


City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 30, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: 2009 ANNUAL REPORT AND PLANT SURVEY FROM COMCAST
CABLE COMMUNICATIONS, INC.

ISSUE: Receipt of the 2009 Annual Report and Plant Survey from Comcast Cable Communications, Inc. (Comcast).

RECOMMENDATION: That Council receive the Comcast 2009 Annual Report and Plant Survey (Attachment 1).

DISCUSSION: Section 9-3-513(a) of the City Code requires the cable television franchisee to submit an annual written report to City Council. The report details the company's previous year's activities in operating the Alexandria City cable television system. The 2009 report, which covers the fiscal year of July 1, 2008 through June 30, 2009 (the 15th year of the cable franchise), summarizes the company's activities with respect to programming and customer service, physical plant and system operations, and describes the company's financial condition for the calendar year ending December 31, 2008.

The full report runs more than 400 pages. Due to its size, the entire report is not attached, but it may be reviewed in the City Clerk's Office. Several sections of the report are attached for your information: the executive summary, summary of local origination and community programming; and the auditor's reports. Following is a summary of the major accomplishments described in the Annual Report and the actions taken by the franchisee to comply with City and federal requirements.

Programming:

- Local Origination and Community Programming

During FY 2009, Comcast's combined community and local origination programming on Channel 69 met the 30 hours or more overall requirement and, in

most cases, exceeded the franchise requirement that at least 10 hours per week be original, unrepeated programming of interest to Alexandria residents. Comcast continues to encourage resident participation in Community Programming certification classes. During FY 2009, Comcast certified 11 people in community programming for a total of 99 who are qualified to produce programs and use Comcast's production equipment.

- Programming and Channel Changes

Many channels were repositioned from the analog to the digital tier as Comcast streamlined their channel line-up and launched new digital channels, added video-on-demand, subscription on demand, and more HDTV channels. A list of the changes made throughout the fiscal year is attached (Attachment 2).

Physical Plant and System Operations:

- System Construction

Through June 30, 2009, Comcast's construction department has designed, constructed and activated .14 miles of cable plant that included both coaxial and fiber hardline. The headend has been working on the deployment of additional HD channels and the technology required to roll out DOCSID 3.0 (Data Over Cable Service Interface Specification) providing higher upload and download speeds primarily to Internet customers. Comcast staff worked with the City's Information Technology Department to upgrade equipment for the Institutional Network, as well as individual site problems. Video on Demand hours were increased to 10,000 hours. Deployment of Comcast Digital Voice (telephone) service continues to grow. The Internet service and Digital Voice are not regulated, per federal law.

- Service Outages

Staff's review of the Annual Report showed that during FY 2009, the number of outages increased from 1074 in 2008 to 1158 in 2009. An outage is defined as a service interruption affecting three or more subscribers connected to the same node. Comcast reports that of the 1158 outages: 620 were due to Comcast equipment failure; such as damaged motherboards, feeder connectors, and modules in the nodes; 43 were the result of routine maintenance; 244 were the result of Dominion Virginia Power system outages, and were caused by electrical power outages due to electrical shortages and power surges; and 251 alarms cleared based on monitoring equipment in the field which appears as no trouble found in the outage report.

- Of the 1158 outages, 86 lasted longer than four hours. The City Code requires Comcast to credit subscribers with a prorated share of the monthly charge if the subscriber is without service or if service is substantially impaired for any reason

for more than four hours during a 24-hour period. Comcast staff issued the appropriate credits to the affected customers upon request. Staff will continue to monitor system outages and ensure that credits are given where appropriate.

- Plant Survey

Section 9-3-153(c) of the City Code requires the franchisee to submit a complete survey of its plant, including electronic measures to determine any signal leakage above the FCC requirements, and to assure the City that Comcast is complying with FCC technical standards. The FCC Proof-of-Performance tests were conducted by Comcast staff July 1 through August 21, 2008.

A system flyover test was conducted on March 25, 2009 by Mar-Tech Engineering, Inc., a licensed engineering company which specializes in aerial cable leakage inspections. Comcast Cable of Alexandria had a system score of 100 percent, with 100 percent of the system being tested. The flyover test is conducted at 1500 feet in a grid pattern with all cable plant covered within a ½ mile of the pattern at 120 mph. GPS and signal level readings are simultaneously processed by Mar-Tech's proprietary software on an onboard computer, and all tests indicated that the results complied with FCC technical standards.

Customer Service:

- Subscriber Trouble Calls

During the reporting period, Comcast responded to 28,108 subscriber trouble calls, an increase of 7,768 calls, which is 38 percent more than last year. These trouble calls related to problems with customer equipment (televisions, VCRs, etc.), converter boxes, distribution/signals, and coaxial cable. The majority of these calls (7,054 or 25 percent) were in the "Tap to the TV Set" category (the "tap" is the connecting equipment from the pole to the house). The majority of the tap to TV set problems result from bad connectors or splitters between the tap and the customer's TV due to age, corrosion, exposure to the elements, or fittings that had been improperly tightened by customers. Converter problems accounted for 5,649 or 20% of the trouble calls, and the remaining 55% of calls were a result of customer equipment, miscellaneous and/or headend problems, or no trouble found/subscriber not home.

- Customer Service Standards

The City Code requires Comcast to report quarterly on telephone accessibility for customer service issues/concerns. The Code requires Comcast's service representatives to answer their telephones within 30 second, 95 percent of the time. However, state legislation that went into effect July 1, 2007 requires that

the local standard not exceed the federal standard, i.e. that the telephone be answered within 30 second, 90 percent of the time.

During the report period, Comcast's quarterly data indicate that the percentage of telephone calls answered within 30 seconds was as follows: July (73 percent), August (79 percent), September (86 percent), October (88.3 percent), November (88.9 percent), December (87.6 percent), January (84.1 percent), February (90.6 percent), March (88.4 percent), April (91.2 percent), May (87.9 percent), and June (69.3 percent). Since Comcast's average response time statistics for each quarter did not meet the 90 percent standard, the company was fined four times for a total of \$800.00.

It should be noted that these numbers generally mirror the percentages reported last year for meeting this requirement. Low response numbers are typically attributed to an increase in call volumes during inclement weather. Comcast's 500-seat regional call center is staffed by agents who are cross-trained in multiple aspects and technical support of products and services such as high-speed internet digital voice, and various advanced video products. Staff is aware of the continuing complaints related to the pixilation that occurs on the digital tier and has worked with Comcast staff to address individual concerns in a timely manner.

Financial Information:

Laura B. Triggs, Director of Finance, reviewed the financial information provided by Comcast and noted the following:

- **Unaudited Gross Receipts:**

Due to the statewide implementation of the Virginia Communications Tax, effective July 1, 2007, franchise fee payments are no longer related to revenues and are not collected by local jurisdictions.

Unaudited Financial Statements:

The unaudited financial statements for Comcast of Virginia, Inc. (Alexandria system) for the year ended December 31, 2008, show that the Alexandria operations of Comcast earned \$13.6 million for the year. Additionally, there was a \$0.8 million prior year adjustment of Retained Earnings due to a change in methodology. While this is not common, it does happen. Thus the operation's Retained Earnings increased from \$2.5 million in 2007 to \$16.9 million in 2008.

During the year, Comcast increased their investment in the property and equipment in Alexandria by \$2.5 million bringing the total cost of the Alexandria property and equipment to \$130.0 million. The Comcast Alexandria operation has a long-term debt to affiliated companies of \$141.4 million. This is a decrease of \$18.0 million from the prior year's balance of \$159.4 million. The total

Stockholders' Equity for Comcast Cablevision of Virginia, Inc. (Alexandria) as of December 31, 2008 consisted of the Retained Earnings of \$16.9 million.

Comcast Corporation Financial Report:

The Comcast Corporation Financial Report is the financial statement of Comcast Corporation and its subsidiaries as a whole. The financial information of Comcast of Virginia, Inc. (Alexandria) is such a small portion of the total operation that is not mentioned separately in this report.

The Comcast Corporation is the leading cable operator in the country with 24.2 million video subscribers, 14.9 million high-speed internet subscribers, and 6.5 million telephone subscribers. Comcast Corporation and its subsidiaries had a net income for the year of \$2,547 million on revenues of \$34,256 million. Its total stockholders' equity decreased from \$41,340 million to \$40,450 million. Comcast's external auditors issued Comcast Corporation and its subsidiaries a clean opinion indicating the financial statements present fairly, in all material respects, the financial position of Comcast Corporation and its subsidiaries.

FISCAL IMPACT: The cable television franchise fees previously collected by the City were replaced with a state administered Communications Sales and Use Tax of 5% which is collected by the State and remitted to the City. The City received approximately \$980,000 per month from the State. The payment is an aggregate amount from all providers of telecommunications services (land phones, cellular service, satellite TV, etc.) in the City, and there is no way to determine how much was remitted by Comcast.

The cable television franchise between the City of Alexandria and Comcast Cable Communications, Inc. was due to expire on June 18, 2008. It has been extended until December 31, 2009. Comcast has requested that this extension be changed to October 30, 2010, and this request is covered in a separate item on the December 8 docket.

ATTACHMENTS:

Attachment 1. Executive Summary

Attachment 2. Summary of Local Origination and Community Programming

Attachment 3. Auditor's Report

STAFF:

Rose Williams Boyd, Cable Television Administrator

Darryl Edwards, Consumer Affairs Investigator



August 30, 2009

Ms. Rose Boyd
Director, Office of Citizen Assistance
City of Alexandria
301 King Street Room 1900
Alexandria, Virginia 22314

Dear Ms. Boyd,

Comcast is pleased to submit our 2009 Annual Report to the City of Alexandria, in accordance with Chapter 3 of Title 9 of the Alexandria City Code. Included are copies or summaries of the Year's Activities within Local Origination and Community Programming, a Summary of Customer Complaints, Financial Reports, Statements of Major Equipment and Capital Expenditures, Construction Plans, a list of Comcast Officers and Board of Directors, the Alexandria Employee Report, Television Channel Changes, the Plant Report, and Customer Service Telephone Statistics for the period of July 1, 2008 through June 30, 2009.

It's been another exciting year at Comcast! We have seen a significant increase in customers taking advantage of the wide array of products and services we offer. Comcast plans to continue its investment in the City bringing the latest programming and cutting edge technology to the community. We have evolved from the provider of cable television service to being a key provider of voice, video and data services, providing more choice to our customers. On the cable side, we have expanded our HD line-up and added more hours of VOD programming

Community highlights from the past year are:

- ◆ We continue to conduct Newsmaker interviews aired on Headline News to promote nonprofits, and community activities and events.
- ◆ Partnered with the City of Alexandria for the sixth annual Comcast Outdoor Film Festival at Ben Brenman Park.
- ◆ Sponsored the Alexandria Scholarship Fund Telethon, which raised over \$150,000 for T.C. Williams Graduates.

Comcast and its employees pride themselves with being involved with the Community, and being in the forefront within the Company to deploy new services and technologies to our customers. We look forward to continuing this partnership in 2009.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Marie Schuler".

Marie Schuler
Director of Government and Community Affairs

Comcast Corporation

Comcast Corporation is the nation's leading provider of entertainment, information and communication products and services with 23.9 million cable customers, 15.3 million high-speed Internet customers and 7.0 million Comcast Digital Voice® customers. Comcast is principally involved in the development, management and operation of cable systems and in the delivery of programming content.*

Products and Services

Comcast provides a wide variety of consumer products and services:

Video Comcast is the nation's largest video provider offering interactive services packed with the most high-definition, video on demand and best content.

Comcast High-Speed Internet: Comcast is the nation's largest residential Internet service provider with an advanced fiber-optic network that offers the best of speeds and reliability as well as exceptional online content.

Comcast Digital Voice: Comcast delivers innovative and reliable IP-enabled home phone service that includes all of the functions of traditional phone service, plus enhanced features that are integrated with other Comcast services.

Comcast Business Class: Backed by industry-leading, 24/7 business-class support, Comcast provides advanced communication solutions to small and mid-sized organizations to help them meet their business objectives.

Content Networks and Investments

Comcast content networks, Comcast interactive media, and Comcast investments:

Comcast Programming Group E! Entertainment Television, Style Network, Golf Channel, VERSUS, G4, PBS KIDS Sprout, TV One, FEARnet and Comcast Sports Group.

Comcast Interactive Media (CIM): CIM is dedicated to developing and operating online and cross-platform entertainment and media businesses, including Comcast.net, Fancast.com, DailyCandy, Fandango, Plaxo, and thePlatform.

Comcast-Spectacor Major holdings include the Philadelphia Flyers NHL hockey team, the Philadelphia 76ers NBA basketball team and two large multipurpose arenas in Philadelphia.

Headquarters Philadelphia, PA

Web site www.comcast.com

Stock Symbols NASDAQ: CMCSA, CMCSK

Employees 100,000 total nationwide; 86,000 cable; 14,000 content and other

Customers 23.9 million cable customers
15.3 million high-speed Internet customers
7.0 million voice customers

*As of June 30, 2009, Comcast served customers in 39 states and the District of Columbia.



comcast

Comcast Digital Voice®

Reinventing residential phone service for the 21st Century.

Comcast Digital Voice is an innovative and reliable IP-enabled home phone service that delivers all of the functions of traditional phone service, plus enhanced features that are integrated with other Comcast services.

Less Expensive Phone Services

According to a 2007 Microeconomic Consulting and Research Associates (MiCRA) study, consumers have already saved \$23.5 billion, including \$13 billion in 2007 alone, from increasing facilities-based phone competition mainly provided by cable companies.

Features

Residential, primary line replacement PLUS differentiation — Not your Plain Old Telephone Service

Comcast Digital Voice Unlimited gives customers unlimited local and domestic long-distance calling, plus free calls to Canada and Puerto Rico and great international rates to more than 100 countries.

Includes 12 popular calling features plus enhanced voice mail:

3-way calling	Call return	Caller ID blocking
Anonymous call rejection	Call screening	Caller ID with call waiting
Call forwarding selective	Call waiting	Repeat dialing
Call forwarding variable	Caller ID	Speed dial

E911, Battery Back-Up, Directory Assistance, Operator Services and CALEA

New Applications

Comcast is introducing a number of new features that will further integrate the Triple Play of services, including:

Universal Caller ID: across all services so customers can view caller information on their phone, TV and computer.

SmartZone™ Communications Center: the place that customers can go to access their comcast.net e-mail, view and listen to voice mail messages, universal address book and more from any Internet-connected computer. For more information about SmartZone Communications Center, visit: <http://www.comcast.net/smartzonetour/>.

Enhanced Cordless Telephone: through a home-based cordless phone, customers can access e-mail, listen to and view voice mail messages, access their universal address book and search Yellow Pages. The Enhanced Cordless Telephone is part of a Comcast Digital Voice self-install kit.

Comcast Digital Voice is Superior

"Comcast Digital Voice. Rated #1 in call clarity. So no word goes unheard."
- *Keynote Competitive Research study, November 2008*

Comcast Digital Voice is unrivalled because calls travel over Comcast's proprietary managed IP network (as opposed to the public Internet). The use of a managed IP network gives Comcast the ability to provide service quality that may not be available from non-facilities-based VoIP service providers. Comcast also provides E911 capability by routing calls directly to PSAPs along with Automatic Location Information (ALI), identifying the caller's location.

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Enhanced Cordless Telephone

A next-generation cordless home phone.

Key Features The **Enhanced Cordless Telephone** is feature-rich cordless home phone that will soon be part of a **Comcast Digital Voice®** self-install kit. The phone offers all of the popular features that come with **Comcast Digital Voice** plus integrated services and advanced functionality such as the ability to check e-mail, view voice mail, read news, sports and horoscopes, access your universal address book, search the **Yellow Pages** and more.

- E-mail – send and receive comcast.net e-mail
- Visual Voice mail – view voice mail messages and select which voice mail to listen to, in the order you prefer
- Universal Address Book, powered by Plaxo – store and access contact information from different places and multiple devices into one convenient location
- Yellow Pages – access the Yellow Pages to find local stores and services
- Extras – get news, sports, horoscopes and local weather

ENHANCED CORDLESS TELEPHONE CONTRIBUTORS*

Thomson www.thomson-store.com

Comcast customer Web site

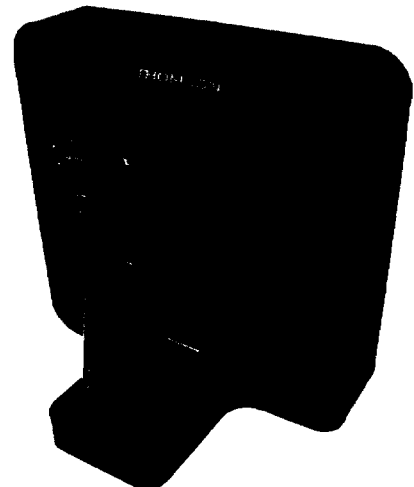
Casabi www.casabi.com

Focused on the user interface integration, content and activation of service

**Contributors involved in the development of the Enhanced Cordless Telephone currently in trial.*

Availability The Enhanced Cordless Telephone self-install kit is currently in trial, with wider availability scheduled for 2009*.

**Note: availability may vary by market.*



The Comcast logo, featuring the word "Comcast" in a white, sans-serif font with a stylized "C" that has a circular element, set against a black background.

Comcast Video Services

With 23.9 million customers, Comcast is the nation's leading provider of cable television.

Comcast offers more video on demand, more HD and more content choices than any other provider.

Digital Cable Comcast Digital Cable features up to 250 or more channels, over 10,000 On Demand choices, more than 1,000 HD choices, and an interactive program guide that makes it easy for customers to find what they want to watch, when they want to watch it.

On Demand Comcast's industry-leading On Demand service offers an ever-growing library of more than 10,000 choices each month, and will be growing in the future as On Demand continues to change the way that we watch television. More than 90 percent of On Demand programs are available at no additional charge. With On Demand, customers have complete control over their viewing experience and can fast-forward, rewind, pause and restart their selections. Comcast's On Demand lineup includes thousands of programs, including movies, TV shows, music videos, kids shows, primetime hits, news and educational shows, exercise programs and more.

AnyRoom™ On Demand With AnyRoom™ On Demand Comcast customers can start a Video On Demand program in one room and finish it in another room that has a TV connected to a digital cable box. This service is available completely free of charge to digital cable customers with On Demand and no additional equipment is needed.

High-Definition (HD) Programming Comcast gives customers more HD choices than any other provider, and has expanded its HD lineup to more than 1,000 choices, whenever a customer is ready to watch something in HD. Comcast's HD choices include the most popular sports, TV shows, movies and music customers most want to watch in HD with unmatched flexibility to watch programs when it's convenient for them.

Digital Video Recorder (DVR) Comcast's DVR service brings customers more control and convenience with the ability to digitally record up to 80 hours of standard-definition—or 15 hours of high-definition—programs and to pause and rewind live TV broadcasts. With dual-tuner DVRs, customers can record two programs at once or record one show while watching another. DVR service from Comcast is one of the best values on the market today, and is the only option that gives consumers dual-tuner HD DVR functionality and access to Comcast's On Demand service all from one box.

Interactive Program Guide Comcast's interactive program guide enables customers to:

- Quickly find their favorite shows and discover new viewing choices
- Record any television show with a DVR
- Choose from thousands of On Demand programs and order at any time
- Set favorite channels to quickly scan their most-watched networks
- Use parental controls to determine which programming is appropriate for their families
- Choose from hundreds of HD programs

Comcast



Comcast Digital Voice®

Top ten things you should know about Comcast Digital Voice.

1. Comcast Digital Voice uses Internet Protocol and not the Internet. Comcast Digital Voice calls travel on our private, managed network — not over the public Internet. That makes it superior to other 'Best Effort' services delivering phone traffic over the public Internet.
2. Comcast Digital Voice offers digital quality phone service with all of the features that customers expect from their phone service, plus enhancements like the ability to listen to and manage their home voice mail messages from any telephone or any Internet-connected computer.
3. Comcast Digital Voice customers can save money on home phone service when compared to similar service plans from traditional phone service providers.
4. Comcast Digital Voice gives customers 12 popular calling features, including: Caller ID, Call Waiting, Call Forwarding, Repeat Dialing and Speed Dialing.
5. Comcast will be introducing a number of new, integrated features such as Universal Caller ID across all services so customers can view incoming caller information on their phone, TV and computer; Comcast's SmartZone™ Communications Center where customers can manage key features of the Triple Play such as integrated e-mail and voice mail, and the universal address book and; the Enhanced Cordless Telephone that will enable customers to access e-mail, view voice mail, access their universal address book and Yellow Pages through a home-based cordless phone.
6. Comcast Digital Voice offers E911 capability. Customers' 911 calls are routed to public safety answering points ("PSAPs") along with Automatic Location Information ("ALI") identifying the caller's location.
7. Comcast Digital Voice provides battery backup in the embedded Multimedia Terminal Adapters (eMTAs). The eMTA will provide up to eight hours of backup power to keep Comcast Digital Voice working when a customer loses power in their home.
8. Trained, professional Comcast technicians perform the whole standard installation for customers, and once set up, all of the telephone jacks in the home will work with Comcast Digital Voice — not just one phone next to the modem as with some voice over the net providers.
9. Comcast Digital Voice is compatible with the majority of home alarm systems, including ADT and Brink's, using tone dialing and standard data communications protocols.
10. Comcast Digital Voice customers receive a single bill for all of their services, including Comcast Cable and Comcast High-Speed Internet services. Comcast customers can also access their single bill online through Comcast's paperless billing option. For more information visit <http://www.comcast.com/ecobill>. Also, customers can switch to Comcast Digital Voice and keep the same phone number and use their existing touch-tone phone. If customers intend on keeping their current phone number, Comcast will handle the transition from their current service provider for them.

Video On Demand and HD

Comcast customers have more On Demand, more HD and more choice

Comcast offers consumers more than 10,000 On Demand programs and more than 1,000 HD choices – all available at the click of a remote. In January, 2008 at The International Consumer Electronic Show (CES), Comcast announced Project Infinity – its vision to give consumers the ability to watch any movie, television show, user generated content or other video that a producer wants to make available On Demand.

On Demand Comcast's signature On Demand service fundamentally changed the way people watch TV. Since launching in 2003, On Demand has grown from a few hundred choices to more than 10,000 choices each month.

Over that time, Comcast customers have watched more than eleven billion On Demand selections. This compares to about five billion music downloads from Apple iTunes over a similar period of time. Currently, Comcast customers are selecting over 300 million On Demand views a month, which means Comcast customers are starting an On Demand program more than 120 times every second.

Comcast's On Demand lineup includes a wide range of choices for all tastes and interests that are available 24x7, any time customers want to watch.

HD VOD Comcast offers the nation's largest HD VOD selection today, and has expanded its lineup to include more than 1,000 HD choices, offering more HD than any other video provider. Comcast's HD experience includes live TV, HD On Demand and recorded programming on customers' digital video recorders.

More HD Viewers have said they want to watch more HD— and that they want the ability to watch it on their schedules. So Comcast continues to add HD movies, TV shows, music videos and more to its On Demand service.

In addition to offering more HD choices, Comcast delivers a better HD picture. In a 2007 third-party survey, more satellite TV customers selected Comcast as providing the better picture.

More Movies With 1,300 movie titles available each month, Comcast Digital Cable customers already have access to more movies On Demand than they can find anywhere else. Today, Comcast Digital Cable customers can choose from new releases as well as hundreds of free movies from Sony, MGM, FEARnet and Encore as well as movies from premium networks like Starz, HBO, Cinemax, Showtime and The Movie Channel – all available at their fingertips with no additional equipment.

*Available HD signals vary by market.

comcast

Comcast High-Speed Internet

The nation's number one residential Internet service.

Comcast is the nation's largest residential Internet service provider with an advanced fiber-optic network that offers the best of speeds and reliability as well as exceptional online content.

- Comcast.net** At www.comcast.net you can connect to your e-mail, Comcast voice mail and all the latest news, entertainment, and sports. The site provides what's important to you, like your messages, music, photos, weather and more.
- Access up to seven total e-mail accounts as well as your voice mail and address book from one convenient location.
 - Explore a world of information and entertainment choices on TV, On Demand and in HD. With a simple search you can find out what's on TV now, later or On Demand. To experience all the benefits that Comcast.net has to offer go to: <http://www.comcast.net/benefits>.
 - Online Video – News, entertainment, sports, and more – choose from a collection of more than 150,000 clips. With 1,000 plus HD choices – Comcast.net's HD Gallery gives you more online video choices in stunning HD. Catch up – Get easy access to Comcast's full length TV shows and movies to watch online, anytime, for free.
 - Games Channel – Play free online game favorites including puzzle, arcade, card and word games.
 - Comcast Photo Center – Transfer, store and print your favorite photos, get helpful tips from the pros on photography and create memorable gifts.
 - TV Listings – the easiest way online to find the best of what's on – including On Demand and HD content – from the convenience of your computer.
- Wideband** Comcast is making the leap from broadband to wideband with the launch of next-generation DOCSIS 3.0. With wideband, Comcast is introducing a brand new echelon of Internet speed tiers, which will redefine the customer experience online and create a platform for Internet innovation in the years ahead.
- As part of its initial deployment of wideband, Comcast has introduced two new speed tiers: Extreme 50, offering up to 50 Mbps of download speed, and Ultra, offering up to 22 Mbps of download speed, and it is increasing speeds for the majority of existing customers. With Extreme 50, Comcast customers will be able to download a high-def movie (6 GB) in about 16 minutes, a standard-def movie (2 GB) in about 5 minutes and a standard-def TV show (300 MB) in a matter of seconds. Customers with Extreme 50 also will be able to download digital photos, songs and games faster than ever. This is only a preview of what's to come – wideband will provide the capability of delivering dramatically faster speeds in excess of 160 Mbps in the future.
- To find out when wideband will be available in their area, customers can visit www.comcast.com/fastestfast or call 1-800-Comcast.
- Security**
- McAfee® Security Suite, a \$120 value – 120 million Americans experienced a security issue with their online data in 2007. While some other Internet service providers charge for online security, Comcast helps you keep your family safer from growing online threats with the highly-acclaimed McAfee Security Suite at no additional charge! It's a \$120 value – and it's one of the most robust, highly acclaimed Internet security solutions offered. This comprehensive suite can be installed on up to seven PCs per customer and includes must-have software like Identity Theft and virus protection, firewall, parental controls and much more.

Comcast

SmartZone™ Communications Center

Overview The SmartZone Communications Center from Comcast is an innovative online application that brings simplicity and convenience to our customers' lives by converging and integrating key features of our phone and high-speed Internet services.

With the SmartZone Communications Center, Comcast customers can enjoy the convenience of going to one place to send and receive e-mail, check, manage and even forward voice mails via e-mail and manage a single address book.

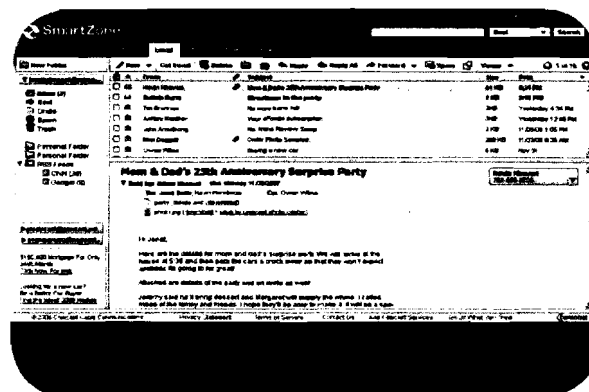
Key Features For the first time, customers will have the convenience of being able to access and control a number of innovative and popular communications and entertainment features in one converged, central location including:

- Integrated E-mail and Voice mail – view, send and manage e-mail and voice mail together online in one convenient location.
- Visual Voice mail – review your call log online and select the voice mails you want to hear in the order you want to hear them.
- Voice Mail Forwarding – forward voice mail messages through e-mail.
- Universal Address Book, powered by Plaxo – combines and syncs up with contact information from multiple sources in one online location and can be accessed from any device with an Internet connection.
- New E-mail Options – drag and drop messages into folders, review e-mail messages in a preview pane and mouse-over to sneak-peek photo attachments.

Key Contributors Comcast partnered with best-in-class innovating companies to create the SmartZone Communications Center feature including:

- HP – selected as the primary implementer to design and build the SmartZone Communications Center platform.
- Plaxo – delivering the universal address book component.
- Zimbra – designing the SmartZone Communications Center user interface.

For more information about SmartZone Communications Center, visit <http://www.comcast.net/smartzonetour/>.



Comcast

Wideband

Comcast is making the leap from broadband to wideband with the launch of next generation DOCSIS 3.0

Overview Comcast is introducing a brand new echelon of Internet speed tiers, redefining the customer experience online and creating a platform for Internet innovation in the years ahead. As part of its initial deployment of wideband, Comcast has introduced two new speed tiers and is increasing speeds for the majority of existing customers at no additional cost.

Residential Wideband Speed Tiers

New Tier—Extreme 50: (up to 50 Mbps download speed / 10 Mbps of upload speed)

New Tier—Ultra: (up to 22 Mbps download speeds / 5 Mbps of upload speed)

Blast! (up to 16 Mbps download speed / 2 Mbps upload speed)

Existing Performance Plus customers (8 Mbps) are upgraded to Blast! as wideband becomes available in their market.

Performance: (up to 12 Mbps download speed / 2 Mbps upload speed)

Speeds for existing Performance (6 Mbps) customers are doubled as wideband becomes available in their market.

Plus with Comcast's PowerBoost enhancer, speeds are even faster!

Availability In the beginning of 2009, wideband was deployed to more than 30% of Comcast's footprint and is expected to reach more than 65% by the end of 2009. Wideband is currently available in Minneapolis and St. Paul, Minnesota; Greater Philly Metro; Greater Metropolitan Boston area and parts of Southern New Hampshire; Seattle; Portland, Oregon; Spokane and Eugene, Washington; areas of Atlanta, Georgia; Baltimore, Maryland; Chicago, Illinois; and parts of the Bay Area, including San Jose Silicon Valley, East Bay Area and Monterey-Salinas; the San Francisco region; parts of Arlington and Alexandria Virginia and Washington, D.C. and the surrounding metro area.

Additional markets will be announced throughout 2009.

To find out more about wideband availability, visit www.comcast.com/fastestfast or call 1-800-Comcast.

The Wideband Difference

See how wideband speeds compare:

Download Example	15 Mbps DSL	3 Mbps DSL	12 Mbps	8 Mbps
HD Movie	Over 5 hours	Over 3 hours	About 50 minutes	About 20 minutes
Standard Definition Movie	Over 2 hours	About 1 hour	Under 18 minutes	Under 5 minutes
PC Game (multi-player)	About 45 minutes	About 22 minutes	About 6 minutes	Under 2 minutes
20 Picture photo album	Almost 2 minutes	About 1 minute	About 12 seconds	About 3 seconds

Comcast

Comcast's Network

America's Leading Network

Overview Comcast has America's leading and most effective converged video, voice and data network. Its digital, high-capacity, fiber-optic network enables Comcast to provide an integrated—and unparalleled product experience to customers.

Interactive Video and Converged Applications

Comcast is building the applications that will enable customers to consume more content when and where they want it – online, on television or on the go. The power of our network and our VOD service has changed the way people watch TV; now we will use it to change and improve the entire in-home entertainment and communications experience.

From Broadband to Wideband

Comcast is evolving its network from broadband to wideband with the deployment of DOCSIS 3.0. (Data Over Cable Service Interface Specifications), a new standard for delivering high-speed Internet service across cable networks. Comcast will deliver significantly faster speeds of up to 100 Mbps to our customers over the next two years with the capability of delivering higher speeds of 160 Mbps or more in the future. With DOCSIS 3.0 (160 Mbps), you will be able to download an HD movie – which is the equivalent of 3,000 mp3 songs – in less than 4 minutes. On dial-up that would take days. And with wideband, you'll be able to watch another movie while you download.

Reinventing Residential Phone Service for the 21st Century

Comcast Digital Voice is a true home phone replacement service that delivers an integrated communications experience across all of Comcast's services (including cable and high-speed Internet) and customers' devices. Comcast will continue to innovate and introduce a number of major enhancements to Comcast Digital Voice in 2009, including Universal Caller ID and Enhanced Cordless Telephone.

- Network Facts**
- Comcast delivers more than 1.5 Zettabytes of entertainment and information into our customers' homes every week—that's the equivalent of 20 Libraries of Congress and more than 900,000 times the amount of traffic on Youtube.
 - Everyday Comcast delivers more than 14.3 million On Demand views, over 1.5 PetaBytes of IP-sourced video, 59 million e-mails, over 21.7 million web page views, 95 million Comcast Digital Voice® calls and 2.9 million voice mails.
 - Content travels across 147,000 route miles of fiber—on the largest residential cable fiber network in the nation - that's equivalent to nearly 600,000 plant route miles in the network, enough fiber to wrap around the Earth nearly 24 times.

Comcast.net Security Channel

Tools, Tips, Resources

Comcast offers a comprehensive Security Channel on its consumer portal, Comcast.net (www.comcast.net/security). The Comcast Security Channel serves as an online resource to help customers protect themselves from spam, viruses and other online threats. Customers can also learn about parental controls that can help protect their children from cyber bullying, harassment and online predators. The Security Channel helps customers:

Get Protected! By downloading free online security tools:

- Comcast's McAfee® Internet Security Suite is a \$120 value that includes McAfee VirusScan, McAfee Personal Firewall Plus and McAfee Privacy Service (with Parental Controls).
- The Comcast Toolbar, which includes free spyware detection and removal, pop-up blocker, and anti-phishing software.

Get Smart! Via Security Tips:

- Covering everything from keeping your kids safe online to identity protection, critical information about and links to national security resources as well as security forums and discussion boards.
- Real-time alerts about viruses and other Internet threats, with links to the tools needed to stay protected.
- Interactive quizzes and polls to help parents and children learn the fundamentals of internet safety.

Get Help! By taking action to:

- Report online safety issues such as cyber bullying, child pornography or phishing threats.
- Contact Customer Security Assurance for assistance.

In the last year, Comcast has taken an industry-leading position in spam protection.

The Company has successfully reduced inbound/outbound spam by more than 70 percent using a variety of techniques that stop spam at the server level. These steps include:

Industry Associations We confirm that a sender's traffic originates from a reputable source and if it is known to distribute spam, then we block it.

Automated Spam Filtering Comcast uses best-in-class vendors to filter outbound spam using the latest tools and software.

Port 25 Blocking Port 25 is an open port on computers that spammers hijack and use to relay their unwanted mail often without the user ever knowing his/her computer has been infected. If this happens, Comcast works to move customers to a more secure mail connection – Port 587 – and creates a one-click fix that automatically configures their computers to use this safer port.

Spam Blocking (Blacklisting) Because Comcast has been so successful in blocking spam at the server level spammers continue to find new ways to target our customers. Comcast applies a precise, targeted approach to block IP addresses classified as sending excessive amounts of spam.

Industry Associations

Comcast also participates in a number of working groups and associations to share and learn about Internet safety best practices including:

- Anti-Phishing Working Group (APWG)
- Family Online Safety Institute (FOSI)
- Global Infrastructure Alliance for Internet Safety (GIAIS)
- Internet Association of Internet Professionals
- Messaging Anti-Abuse Work Group (MAAWG)

Comcast Business Class

Backed by industry-leading, 24/7 business-class support, Comcast Business Class provides advanced communication solutions to small and mid-sized organizations to help them meet their business objectives. Through an advanced, hybrid-fiber coax network that provides high-quality customer experience, Comcast delivers Business Class services for cost-effective, simplified communications management.

COMCAST BUSINESS CLASS VOICE provides a reliable alternative with better, more-integrated features for small businesses, such as Web access to voice mail (where available).

- Unlimited direct-dialed local and domestic long-distance calling to the U.S., Canada, Puerto Rico and other U.S. territories
- International calling
- Popular features like Hunt Group, Call Forwarding, Call Waiting, Call Transfer, Caller ID, Three-way calling, Business Directory Listing, and more
- Online access to monthly billing statements, call details and bill payment

COMCAST BUSINESS CLASS INTERNET offers businesses a feature-rich, reliable and secure Internet solution.

- Increased Internet speeds for small and medium sized businesses nationwide to keep SMBs on the cutting edge of new technology. Business customers benefit from Comcast's commitment to move from broadband to wideband technology with the launch of next-generation DOCSIS 3.0 (select market availability)
- With wideband technology, Comcast business customers can download a 3GB presentation file in about 8 minutes; that would take over an hour on a 6 Mbps DSL service. Uploading files is also faster. For example, a customer can e-mail a 60 MB graphics file in less than a minute with Comcast Business Services Deluxe speed
- Microsoft Communication Services
 - Microsoft Outlook 2007 - share & synchronize e-mail, calendars, contacts and tasks
 - Windows SharePoint Service - share files and coordinate projects with back-up and version control
- Web Hosting service including custom domain name, Web site, and site-builder tool
- Advanced Security
 - McAfee® Security Suite - Helps protect up to 25 PCs against viruses and spyware
 - IP Gateway - on-site firewall protection installed and managed by Comcast and supports multiple computers and VPN connectors

COMCAST BUSINESS CLASS TV provides reliable and cost-effective video content solutions to satisfy a variety of customers' business needs at office locations, from conference rooms and break rooms to waiting areas.

- Packages run from Basic TV to upgraded packages which include channels such as CNBC, Food Network, Discovery Kids, Golf Channel, The Weather Channel and more
- With certain levels of service, the Sports Pack is available which includes Fox College Sports, NBATV, NHL Network and CSTV (where available)

For more information about Comcast Business Class visit www.business.comcast.com

Comcast.
Business Class

Comcast Customer Care

We hold our products, service and people to the highest standards because our goal is to provide a superior customer experience the first time, every time – and, if something goes wrong, acknowledge it and fix it quickly. Our new Customer Guarantee lets customers know what they can expect from us and outlines our promises if we don't live up to their expectations.

Improvements **We've also been working on several fronts to improve the customer experience at Comcast, including:**

- Giving our 16,000 field technicians handheld devices or laptops that help improve communication and on-time reliability
- Launching a new automated diagnostic/troubleshooting portal, called GrandSlam, that helps our customer care agents quickly and accurately resolve customer issues
- Introducing the Comcast Whole Home Check to address customers' feedback that they want us to eliminate the need for repeat or additional service calls - when our technicians are in customers' homes for specific service issues, they will make sure all of their other Comcast services are operating at peak performance
- Proactively monitoring our network and product performance 24x7 to find and fix issues *before* they impact customers
- Opening 11 new call centers since 2007 and hiring 15,000 new customer service agents and technicians across the country in the past two years
- Increasing training for new employees and providing ongoing training for current employees
- Making it easier for customers to contact us and do business with us with new features like customerCentral that lets customers manage all of their accounts with a single log-in on Comcast.com or Comcast.net
- Engaging and communicating with customers in new and different ways like on blogs, forums and Twitter

Commitment **Our commitment to improving is ongoing, and our efforts are starting to make a difference:**

- Network reliability is above 90%, a 35% improvement over the last two years
- Call center contact rates are down 4%, service truck rolls are down 6%; and repeat truck rolls/service calls are down 6%
- Our focus on the customer experience will continue in 2009, and beyond, with many important technical projects and new service initiatives

Facts **Customer Care Facts:**

- Nearly 30,000 technicians and 24,000 customer service representatives serving 23.9 million customers in 39 states and the District of Columbia
- Nearly 300 million customer interactions a year:
 - ~ 308M customer phone calls
 - ~ 40M truck rolls/technician visits
- More than 50,000 customers helped by the Comcast Digital Care Team in the last year
- More than 40,000 public tweets and 15,000 private direct messages on Twitter since April 2008



2009 ANNUAL REPORT

YEAR'S ACTIVITIES SUMMARY

Local Origination and Community
Programming Service to the Community

AUGUST 30, 2009

YEAR'S ACTIVITY SUMMARY
Local Origination and Community Programming
Service to the Community

- Supported the Department of Human Services with their Foster Care program.
- Supported the Alexandria Volunteer Bureau An Evening in the Heart of Alexandria Gala
- Provided Cable in the Classroom magazines in conjunction with the CIC program to Alexandria Public Schools
- Awarded a Comcast scholarship to a T.C. Williams graduate pursuing film studies at the Scholarship Fund of Alexandria Awards Ceremony
- Filmed and participated in the USA/Alexandria Birthday Celebration at Founders Park
- Filmed and participated in the American Indian Festival, the African American Festival, the Italian Festival, the Irish Festival the Chirlagua Festival, and the Cambodian Festival.
- Promoted summer concerts throughout the area, Lunch Bunch Concerts, Ben Brenman Park Concert, Ft Ward Park Concerts, Waterfront Park Concerts, Montgomery Park Concerts, Henderson Park Concerts, and the King Street Gardens Concert.
- Sponsored the Alexandria Volunteer Bureau Philanthropy Summit Awards
- Donated to the T.C. Williams Drug and Alcohol Free Graduation Party
- Participated in the United Way campaign
- Supported the Alexandria Chamber of Commerce "Total Resource" Campaign
- Participated with the Region in Comcast Cares Day at the Arlington Food Assistance Center, the Good Shepherd Alliance in Loudoun, Friends of the Rappahannock in Fredericksburg, and ACTS (Action in the Community Through Service in Prince William.
- Live coverage of the Alexandria Special Election Returns
- Supported the Breast Cancer Walk, taped and broadcast the event
- Partnered with the City of Alexandria for the Comcast Outdoor Film Festival

- Taped and broadcast Agenda Alexandria monthly
- Taped and broadcast the Alexandria Chamber Business Leader of the Year Award
- Taped and broadcast the Grace Episcopal Concert
- Taped and broadcast & Supported the Alexandria Chamber of Commerce Chairman's Gala
- Taped and broadcast the Martin Luther King Birthday Ceremony for City employees
- Taped and broadcast the St Patrick's Day Parade
- Taped and broadcast the George Washington Day Parade
- Taped and broadcast the Martin Luther King Birthday Ceremony
- Taped and broadcast the Alexandria Birthday Celebration
- Taped and broadcast the Salute to Women Awards
- Taped and broadcast the Valor Awards
- Taped and broadcast the Episcopal Graduation
- Taped and broadcast the Bishop Ireton Graduation
- Taped and broadcast the T.C. Williams Graduation
- Taped and broadcast the Scholarship Awards Ceremony
- Taped and broadcast the St. Stephens /St. Agnes Graduation
- Taped and Broadcast the Scottish Christmas Walk
- Taped and Broadcast the Scottish Night at Ft. Ward Park
- Broadcast the Latter Day Saints Annual Conference
- Taped and Broadcast the Days of Remembrance
- Taped and Broadcast the Scottish Heritage Festival
- Taped and Broadcast the Christmas Tree Lighting Ceremony
- Taped and Broadcast the Excellence in Education Awards
- Taped and Broadcast the T.C. Williams vs. W. Springfield Boys Basketball Game
- Taped and Broadcast the T.C. Williams vs. W. Potomac Boys Basketball Game
- Taped and Broadcast the Grace Episcopal Spring Program
- Taped and Broadcast the CTE Awards Program
- Taped and Broadcast Monthly Program for Mayor of City of Alexandria
- Taped and Broadcast Monthly Program for Chamber of Commerce
- Taped and Broadcast Monthly Program for Economic Development / Visitor and Convention
- Taped and Broadcast Monthly Program for Fire Department
- Taped and Broadcast Monthly Program for Alexandria Library
- Taped and Broadcast Monthly Program for Alexandria Education Partnership
- Taped and Broadcast Monthly Program for Alexandria Civic Associations
- Taped and Broadcast Monthly Program for Alexandria Senior Citizens
- Taped and Broadcast Monthly Program for Hoop Academy International
- Supported the NAACP Awards Banquet
- Supported the Northern Virginia Urban League Gala
- Sponsored the Alexandria Scholarship Fund Telethon through in kind work planning and broadcasting live and on replay the telethon event. This year's telethon raised over \$150,000.
- Sponsored the Training of Hoop Academy International Students in Field Production and Studio Class

Produced Comcast Local Edition interviews, appearing on Headline News for the following organizations:

City of Alexandria Recreation, Parks & Cultural Activities
Alexandria Chapter of the American Red Cross
Inova Blood
Alexandria Convention & Visitors Center
Office on Women - Domestic Violence
Office on Women – Walk to Fight Breast Cancer
Office on Women – Sexual Assault Awareness Month
Office on Women – Salute to Women Awards
The Scholarship Fund of Alexandria Telethon
SOC Enterprises - promotes independence for people with disabilities
Northern Virginia Aids Ministry
Alexandria Chamber of Commerce
Irish Festival
St. Patrick's Day Parade
Alexandria Commission for the Arts
Alexandria Outdoor Film Festival
The Campagna Center
American Red Cross
The Twig – Tour of Homes
Alexandria Symphony Orchestra
First Night Alexandria
Samaritan Ministry of Greater Washington
Pentagon Memorial Fund
Agenda Alexandria
Carpenter's Shelter
National MS Society
Vola Lawson Animal Shelter
Alzheimer's Association
Mother's Against Drunk Drivers
Child & Family Network Center
Northern Virginia Family Services
Armenian Festival
Girl Scout Council
The Art League
SCAN
CrisisLink
Azalea Charities
Avon Walk to Fight Breast Cancer
Alexandria Technology Achievement Awards
Lupus Foundation of Greater Washington
Alexandria United Way

Alexandria Symphony Ball
The Carlyle House
Northern Virginia Urban League
Alexandria Animal Welfare League
The Torpedo Factory
Opera Theater of Northern Virginia
Senior Services
Alexandria Volunteer Bureau
Pan Am Games for the Deaf Youth
Employer Support of the Guard and Reserve
Alexandria Convention and Visitors Center
National Museum of Marine Corp
Cable in the Classroom Leaders in Learning Awards
Arlington National Cemetery
Community Lodgings
First and Second Thursday in Del Ray
Capital Hospice
Boys & Girls Club of Greater Washington
Metro Stage
Coats for Kids
National Network to End Domestic Violence
The Leukemia & Lymphoma Society
United States Hispanic Chamber of Commerce
Bladder Cancer Advocacy Network
National Puerto Rican Coalition
Cure Autism Now
Northern Virginia Regional Park Authority
Cold War Museum
Parent Leadership Institute of Alexandria
AARP
Friends of the Occoquan
Northern Virginia Regional Center UMFS
League of United Latin American
Virginia Department of Transportation
Virginia Department of Health
Senate of Virginia
Gala Hispanic Theatre
Hopkins House
Community Residences
Alexandria Black History Museum
Ballyshaners
National Ms Society
American Diabetes Association
Smithsonian
Virginia Gang Investigators Association
National Cherry Blossom Festival

Colon Cancer Foundation
Metropolitan Washington Council of Governments
Y-Me, Breast Cancer Support Organization
Historic Alexandria Foundation
Arlington-Alexandria Coalition for the Homeless
National Center for Black Philanthropy
Special Olympics VA
Cultural Foundation for Children
Virginia Department of the Deaf and Hard of Hearing
Youth for Tomorrow
Commonwealth Homeland Security Foundation
Rotary Club of Alexandria
Capitla Hospice
Interntional Eye Foundation
Virginia Space Grant Consortium
City of Alexandria Public Schools
United Negro College Fund
Alexandria Tutoring Consortium
YMCA Alexandria
Alexandria Community Services Board
Partnership for a Healthier Alexandria
Street Light Ministries
Northern Virginia Healthy Kids Coalition
Hispanic Committee of Virginia
Leadership Alexandria

Report of Independent Registered Public Accounting Firm

**Board of Directors and Stockholders
Comcast Corporation
Philadelphia, Pennsylvania**

We have audited the accompanying consolidated balance sheets of Comcast Corporation and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, cash flows, stockholders' equity and comprehensive income for each of the three years in the period ended December 31, 2008. We also have audited the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Comcast Corporation and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115," effective January 1, 2008. As discussed in Note 3 to the consolidated financial statements, the Company adopted EITF Issue No. 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements," effective January 1, 2008. As discussed in Note 2 to the consolidated financial statements, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement 109," effective January 1, 2007.

/s/ Deloitte & Touche LLP
Philadelphia, Pennsylvania
February 20, 2009

Consolidated Balance Sheet

December 31 (in millions, except share data)	2006	2007
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,195	\$ 963
Investments	59	98
Accounts receivable, less allowance for doubtful accounts of \$190 and \$181	1,626	1,645
Deferred income taxes	292	214
Other current assets	544	747
Total current assets	3,716	3,667
Investments	4,783	7,963
Property and equipment, net of accumulated depreciation of \$23,235 and \$19,808	24,444	23,624
Franchise rights	59,449	58,077
Goodwill	14,889	14,705
Other intangible assets, net of accumulated amortization of \$8,160 and \$6,977	4,558	4,739
Other noncurrent assets, net	1,178	642
Total assets	\$ 113,017	\$ 113,417
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses related to trade creditors	\$ 3,393	\$ 3,336
Accrued salaries and wages	624	494
Other current liabilities	2,644	2,627
Current portion of long-term debt	2,278	1,495
Total current liabilities	8,939	7,952
Long-term debt, less current portion	30,178	29,828
Deferred income taxes	26,982	26,880
Other noncurrent liabilities	6,171	7,167
Minority interest	297	250
Commitments and contingencies (Note 15)		
Stockholders' equity		
Preferred stock—authorized, 20,000,000 shares; issued, zero	—	—
Class A common stock, \$0.01 par value—authorized, 7,500,000,000 shares; issued, 2,426,443,484 and 2,419,025,659; outstanding, 2,060,982,734 and 2,053,564,909	24	24
Class A Special common stock, \$0.01 par value—authorized, 7,500,000,000 shares; issued, 881,145,954 and 1,018,960,463; outstanding, 810,211,190 and 948,025,699	9	10
Class B common stock, \$0.01 par value—authorized, 75,000,000 shares; issued and outstanding, 9,444,375	—	—
Additional paid-in capital	40,620	41,688
Retained earnings	7,427	7,191
Treasury stock, 365,460,750 Class A common shares and 70,934,764 Class A Special common shares	(7,517)	(7,517)
Accumulated other comprehensive income (loss)	(113)	(56)
Total stockholders' equity	40,450	41,340
Total liabilities and stockholders' equity	\$ 113,017	\$ 113,417

See notes to consolidated financial statements.

Consolidated Statement of Operations

Year ended December 31 (in millions, except per share data)	2008	2007	2006
Revenue	\$ 34,258	\$ 30,895	\$ 24,966
Costs and Expenses:			
Operating (excluding depreciation and amortization)	13,472	12,169	9,819
Selling, general and administrative	7,652	6,940	5,705
Depreciation	5,457	5,107	3,828
Amortization	943	1,101	995
	27,524	25,317	20,347
Operating income	6,732	5,578	4,619
Other Income (Expense):			
Interest expense	(2,439)	(2,289)	(2,064)
Investment income (loss), net	89	601	990
Equity in net income (losses) of affiliates, net	(39)	(63)	(65)
Other income (expense)	(285)	522	114
	(2,674)	(1,229)	(1,025)
Income from continuing operations before income taxes and minority interest	4,058	4,349	3,594
Income tax expense	(1,533)	(1,800)	(1,347)
Income from continuing operations before minority interest	2,525	2,549	2,247
Minority interest	22	38	(12)
Income from continuing operations	2,547	2,587	2,235
Income from discontinued operations, net of tax	—	—	103
Gain on discontinued operations, net of tax	—	—	195
Net income	\$ 2,547	\$ 2,587	\$ 2,533
Basic earnings per common share			
Income from continuing operations	\$ 0.87	\$ 0.84	\$ 0.71
Income from discontinued operations	—	—	0.03
Gain on discontinued operations	—	—	0.06
Net income	\$ 0.87	\$ 0.84	\$ 0.80
Diluted earnings per common share			
Income from continuing operations	\$ 0.86	\$ 0.83	\$ 0.70
Income from discontinued operations	—	—	0.03
Gain on discontinued operations	—	—	0.06
Net income	\$ 0.86	\$ 0.83	\$ 0.79
Dividends declared per common share	\$ 0.25	\$ —	\$ —

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31 (in millions)	2008	2007	2006
Operating Activities			
Net income	\$ 2,547	\$ 2,587	\$ 2,533
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	5,457	5,107	3,828
Amortization	943	1,101	995
Depreciation and amortization of discontinued operations	—	—	139
Share-based compensation	258	212	190
Noncash interest expense (income), net	209	114	99
Equity in net losses (income) of affiliates, net	39	63	65
(Gains) losses on investments and noncash other (income) expense, net	321	(938)	(920)
Gain on discontinued operations	—	—	(736)
Noncash contribution expense	—	11	33
Minority interest	(22)	(38)	12
Deferred income taxes	495	247	674
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Change in accounts receivable, net	39	(100)	(357)
Change in accounts payable and accrued expenses related to trade creditors	(38)	175	560
Change in other operating assets and liabilities	(17)	(352)	(497)
Net cash provided by (used in) operating activities	10,231	8,189	6,618
Financing Activities			
Proceeds from borrowings	3,535	3,713	7,497
Retirements and repayments of debt	(2,610)	(1,401)	(2,039)
Repurchases of common stock	(2,900)	(3,102)	(2,347)
Dividends paid	(547)	—	—
Issuances of common stock	53	412	410
Other	(153)	62	25
Net cash provided by (used in) financing activities	(2,522)	(316)	3,546
Investing Activities			
Capital expenditures	(5,750)	(6,158)	(4,395)
Cash paid for intangible assets	(527)	(406)	(306)
Acquisitions, net of cash acquired	(738)	(1,319)	(5,110)
Proceeds from sales of investments	737	1,761	2,720
Purchases of investments	(1,167)	(2,089)	(2,812)
Other	(32)	62	31
Net cash provided by (used in) investing activities	(7,477)	(8,149)	(9,872)
Increase (decrease) in cash and cash equivalents	232	(276)	292
Cash and cash equivalents, beginning of year	963	1,239	947
Cash and cash equivalents, end of year	\$ 1,195	\$ 963	\$ 1,239

See notes to consolidated financial statements.

Consolidated Statement of Stockholders' Equity

(in millions)	Common Stock Class						Additional Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Total
	Shares			Amount							
	A	A Special	B	A	A Special	B					
Balance, January 1, 2006	2,045	1,153	9	\$24	\$12	\$—	\$42,989	\$ 4,825	\$(7,517)	\$(114)	\$40,219
Stock compensation plans	13	10					604	(33)			571
Repurchase and retirement of common stock		(113)			(1)		(1,235)	(1,111)			(2,347)
Employee stock purchase plan	2						43				43
Other comprehensive income										148	148
Net income								2,533			2,533
Balance, December 31, 2006	2,060	1,050	9	24	11	—	42,401	6,214	(7,517)	34	41,167
Cumulative effect related to the adoption of FIN 48 on January 1, 2007								60			60
Stock compensation plans	17	6					688	(28)			660
Repurchase and retirement of common stock	(25)	(108)			(1)		(1,459)	(1,642)			(3,102)
Employee stock purchase plan	2						58				58
Other comprehensive loss										(90)	(90)
Net income								2,587			2,587
Balance, December 31, 2007	2,054	948	9	24	10	—	41,688	7,191	(7,517)	(56)	41,340
Cumulative effect related to the adoption of EITF 06-10 on January 1, 2008								(132)			(132)
Stock compensation plans	4	3					265	(49)			216
Repurchase and retirement of common stock	(20)	(121)			(1)		(1,562)	(1,237)			(2,800)
Employee stock purchase plan	3						63				63
Other comprehensive loss										(57)	(57)
Share exchange	20	(20)					166	(166)			—
Dividend declared (per common share \$0.25)								(727)			(727)
Net income								2,547			2,547
Balance, December 31, 2008	2,061	810	9	\$24	\$ 9	\$—	\$40,620	\$ 7,427	\$(7,517)	\$(113)	\$40,450

Consolidated Statement of Comprehensive Income

(in millions)	2008	2007	2006
Net income	\$2,547	\$2,587	\$2,533
Holding gains (losses) during the period, net of deferred taxes of \$7, \$23 and \$(69)	(13)	(42)	128
Reclassification adjustments for losses (gains) included in net income, net of deferred taxes of \$(10), \$46 and \$(6)	18	(85)	11
Employee benefit obligations, net of deferred taxes of \$30, \$(16) and \$(4)	(55)	29	7
Cumulative translation adjustments	(7)	8	2
Comprehensive income	\$2,490	\$2,497	\$2,681

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1: Organization and Business

We are a Pennsylvania corporation and were incorporated in December 2001. Through our predecessors, we have developed, managed and operated cable systems since 1963. We classify our operations in two reportable segments: Cable and Programming.

Our Cable segment is primarily involved in the management and operation of cable systems in the United States. As of December 31, 2008, we served approximately 24.2 million video customers, 14.9 million high-speed Internet customers and 6.5 million phone customers. Our regional sports networks are also included in our Cable segment.

Our Programming segment operates our consolidated national programming networks, including E!, Golf Channel, VERSUS, G4 and Style.

Our other businesses consist primarily of Comcast Interactive Media and Comcast Spectacor. Comcast Interactive Media develops and operates Comcast's Internet businesses, including Comcast.net, Fancast, thePlatform, Fandango, Plaxo and DailyCandy. Comcast Spectacor owns two professional sports teams and two large, multipurpose arenas in Philadelphia, and manages other facilities for sporting events, concerts and other events. We also own equity method investments in other programming networks and wireless-related companies.

Note 2: Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include (i) all of our accounts, (ii) all entities in which we have a controlling voting interest ("subsidiaries") and (iii) variable interest entities ("VIEs") required to be consolidated in accordance with generally accepted accounting principles in the United States ("GAAP"). We have eliminated all significant intercompany accounts and transactions among consolidated entities.

Our Use of Estimates

We prepare our consolidated financial statements in conformity with GAAP, which requires us to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates. Estimates are used when accounting for various items, such as allowances for doubtful accounts, investments, derivative financial instruments, asset impairments, nonmonetary transactions, certain acquisition-related liabilities, programming-related liabilities, pensions and other post-retirement benefits, revenue recognition, depreciation and amortization, income taxes, and legal contingencies. See Note 8 for our discussion on fair value estimates.

Cash Equivalents

The carrying amounts of our cash equivalents approximate their fair value. Our cash equivalents consist primarily of money market funds and U.S. government obligations, as well as commercial paper and certificates of deposit with maturities of less than three months when purchased.

Investments

We classify unrestricted, publicly traded investments as available-for-sale ("AFS") or trading securities and record them at fair value. For AFS securities, we record unrealized gains or losses resulting from changes in fair value between measurement dates as a component of other comprehensive income (loss), except when we consider declines in value to be other than temporary. For trading securities, we record unrealized gains or losses resulting from changes in fair value between measurement dates as a component of investment income (loss), net. We recognize realized gains and losses associated with our fair value method investments using the specific identification method. Effective with the adoption of Statement of Financial Accounting Standards ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," ("SFAS No. 159"), we classify the cash flows related to purchases of and proceeds from the sale of trading securities based on the nature of the securities and purpose for which they were acquired (see Note 3).

We use the equity method to account for investments in which we have the ability to exercise significant influence over the investee's operating and financial policies. Equity method investments are recorded at cost and are adjusted to recognize (i) our proportionate share of the investee's net income or losses after the date of investment, (ii) amortization of basis differences, (iii) additional contributions made and dividends received, and (iv) impairments resulting from other-than-temporary declines in fair value. We generally record our share of the investee's net income or loss one quarter in arrears due to the timing of our receipt of such information. Gains or losses on the sale of equity method investments are recorded in other income (expense).

Restricted, publicly traded investments and investments in privately held companies are stated at cost and adjusted for any known decrease in value.

We review our investment portfolio each reporting period to determine whether there are identified events or circumstances that would indicate there is a decline in the fair value that is considered to be other than temporary. For our non-public investments, if there are no identified events or circumstances that would have a significant adverse effect on the fair value of the investment, then the fair value is not estimated. If an investment is deemed to have experienced an other-than-temporary decline below its cost basis, we reduce the carrying amount of the investment to its quoted or estimated fair value, as applicable, and establish a new cost basis for the invest-

ment. For our AFS and cost method investments, we charge the impairment to investment income (loss), net. For our equity method investments, the impairment is recorded to other income (expense) (see Note 6).

If a consolidated entity or equity method investee issues additional securities that change our proportionate share of the entity, we recognize the change as a gain or loss in our consolidated statement of operations. In cases where gain realization is not assured, we record the gain to additional paid-in capital.

Property and Equipment

Property and equipment are stated at cost. We capitalize improvements that extend asset lives and expense other repairs and maintenance charges as incurred. For assets that are sold or retired, we remove the applicable cost and accumulated depreciation and, unless the gain or loss on disposition is presented separately, we recognize it as a component of depreciation expense.

We capitalize the costs associated with the construction of our cable transmission and distribution facilities and new service installations. Costs include all direct labor and materials, as well as various indirect costs. We capitalize initial customer installation costs directly attributable to installation of the drop, including material, labor and overhead cost, in accordance with SFAS No. 51, "Financial Reporting by Cable Television Companies." All costs incurred in connection with subsequent service disconnects and reconnects are expensed as they are incurred.

We record depreciation using the straight-line method over estimated useful lives. Our significant components of property and equipment are as follows:

December 31 (in millions)	Weighted Average Original Useful Life	2008	2007
Cable transmission equipment and distribution facilities	12 years	\$ 15,660	\$ 14,978
Customer premises equipment	6 years	17,788	15,373
Scalable infrastructure	6 years	5,776	5,179
Support capital	5 years	5,820	5,521
Buildings and building improvements	20 years	1,874	1,667
Land	-	205	202
Other	8 years	556	512
Property and equipment, at cost		47,670	43,432
Less: Accumulated depreciation		(23,235)	(19,808)
Property and equipment, net		\$ 24,444	\$ 23,624

We evaluate the recoverability and estimated lives of our property and equipment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. The evaluation is based on the cash flows generated by the underlying assets and profitability information, including estimated future operating results, trends or other determinants of fair value. If the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, we would recognize a loss for the difference between the estimated fair value and the carrying value of the asset. Unless presented separately, the loss is included as a component of depreciation expense.

Intangible Assets

Indefinite-Lived Intangibles

Franchise Rights

Our franchise rights consist of cable franchise rights and sports franchise rights. Cable franchise rights represent the value attributed to agreements with local authorities that allow access to homes in cable service areas acquired in business combinations. Sports franchise rights represent the value we attribute to our professional sports teams. We do not amortize cable franchise rights or sports franchise rights because we have determined that they have an indefinite life. We reassess this determination periodically for each franchise based on the factors included in SFAS No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142"). Costs we incur in negotiating and renewing cable franchise agreements are included in other intangible assets and are primarily amortized on a straight-line basis over the term of the franchise renewal period.

We evaluate the recoverability of our franchise rights annually, or more frequently whenever events or changes in circumstances indicate that the assets might be impaired. We estimate the fair value of our cable franchise rights primarily based on a discounted cash flow analysis. We also consider multiples of operating income before depreciation and amortization generated by the underlying assets, current market transactions, and profitability information in analyzing the fair values indicated under the discounted cash flow models. If the value of our cable franchise rights is less than the carrying amount, we would recognize an impairment for the difference between the estimated fair value and the carrying value of the assets. We evaluate the unit of account used to test for impairment of our cable franchise rights periodically to ensure testing is performed at an appropriate level. In July 2008, our Cable division management structure was reorganized from five divisions to four. Our impairment testing as of July 1, 2008 confirmed that no impairment existed before the change.

Goodwill

Goodwill is the excess of the acquisition cost of an acquired entity over the fair value of the identifiable net assets acquired. In accordance with SFAS No. 142, we do not amortize goodwill.

We assess the recoverability of our goodwill annually, or more frequently whenever events or changes in circumstances indicate that the asset might be impaired. We generally perform the assessment of our goodwill one level below the operating segment level. In our Cable business, since components one level below the segment level (Cable divisions) are not separate reporting units and have similar economic characteristics, we aggregate the components into one reporting unit at the Cable segment level.

* * *

Since the adoption of SFAS No. 142, we have performed annual impairment testing of our indefinite-lived intangibles, including cable franchise rights, sports franchise rights and goodwill, using April 1 as the measurement date. In 2008, we changed the timing of our financial and strategic planning process, including the preparation of long-term projections, from completion in the early part of each calendar year to a midyear completion. These long-term financial projections are used as the basis for performing our annual impairment testing. As a result, we have changed our measurement date from April 1 to July 1. We tested our indefinite-lived intangibles for impairment as of April 1, 2008 and July 1, 2008, and no impairments were indicated as of either date. Since the adoption of SFAS No. 142 in 2002, we have not recorded any significant impairments as a result of our impairment testing. We believe changing the measurement date to coincide with the completion of our long-term financial projections is preferable and does not result in the delay, acceleration or avoidance of an impairment.

Other Intangibles

Other intangible assets consist primarily of franchise-related customer relationships acquired in business combinations, programming distribution rights, software, cable franchise renewal costs, and programming agreements and rights. We record these costs as assets and amortize them on a straight-line basis over the term of the related agreements or estimated useful life. See Note 7 for the ranges of useful lives of our intangible assets.

Programming Distribution Rights

Our Programming subsidiaries enter into multiyear license agreements with various multichannel video providers for distribution of their programming ("distribution rights"). We capitalize amounts paid to secure or extend these distribution rights and include them within other intangible assets. We amortize these distribution rights on a straight-line basis over the term of the related license agreements. We classify the amortization of these distribution rights as a reduction of revenue unless the Programming subsidiary receives, or will receive, an identifiable benefit from the distributor separate from the fee paid for the distribution right, in which case we recognize the fair value of the identified benefit as an operating expense in the period in which it was received.

Software

We capitalize direct development costs associated with internal-use software, including external direct costs of material and services and payroll costs for employees devoting time to these software projects. We also capitalize costs associated with the purchase of software licenses. We include these costs within other intangible assets and amortize them on a straight-line basis over a period not to exceed 5 years, beginning when the asset is substantially ready for use. We expense maintenance and training costs, as well as costs incurred during the preliminary stage of a project, as they are incurred. We capitalize initial operating system software costs and amortize them over the life of the associated hardware.

* * *

We periodically evaluate the recoverability and estimated lives of our intangible assets subject to amortization whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. The evaluation is based on the cash flows generated by the underlying assets and profitability information, including estimated future operating results, trends or other determinants of fair value. If the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, we would recognize a loss for the difference between the estimated fair value and the carrying value of the asset. Unless presented separately, the loss would be included as a component of amortization expense.

Asset Retirement Obligations

SFAS No. 143, "Accounting for Asset Retirement Obligations," as interpreted by Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 47, "Accounting for Conditional Asset Retirement Obligations — an Interpretation of FASB Statement No. 143," requires that a liability be recognized for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made.

Certain of our franchise and lease agreements contain provisions requiring us to restore facilities or remove property in the event that the franchise or lease agreement is not renewed. We expect to continually renew our franchise agreements and therefore cannot estimate any liabilities associated with such agreements. A remote possibility exists that franchise agreements could terminate unexpectedly, which could result in us incurring significant expense in complying with restoration or removal provisions. The disposal obligations related to our properties are not material to our consolidated financial statements. No such liabilities have been recorded in our consolidated financial statements.

Revenue Recognition

Our Cable segment revenue is primarily derived from customer fees received for our video, high-speed Internet and phone services ("cable services") and from advertising. We recognize revenue from cable services as the service is provided. We manage credit risk by screening applicants through the use of credit bureau data. If a customer's account is delinquent, various measures are used to collect outstanding amounts, including termination of the customer's cable service. Installation revenue obtained from the connection of customers to our cable systems is less than related direct selling costs. Therefore, such revenue is recognized as connections are completed. We recognize advertising revenue when the advertising is aired and based on the broadcast calendar. Revenue earned from other sources is recognized when services are provided or events occur. Under the terms of our franchise agreements, we are generally required to pay to the local franchising authority an amount based on our gross video revenue. We normally pass these fees through to our cable customers and classify the fees as a component of revenue with the corresponding costs included in operating expenses. Prior to 2008, the corresponding costs were included in selling, general and administrative expenses. For 2007 and 2006, we reclassified approximately \$863 million and \$788 million, respectively, from selling, general and administrative expenses to operating expenses. The 2008 amount is approximately \$933 million. We believe such classification is more appropriate based on the nature of these expenses. We present other taxes imposed on a revenue-producing transaction as revenue if we are acting as a principal or as a reduction to operating expenses if we are acting as an agent.

Our Programming segment recognizes revenue from distributors as programming is provided, generally under multiyear distribution agreements. From time to time these agreements expire while programming continues to be provided to the operator based on interim arrangements while the parties negotiate new contract terms. Revenue recognition is generally limited to current payments being made by the operator, typically under the prior contract terms, until a new contract is negotiated, sometimes with effective dates that affect prior periods. Differences between actual amounts determined upon resolution of negotiations and amounts recorded during these interim arrangements are recorded in the period of resolution.

Advertising revenue for our Programming segment is recognized in the period in which commercials or programs are aired. In some instances, our Programming businesses guarantee viewer ratings either for the programming or for the commercials. Revenue is deferred to the extent of an estimated shortfall in the ratings. Such shortfalls are primarily settled by providing additional advertising time, at which point the revenue is recognized.

Cable Programming Expenses

Cable programming expenses are the fees we pay to programming networks to license the programming we package, offer and

distribute to our video customers. Programming is acquired for distribution to our video customers, generally under multiyear distribution agreements, with rates typically based on the number of customers that receive the programming, adjusted for channel positioning and the extent of distribution. From time to time these contracts expire and programming continues to be provided based on interim arrangements while the parties negotiate new contractual terms, sometimes with effective dates that affect prior periods. While payments are typically made under the prior contract terms, the amount of our programming expenses recorded during these interim arrangements is based on our estimates of the ultimate contractual terms expected to be negotiated. Differences between actual amounts determined upon resolution of negotiations and amounts recorded during these interim arrangements are recorded in the period of resolution.

When our Cable segment receives incentives from programming networks for the licensing of their programming, we classify the deferred portion of these fees within liabilities and recognize them over the term of the contract as a reduction of programming expenses, which are included in operating expenses.

Share-Based Compensation

Effective January 1, 2006, we adopted SFAS No. 123R, "Share-Based Payment," ("SFAS No. 123R"), using the Modified Prospective Approach. Under the Modified Prospective Approach, the amount of compensation cost recognized includes (i) compensation cost for all share-based payments granted before but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS No. 123"), and (ii) compensation cost for all share-based payments granted or modified after January 1, 2006, based on the estimated fair value at the date of grant or subsequent modification date in accordance with SFAS No. 123R. See Note 12 for further details regarding share-based compensation.

Income Taxes

Our provision for income taxes is based on our current period income, changes in deferred income tax assets and liabilities, income tax rates, changes in estimates of our uncertain tax positions, and tax planning opportunities available in the jurisdictions in which we operate. Substantially all of our income is from operations in the United States. We recognize deferred tax assets and liabilities when there are temporary differences between the financial reporting basis and tax basis of our assets and liabilities and for the expected benefits of using net operating loss carryforwards. When changes in tax rates or tax laws have an impact on deferred taxes, we apply the change during the years in which temporary differences are expected to reverse. These amounts are recorded in our consolidated financial statements in the period of enactment.

On January 1, 2007, we adopted FIN 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109," ("FIN 48"). FIN 48 prescribes the recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return.

We account for income tax uncertainties that arise in connection with business combinations and those that are associated with entities acquired in business combinations in accordance with Emerging Issues Task Force ("EITF") Issue No. 93-7, "Uncertainties Related to Income Taxes in a Purchase Business Combination," ("EITF 93-7"). Deferred tax assets and liabilities are recorded as of the date of a business combination and are based on our estimate of the ultimate tax basis that will be accepted by the various taxing authorities. Liabilities for contingencies associated with prior tax returns filed by the acquired entity are recorded based on criteria set forth in FIN 48. We adjust the deferred tax accounts and the liabilities periodically to reflect any revised estimated tax basis and any estimated settlements with the various taxing authorities. The effect of these adjustments is generally applied to goodwill except for post-acquisition interest expense, which is recognized as an adjustment to income tax expense. Effective with the adoption on January 1, 2009 of SFAS No. 141R, "Business Combinations — a replacement of FASB Statement No. 141," ("SFAS No. 141R"), which also supersedes EITF 93-7, all tax adjustments recognized that would have impacted goodwill will be recognized within income tax expense.

We classify interest and penalties, if any, associated with our uncertain tax positions as a component of income tax expense.

Derivative Financial Instruments

We use derivative financial instruments to manage our exposure to the risks associated with fluctuations in interest rates and equity prices. All derivative transactions must comply with a derivatives policy authorized by our Board of Directors. We do not engage in any speculative or leveraged derivative transactions.

We manage our exposure to fluctuations in interest rates by using derivative financial instruments such as interest rate exchange agreements ("swaps") and interest rate lock agreements ("rate locks"). We sometimes enter into rate locks to hedge the risk that the cash flows related to the interest payments on an anticipated issuance or assumption of fixed-rate debt may be adversely affected by interest-rate fluctuations.

We manage our exposure to and benefits from price fluctuations in the common stock of some of our investments by using equity derivative financial instruments embedded in other contracts such as indexed debt instruments and prepaid forward sale agreements whose values, in part, are derived from the market value of certain publicly traded common stock.

We periodically examine the instruments we use to hedge exposure to interest rate and equity price risks to ensure that the instruments are matched with underlying assets or liabilities, to reduce our risks relating to changes in interest rates or equity prices and, through market value and sensitivity analysis, to maintain a high correlation to the risk inherent in the hedged item. For those instruments that do not meet the above conditions, and for those derivative instruments that are not designated as a hedge, changes in fair value are recognized on a current basis in earnings.

We manage the credit risks associated with our derivative financial instruments through the evaluation and monitoring of the creditworthiness of the counterparties. Although we may be exposed to losses in the event of nonperformance by the counterparties, we do not expect such losses, if any, to be significant.

For derivative instruments designated and effective as fair value hedges, such as fixed to variable swaps, changes in the fair value of the derivative instrument substantially offset changes in the fair value of the hedged item, each of which is recorded to interest expense. When fair value hedges are terminated, sold, exercised or have expired, any gain or loss resulting from changes in the fair value of the hedged item is deferred and recognized in earnings over the remaining life of the hedged item. When the hedged item is settled or sold, the unamortized adjustment in the carrying amount of the hedged item is recognized in earnings.

For derivative instruments designated as cash flow hedges, such as variable to fixed swaps and rate locks, the effective portion of the hedge is reported in other comprehensive income (loss) and recognized as an adjustment to interest expense over the same period in which the related interest costs are recognized in earnings. When hedged variable-rate debt is settled, the previously deferred effective portion of the hedge is written off to interest expense in a manner similar to debt extinguishment costs.

Equity derivative instruments embedded in other contracts are separated from their host contract. The derivative component is recorded at its estimated fair value in our consolidated balance sheet and changes in its value are recorded each period to investment income (loss), net.

Reclassifications

Reclassifications have been made between operating expenses and selling, general and administrative expenses in the prior years' consolidated financial statements to conform to classifications used in 2008.