatives of the competitive marketplace, and additionally those that are already supplied by existing rules, we see no need for yet another layer of protection. We did make a voluntarily commitment to accept the application of program access rules to the high-definition feeds of any network whose standard definition feed is subject to the rules; we stand by that, and we have expressed a willingness to discuss with the FCC making the program access rules binding upon us even if they are overturned in court. Beyond this, it would premature to speculate about potential further conditions.

2. **One of the more prominent concerns critics have expressed about this merger is that it has the potential to stifle the burgeoning market for video content distributed on the Internet. Sure enough, NBC Universal is one of the biggest players on this market, distributing its content on more and more Internet outlets. There is of course Hulu, which is a property at stake in this merger. NBC also posts much of its content on its own website. In addition, consumers can access NBC Universal content via subscription or download services like Netflix or iTunes.**

   In each of these outlets, while consumers cannot always access NBC Universal's content for free, they can access it regardless of whether they subscribe to an MVPD service. This seems, in some respects, to conflict with Comcast's business model, which appears to tie Internet access to content to cable subscriptions, as we see in the TV Everywhere proposals. Are these two approaches in conflict? By that I mean, currently NBC Universal is pursuing a route that seeks to put its content in front of the broadest possible audience, regardless of the distribution outlet or platform. It would seem, at least on the surface, that Comcast, as a distributor, would have an incentive, at least some of the time, to limit the number of outlets where its content is available. How can these approaches be reconciled when the companies are under common ownership, particularly with regard to Internet distribution?

The proposed joint venture will not in any way limit competition in the fragmented and dynamic marketplace for online video content. We have always been a driving force to bring more, not less, content to consumers across platforms, and that is one of our primary goals in pursuing this joint venture.

The premises of this question are not entirely correct. NBCU is not one of the biggest players in online video. Comcast and NBCU do not have conflicting approaches to online availability of content; both favor widespread availability of content online, but believe that should be done through sustainable business models that ensure continued production of high-quality content. Content carried on NBCU's national cable networks is *not* generally available to consumers who do not subscribe to MVPD service.

First, Comcast and NBCU are relatively small players both as providers and distributors of online video content. Online video distribution sites owned by Comcast (e.g., Fancast) account for less than one-half of one percent of online video views, and sites owned by NBCU account for less than one percent of online video views. Hulu, in which NBCU owns a minority interest, only has four percent of online video views. Even if NBCU's partial interest in Hulu were entirely in the control of the combined company (which it clearly will not be), the combined company's share of online video views would only account for approximately five percent. The combined company will therefore have no market power, either as a provider or distributor of online video content, and no ability to limit competition in this dynamic marketplace. The competitive dynamics of this nascent business will be determined by the interplay of many, many actors on the Internet, including Google (which accounts for 55 percent of all online video views), Apple, Netflix, Blockbuster, Amazon, Yahoo, Wal-Mart, and many others.

Second, Comcast's and NBCU's approaches to distributing content over the Internet are not in conflict. Both Comcast and NBCU have strong interests in making content available over the Internet in ways that allow programmers to recoup the significant costs of creating that content. Both companies – and others in this arena – are actively experimenting with a wide variety of business models to deliver video to consumers over the Internet. Comcast's Fancast Xfinity TV alone currently combines several different models: (1) advertising-supported: long-form and short-form videos available to Comcast subscribers and non-subscribers alike for free; (2) authentication: long-form and short-form videos available to Comcast Cable subscribers at no additional charge, with the content available to a particular subscriber being based on the content available to that subscriber as a result of his video subscription; (3) transactional: DVDs and VOD available for purchase at the Fancast store.

Concerns over whether online advertising revenues can support the creative infrastructure needed to produce premium video content have made producers of premium video content (NBCU included) reluctant to make available online the content for which MVPDs currently pay cable networks tens of billions of dollars per year. As a result, most professional video content now available at online advertising-supported sites is either broadcast programming content (which is already available at no additional charge to consumers with an over-the-air antenna) or library content. While NBCU makes some of its content – particularly shows from the NBC broadcast network – available online through advertising-supported sites, and certain episodes of certain shows can be purchased individually via iTunes, the vast majority of NBCU's (and other programmers') cable network and film content still is distributed only to consumers who have MVPD subscriptions and is distributed online to those customers only to a limited degree (primarily through the vehicle of TV Everywhere initiatives like Comcast's Fancast Xfinity TV).

Comcast has long made certain video content available over the Internet on an advertising-supported basis to subscribers and non-subscribers alike, through Fancast's free online service since its launch in 2008. Fancast has partnered with Hulu since Hulu launched. Forty percent of Fancast's views are Hulu views, and Fancast contributes three percent of Hulu's video views. Fancast's online video business is (and Hulu's will be) largely incremental and complementary to Comcast's cable business. Many consumers who view television programs online do so to catch-up on missed episodes or to discover and to sample new fare. According to a December 2009 Nielsen report, television viewing remained at a seasonal all-time high (with an average television viewer watching more than 140 hours of television per month), even as online video viewing grew (with the average online video viewer now watching three-and-a-half hours of online video per month.)

We also do not view Hulu as "a property at stake in this merger." This transaction will not change NBCU's participation in Hulu in any way. Although NBCU was a founding partner in Hulu, Hulu is a joint venture in which NBCU currently holds approximately a 32 percent, non-controlling, non-management interest. NBCU's governance rights are limited, and this will not change as a result of the proposed transaction. Comcast has no intention of changing NBCU's relationship with Hulu or NBCU's decision to provide certain content to Hulu. This does not mean that Hulu itself will not change during the period that this transaction is under government review. Other owners of Hulu have publicly expressed concern that Hulu's current business model is not working and should be changed. Just last week, we saw Viacom and Hulu part ways, with Viacom taking down popular Comedy Central content like *The Daily Show with Jon Stewart* and *The Colbert Report* from Hulu because the parties could not reach a mutually satisfactory agreement. While Comcast cannot and will not seek to influence those Hulu discussions, we understand the difficulties that Hulu faces and the challenges of devising new ways to increase consumers' access to content while maintaining the economics that allow the content to be produced in the first place. Comcast and NBCU both have incentives to experiment and develop pro-consumer models that do this, and we believe the joint venture will enable us to do so with greater success and speed.

3. **We've heard testimony from competitors and advocates who believe that this merger will give Comcast greater incentive to protect its own programming from competition from independent programmers. As part of this agreement, your company has pledged to add two new "independent" networks to its distribution every year for three years. My question is, first, how do you define "independent?" Would, for example, a Time Warner network be considered independent now that they no longer own any distribution outlets? In addition, how does [this commitment] differ from Comcast's current practices?**

We have defined "independent" in our public interest statement to mean networks that are both (a) not currently carried by Comcast, and (b) unaffiliated with Comcast, NBCU, or any of the top 15 owners of networks (as measured by revenues). To use your example, any networks owned by Time Warner Inc., along with Viacom, Disney, News Corp., Hearst, Discovery, Liberty, and CBS, among others, will not be considered independent for purposes of fulfilling this commitment.

Our commitment to add two independent programmers every year for three years is unprecedented. We proposed this commitment because we see a window of opportunity for new channel launches as we complete our company-wide digital migration of our expanded basic tier of service to digital, allowing us to reclaim analog bandwidth for even more HD channels, more and better VOD, and faster Internet speeds. While Comcast currently carries hundreds of unaffiliated channels – six out of every seven channels carried by Comcast will remain unaffiliated with Comcast after the transaction – we think this concrete commitment to add even more independent networks as our analog bandwidth is reclaimed and capacity expands ought to provide an additional measure of comfort for those concerned about the continued growth of programming diversity.

Even in the absence of a commitment, we have in the past launched independent channels and will continue to do so. We have been pleased to see the supportive letters sent to the Senate Commerce Committee by several independent programmers: Outdoor Channel, Ovation TV, and Reelzchannel. Stanley Hubbard, CEO of Reelzchannel, for instance, said that they "could not be more appreciative of the support we have received from Comcast for the launch and development of our independent cable network," that they "believe that this relationship will remain strong in the future" and that they "do not believe that the NBCU/Comcast merger will in any way affect that relationship or commitment to success of our independent network." The CEO of Ovation, Charles Segars, said that "Comcast has a strong record of launching viable, independent channels" and that "Comcast has been responsive to those channels with . . . a compelling value proposition that includes fair and competitive rates." A copy of each letter is attached.

Our interest in working with independent programmers extends beyond linear channels. Comcast On Demand has worked successfully with independent programmers to obtain content for its On Demand platform. For example, Comcast's On Demand lineup gives consumers access to content from IFC, Tribeca Enterprises, Concert TV, Havoc, Here Networks, RHI Entertainment, and Shalom TV, among others.

4. **Over the last several years, at least at a national level, we've seen an increase in competition in the video distribution market. There's been an expansion in the services offered by satellite companies and, more recently, telecommunications icons like AT&T and Verizon have entered the video market with no small measure of success. In fact, in your statements both here and to the FCC, you've noted that Comcast has actually lost subscribers due to what at least ostensibly appears to be robust competition. In addition, we've seen numerous technological innovations with regard to video distribution.**

   From the antitrust perspective, there is an assumption that competition is good for consumers. Yet, despite claims and appearances that the video distribution market is competitive, prices for cable services have continually gone up, sometimes dramatically. If what you claim is true – that this market is continually becoming more competitive – why haven't we seen a steady decline in prices? And, with these concerns in mind, shouldn't we be at least somewhat skeptical of claims that this merger will benefit consumers in the long run?

Competition is good for consumers, and the video distribution marketplace is very competitive. Comcast competes against DirecTV and Dish nationally in every market in which we provide service. In many of those markets, we also face competition from telephone companies like AT&T and Verizon, as well as overbuilders. And these competitors are fierce. In about 15 years, DirecTV and Dish have become the second and third largest MVPDs, respectively. And Verizon and AT&T are now both top ten MVPDs and continue to grow every quarter.

Along the way, Comcast – like its rivals – has continued to increase the value proposition for customers. Prices may have increased, but quality and choice have increased far more.

Abundance and diversity of programming have never been greater, and cable is a better value proposition than ever.

There is little doubt that consumers are getting more for their money than they did in the past. Indeed, at a little over $2 a day, cable is about the price of a morning cup of coffee. On a monthly basis, standard cable is less expensive than taking a family of four to the movies once and a fraction of the price of taking the family to a single sporting event. The average cable household viewing time is 310.5 hours per month; compare that to one three-hour ballgame or a few hours at the movies. When adjusted for inflation, the "price per viewing hour" of cable service has decreased 26 percent over the last 10 years. Plus, the quality of the programs we deliver has increased, as has the versatility of the service (e.g., video-on-demand, which offers thousands of choices at no additional charge).

In addition, many of our customers take advantage of promotional or multi-product discounts. We offer High-Speed Internet and digital voice services in addition to video, and consumers who buy two- or three-product packages enjoy significant savings as compared to the prices for the services when purchased separately. Other customers receive promotional price discounts, e.g., when they first sign up for service or when they agree to a service-level upgrade. The growing use of such discounts is often omitted from cable price surveys, which skews the results.

Times are tough for many Americans, and we are highly focused on controlling costs for the benefit of our customers. Like all of our competitors, however, we must adjust prices to account for our increased costs of doing business. It's a fact of life – separate and apart from the proposed transaction – that programming costs have risen and will likely continue to rise. Notably, many of our competitors, including AT&T, Verizon, and DirecTV, have increased their prices by as much or more than Comcast, reflecting the continuing costs pressures of the business.

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OUTDOOR CHANNEL

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March 10, 2010

Jay D. Rockefeller, IV
Chairman
Committee on Commerce, Science, and Transportation
United States Senate
Dirksen Senate Office Building 508
Washington, DC 20510

Kay Bailey Hutchison
Ranking Member
Committee on Commerce, Science, and Transportation
United States Senate
Dirksen Senate Office Building 508
Washington, DC 20510

Dear Chairman Rockefeller and Ranking Member Hutchison:

I am writing as the President and Chief Executive Officer of Outdoor Channel, an independent cable network focused on hunting, fishing, and outdoor adventure. We appreciate the opportunity to share our perspective on the pending merger between Comcast and NBC Universal – and to tell you why we believe that Comcast has been a good partner – and why the dynamics of the video business, in our opinion, will encourage Comcast to continue to be a good partner following its merger.

First, to give you some perspective on what it means to be an independent content provider in today's cable landscape, and some perspective on the audience we uniquely serve, let me provide you with some background on Outdoor Channel. Our network is the quintessential independent programmer. We were originally founded in 1994 by a family of outdoor enthusiasts as a programming service for other enthusiasts. In the last 16 years, we have grown into a profitable, financially stable publicly traded company (NASDAQ: OUTD) with annual revenue in excess of $75 million.

Outdoor Channel features quality programming designed to educate and entertain outdoor enthusiasts of all skill levels. We promote the traditional outdoor activities that are a vital part of our national heritage including fishing, hunting, shooting sports and other outdoor adventures. Our programs are designed to appeal to enthusiasts of all ages with a focus on activities that the entire family can enjoy in the great outdoors. Outdoor Channel promotes the spirit of conservation in all of our programs, emphasizing responsible hunting, fishing and habitat maintenance. We also broadcast programs that highlight conservation and preservation initiatives, helping outdoor enthusiasts understand the importance of maintaining and improving our lands. According to Nielsen Media Research, we serve approximately 36 million cable, satellite and telco subscribers in both rural and urban communities around the country.

It is important to emphasize that the key to our success as an independent network is that we have continued to invest heavily in our business. Our ongoing investments in compelling programming that includes the best and brightest celebrity talent, innovative formats like High Definition (HD) and Video on Demand (VOD) and building a robust digital presence has made our growth possible and enabled us to maintain our leadership position. We have also heavily invested in branding, marketing and research to support our sales and marketing efforts.

Against that background, let me turn to Outdoor Channel's relationship with Comcast. Comcast has been an important partner for us, and our relationship has been mutually beneficial. Given my experience in the cable television industry, I can attest that with Comcast, our carriage negotiations, back office functions and day to day dealings have always been reasonable and forthright.

Outdoor Channel relies on cable distributors like Comcast to provide household delivery in two ways. First, we look for Comcast to carry our network in the greatest number of cable systems possible. Comcast evaluates the fit for each network on a market specific basis and is under no obligation to carry Outdoor Channel in every market it serves. With that carriage flexibility in mind, we are pleased to be carried in most of Comcast's markets around the country. In the markets where Outdoor Channel is available on Comcast's channel line-up, Outdoor Channel reaches approximately 30% of the total potential subscribers.

Second, Outdoor Channel provides Comcast the latitude to package Outdoor Channel in ways that best serve their markets and business objectives. Over the past two years, in recognition of Outdoor Channel's broad appeal and program quality improvements, Comcast has repackaged our network to more highly penetrated packages that reach substantially greater numbers of potential viewers.

Comcast, like other distributors, has seen the value of Outdoor Channel increase over time. They have recognized that our network is more than a concept – it's a proven, sustainable entity. As we've grown our business, we've proven that we are filling a critical content void in the market, and we have staying power. Considering Outdoor Channel's growing base of viewers, high-quality programming and innovative formats like HD, Comcast has continued to give us additional opportunities to bring our network to new markets.

We were particularly pleased to see the interest we were receiving for upgraded packaging at the local system level supported at Comcast's corporate office where these decisions are ultimately approved. We have invested in staffing a professional field sales force and we were gratified to see the benefit of this investment, coupled with our commitment to best in class programming, paying dividends in the form of increased subscriber growth. We are encouraged that continued investment in first-rate content, advanced technology such as HD, and innovative marketing partnerships will continue to be recognized with additional growth opportunities for our networks throughout Comcast's systems.

Additionally, Outdoor Channel looks toward distributors like Comcast to be strong marketing partners. Each year, we run two network consumer promotions: *Spring Fever* and *Gear Up & Go.* The purpose of these sweepstakes-based promotions is to enhance our brand's awareness and increase viewership and consumer engagement. During these promotions, we partner with cable affiliates, asking them to run promotional television spots on their systems to increase sweepstakes enrollment and programming tune-in. Historically, Comcast systems have participated heavily in these promotions. For the 2009 *Gear Up & Go* promotion, Comcast systems representing over 4 million subscriber households participated. These Comcast systems ran promotional television spots valued in excess of $1.5 million which in turn helps us to increase viewing which drives our advertising sales business.

In line with our belief in the compelling logic of thoughtful, sustainable independent programming, we have taken note of the "Commitments" Comcast and NBCU have made in their testimony to legislators as guarantees of their post merger intentions. We are especially encouraged by Commitment #13 – "Carriage for Independent Programmers." We applaud the concept behind that commitment of adding new independently owned and operated channels to Comcast's digital lineup. At the same time, as one of the few true independents operating today, we frankly would like to see that commitment modified to include granting broader distribution to proven independents whose programming capabilities and financial stability are already established.

In closing, I would like to draw the Chairman's attention to another aspect of our relationship with Comcast that we believe speaks to a larger sense of that company's progressive attitude toward programmers and to its role as a supporter of the social responsibility initiatives that are dear to us and our viewers. Outdoor Channel participates in dozens of community initiatives each year. Together with our local distribution partners in markets across the country, we organize events to highlight and benefit conservation-related causes and mobilize outdoor enthusiasts to make a positive impact on their communities.

Comcast has become a major partner for us in local markets as we develop, organize and participate in community campaigns in their systems' territories. One recent example was in Chattanooga, Tennessee where Outdoor Channel, Comcast Chattanooga and the Chattanooga Chapter of Safari Club International (SCI), teamed up with the Chattanooga Community Kitchen for the area's first annual "Sportsmen Against Hunger" event. This event was held this past October when local outdoor enthusiasts joined together to serve meals to the hungry. Together, we fed more than 300 people with donated food from local area residents. We can cite dozens of other similar local community examples, including our sponsorship with Comcast for the Eastern Sports & Outdoor Show, which attracted more than 800,000 outdoor enthusiasts and provided a significant economic boost for the host city of Harrisburg, Pennsylvania as well as the thousands of retailers associated with the event.

With our long history working with Comcast, we have no doubts about its commitment to serving the public interest and working with independent programmers like Outdoor Channel. We've negotiated with Comcast for carriage in the past and expect that under this combined company, our carriage relationship will remain intact and unobstructed, and in no way impact any potential future negotiations. We expect the same as it relates to our community service initiatives and only hope that under a merged entity there will be additional new opportunities to develop and distribute Outdoor Channel content on Comcast Systems.

Sincerely,

Roger L. Werner
President & Chief Executive Officer
Outdoor Channel

cc: Senator John F. Kerry, Chairman, Subcommittee on Communications and Technology
Senator John Ensign, Ranking Member, Subcommittee on Communications and Technology

ovation

March 9, 2010

The Honorable John D. Rockefeller IV
531 Hart Senate Office Building
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The Honorable Kay Bailey Hutchison
284 Russell Senate Office Building
Washington, DC 20410

Dear Senators Rockefeller and Hutchison,

At the heart of American democracy is our commitment to free speech and expression. Therefore it is vital to our freedom that Americans enjoy unrestricted access to that same free speech and expression.

Since 1996, Ovation TV, a privately funded, independent cable television network, has dedicated itself to providing viewers the best in creative expression through arts and culture programming. Ovation is one of a kind. No other national network offers viewers this type of content day after day. And having provided over $5 million in cash and in-kind support over the past three years, Ovation is also a key partner of America's cultural institutions and arts education initiatives in cities and towns nationwide.

Since acquiring and re-launching Ovation in 2007, the network has grown from 5 million to 38 million homes. Much of this success is in part due to our outstanding business relationship with Comcast Cable. Comcast has become an outstanding distributor of our unique programming, adding over 3 million homes to our distribution base. Most importantly, they have become a key partner in numerous local arts education initiatives; including assistance in providing access to free museum visits and building awareness of cultural events.

While critics are fast to point out that these 3 million homes represent a small portion of the Comcast foot print, the relationship with the "new" Ovation is a young one. As we continue to deliver on our promise of providing a unique Arts service to their customers, we believe Comcast will continue to roll us out and make us available in all of their digital homes. We also believe that a NBCU/Comcast merger will not affect that rollout.

It is has been our experience that Comcast pays competitive rates to independent programmers. Those rates enable us and other programmers to invest in even greater programming for their viewers and more marketing to reach them, all the while creating lasting jobs in a variety of communities. We are hopeful that an NBCU/Comcast merger will not affect the rates that Comcast pays to us nor to any other independent programmers.

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Comcast has a strong record of launching viable, independent channels. Viable is the key term here. Not everyone with an idea for a channel deserves carriage nor can Comcast be expected to accept every idea that comes through their door. As in the case of Ovation, Comcast has been responsive to those channels with solid plans to meet the interests of viewers not currently being served in the marketplace, the right team with proven expertise, solid financial backing and a compelling value proposition that includes fair and competitive rates.

Comcast has also stated they will continue to create more opportunities for viable, independent programmers. They have committed, upon completing their digital migration companywide in 2011, to add two new independently owned and operated channels to their line up each year for the next three years under customary terms and conditions.

Comcast has recognized Ovation's many attributes, including its service in the community, and has provided us with growing distribution on their platform at competitive rates. We enjoy a relationship that has required good faith negotiations and we are confident that relationship will continue to grow stronger after the merger.

The issues facing independent programmers like Ovation relative to large distributors can be summarized in two words, carriage and rates. In our experience, Comcast has been a fair partner in both of these areas. Thank you for your commitment to supporting independent programmers and ensuring that our voices be heard.

Sincerely,

Charles Segars
Chief Executive Officer
Ovation

CC: The Honorable John Kerry
The Honorable John Ensign

REELZ
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March 10, 2010

Honorable Jay D. Rockefeller, IV
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Honorable Kay Bailey Hutchison
Ranking Member
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Re: TESTIMONY OF STANLEY E. HUBBARD BEFORE THE COMMERCE COMMITTEE OF THE UNITED STATES SENATE

Dear Chairman Rockefeller and Ranking Member Hutchison:

I appreciate this opportunity to share my perspective on the impact Comcast has had on independent cable and satellite networks attempting to gain acceptance and distribution in an increasingly crowded and competitive environment. Quite simply, without Comcast's support, REELZCHANNEL would probably never have been launched and would certainly not be approaching its fourth anniversary and the critical 50 million subscriber mark.

REELZCHANNEL is an independent cable and satellite network that is all about movies, the way Food Network, for example, is all about food. In fact, our tagline is TV ABOUT MOVIES® Hubbard Broadcasting, REELZCHANNEL's parent company, developed the channel's concept starting in 2000, refining the underlying idea, business premise and focus for more than a year before introducing the channel concept to the distribution marketplace, which includes cable and satellite.

By way of background, Hubbard pioneered the Direct Broadcasting Satellite (DBS) industry in 1994, when it introduced the Digital Satellite System, in cooperation with DIRECTV, through its subsidiary U.S. Satellite Broadcasting (USSB). With USSB, we were a distributor of movie-driven services such as HBO and Showtime, and experienced first hand our subscribers' love affair with movies and the need for a service that would help viewers learn about and find more movies (in all windows of release) that would match their interests.

Our business strategy with REELZCHANNEL was simple: we knew it was a difficult environment for new channels – especially independent channels not associated with large programming companies that have the ability to leverage their existing channels and business relationships into new channel launches of their own. We felt that, unlike other independents that had launched and failed over the years, it was important to get as many distribution agreements completed as possible PRIOR to committing to the massive expenditures required to launch and operate a national television network.

To that end, in the summer of 2001, we first reached out to Comcast, then a recent and former competitor to our USSB, for an initial meeting with their top programming executives who welcomed us to their Philadelphia headquarters within weeks of our request. At that initial meeting, to a person, they were respectful of us as individuals and, in fact, enthusiastic about our ideas for REELZCHANNEL. They were also clear that since this was a first meeting it would take some time for us to prove our viability and to get to the point of entering into an actual distribution agreement, especially since we weren't launched yet and didn't yet have a target date for launch. But they did make specific suggestions on how to keep the process in forward motion: First, they encouraged us to present our ideas to some of their key people at systems and divisions in the field so that those folks could feed back their thoughts and ideas to the corporate programming department; and second, they asked us to keep them informed as we got closer to establishing an actual launch date, as well as our status in getting agreements done with other distributors around the country.

We followed their advice, kept them informed of our progress toward launch, and did our diligence in the field. Over a period of 24 months we visited all of their key systems and divisions, and without exception we were met with helpful, interested people who encouraged us to press for a distribution agreement at the corporate level. Further, the Comcast people in the field provided detailed feedback to their corporate programming department about REELZCHANNEL.

In 2004, Comcast programming executives orally agreed to enter into a distribution agreement with REELZCHANNEL and, over the following months, both sides negotiated in good faith, and executed a final agreement in September of 2005. Our agreement with Comcast was completed more than a year in advance of our actual launch, and proved to be a critical milestone for REELZCHANNEL because it demonstrated to the rest of the industry that Comcast was behind us and had vetted us as being viable. It is important to note that, as is the usual case, no specific commitments were made by Comcast in terms of distribution of our channel. Instead, we were granted what is known as a "hunting license," essentially a "right" for us to approach their systems one by one, and, if those systems were truly interested, they could go ahead and launch us pending the approval of the division and corporate office that oversaw them.

The Comcast agreement was also very important to the Hubbard Broadcasting board of directors in deciding whether to authorize the new business investment needed to launch REELZCHANNEL. Our financial model required distribution from both cable and satellite in order to be successful and an early distribution agreement with Comcast added significantly to our board's confidence in our ability to secure mass cable distribution as an important part of our business imperatives.

Comcast has continued to play an important and straightforward role in REELZCHANNEL's development. The Comcast system in Minneapolis/Saint Paul became the first major metropolitan cable system to launch REELZCHANNEL coincidental with our launch in September, 2006. Today almost five million Comcast subscribers receive REELZCHANNEL as part of their subscription, including those located in large cities such as Chicago, Detroit, Boston, Atlanta, Houston and Miami, to name a few. We continue to work with Comcast's division and system management and are hopeful that in the next 12 to 24 months we will launch our service in systems in Seattle, Portland, Denver, Washington, D. C., and the San Francisco Bay area, among others. To date, in every instance of a local system wanting to launch REELZCHANNEL, Comcast corporate programming executives have approved the launch request.

Comcast continues to support the independent REELZCHANNEL by adding us to more and more of their systems, even though the demands on bandwidth for both cable and satellite have continued to increase substantially since our initial meeting in 2001. The increasing demands on bandwidth are due to the rapid evolution of HDTV, high speed internet services, telephony, expanded business services, the broadcast digital transition and more channels being introduced by large programming companies with the ability to leverage even the largest operators into launch commitments for their new channels. Comcast officials have always been clear on the realities of the changing environment and also clear on how we need to sharpen and shape our vision for our network so that REELZCHANNEL could become an even more compelling proposition. Accordingly, today, we are engaged in discussions with Comcast on a number of fronts. At their urging we have developed video-on-demand content for Comcast, and other distributors, that ties into and promotes our brand. They are also working with us on a 2010 roll-out of a high definition version of REELZCHANNEL and Comcast systems are enthusiastic participants in our big summer consumer promotion: The Guaranteed Movie Recommendation.

In summary, we could not be more appreciative of the advice and support we have received from Comcast for the launch and development of our independent cable network, REELZCHANNEL. We have found the people at Comcast to be universally supportive of REELZCHANNEL ever since our initial conversations almost 9 years ago. Comcast personnel at the corporate headquarters and in the field across the nation are consistently accessible, openly communicative to us and organized in a way that provides guidance, creative suggestions and committed follow-up to help our business grow with them. We truly feel there is a commitment to our growth and economic well-being that is built on a sense of overall fairness and continuing mutual respect.

The strength of our relationship is demonstrated by the steady stream of Comcast systems which continue to launch REELZCHANNEL. We believe that this relationship will remain strong in the future and we do not believe that the

NBCU/Comcast merger will in any way affect that relationship or commitment to success of our independent network, REELZCHANNEL.

Thank you for the opportunity to provide these insights. If you have any other questions, please contact me directly.

Yours most respectfully,

Stanley E. Hubbard
President & CEO