

# CableFAX Daily™

Monday — January 28, 2013

What the Industry Reads First

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## Spectrum Dealings: AT&T's \$1.9bn Purchase Highlights DISH Asset Value

AT&T never loses its appetite for spectrum. To complement AT&T's existing holdings and to allow it to continue its LTE deployment, the telco has agreed to acquire a chunk of 700 MHz B Band spectrum from Verizon for \$1.9bn in cash and a contribution of AWS licenses in 5 markets. The licenses to be acquired by AT&T cover 42mln people in 18 states. Several analysts were quick to point out that the deal underscores the significant value of spectrum, especially the 700 MHz spectrum that companies like DISH own. The satellite company won in the '08 auction for \$712mln and now owns 6MHz (236mln pops) of the 700 MHz spectrum, an important swath available for both commercial wireless and public safety use. Wells Fargo's calculation for the value of the AT&T/Verizon transaction is 3.77/MHz/pop, which the analysts considered "low" given that it only includes the cash payment while AT&T's also contributing AWS spectrum as part of the deal. Applying the \$3.77/MHz/pop calculation to the 6MHz/236MM pops that are owned by DISH gives a \$5.3bn valuation for DISH's 700MHz spectrum, more than double the \$1.4bn value Wells Fargo had initially anticipated. Some investors might worry that DISH is running out of options: Its reported attempt to bid for MetroPCS and its announcement to do a deal with Clearwire might be stymied by T-Mobile and Sprint, respectively. However, the analysts believe AT&T's announcement shows DISH is "sitting on an extremely valuable asset." Meanwhile, AT&T is still at a spectrum disadvantage to Verizon, and Fri's deal, if approved by regulators, would do very little to narrow the gap, Jonathan Chaplin with New Street Research said, noting Verizon has a large blocks of AWS spectrum in addition to its 700 MHz spectrum. DISH's spectrum would complement AT&T's existing holding "very well," he said, but AT&T has shown little interest in DISH spectrum recently. "From our perspective they need it and they should want it," he said. Some have speculated that AT&T is shedding its mid-range frequencies and may therefore be more interested in DISH's holdings, said Craig Moffett with Bernstein Research. "That's neither correct from an engineering perspective nor from a strategic one," he said, noting AT&T's now loaded at the mid-to-high range with its WCS band. If the deal with Verizon's approved, AT&T will have a higher spectrum concentration, making any deal with DISH "all the more difficult." The deal, expected to close in the 2nd half of the year, already drew opposition from groups like Public Knowledge. It noted Verizon had offered to sell this spectrum in order to receive regulatory approval of its cable spectrum transaction. At the time Public Knowledge warned the FCC that even

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if Verizon sold some of its existing licenses, much of that spectrum would likely be sold to AT&T instead of smaller carriers. "This proposed sale only continues the wireless market's spiral into a duopoly between AT&T and Verizon..." said the group's svp *Harold Feld*. Now all eyes on **FCC** and the **DOJ**.

**In the Courts:** **DISH** has friends in its pending ad-skipping lawsuit filed by **Fox** and other broadcasters. **CEA**, **Computer & Communications Assn**, **The Internet Assn**, **Public Knowledge**, **Electronic Frontier Foundation** and the **Organization for Transformative Works** have all filed amicus briefs in support of **DISH**. "The Hopper merely enables the consumer to perform the same actions as the old VCRs and other DVRs, just more efficiently," said the brief filed by **CEA**, **CCA** and **IA**. "It is still the user who decides whether any copies get made. **DISH** merely provides the means." **PK** makes a similar argument. "Fox in this case has argued that **DISH's** Hopper DVR, simply because it is more convenient to use in some respects than the DVRs sold by its competitors, is illegal," said **PK** sr staff atty *John Mergmayer*. "This is absurd, and companies should fear being dragged into court merely for providing their customers with the features they want."

**Sporting Life:** **Verizon** is joining **DirecTV** is charging a regional sports net fee to help cover the overall increase in prices charged by **RSNs**. The telco will start applying a \$2.42/month fee in Feb in certain markets, and will roll it out to other regions in Mar and Apr. Late last year, **DirecTV** instituted a \$3/month surcharge in markets with more than 1 **RSN**. **Verizon's** fee will apply in all markets (all but 1 market has multiple **RSNs**), with new customers and those on month-to-month contracts impacted initially. Customers in a contract will not be impacted until they make a change to their existing package or their contract ends. "Verizon has chosen this fee, rather than increased TV package charges, to address the skyrocketing sports content costs associated with the programming," a **Verizon** spokesperson said. To avoid the charge before it appears on bills, **Verizon** said customers can choose the new \$49.99/month **FiOS TV Select HD** package, which includes 140 nets (30+ in HD), but no sports channels, including **ESPN**. Meanwhile, no word on what's expected to be the latest expensive **RSN**: the **Dodgers** network.

**At the Portals:** **FCC** chmn *Julius Genachowski* announced Fri what he called a broadband acceleration effort. The agency defined and clarified a technical provision regarding local review of requests to modify an existing wireless tower or base station, which *Genachowski* said should result in accelerated delivery of high-speed mobile broadband. The **FCC** also launched a proceeding to expedite placement of temporary cell towers used to expand capacity during special events, such as the **Super Bowl**. -- More responses to the **FCC's** plans for spectrum auctions. **NAB** urged the Commission to eschew calls for timetables for completing the auction, saying it's more important "to get the auction done right than to get it done right now." **NAB** believes repacking is critical, and suggests the **FCC** use the **TV Broadcaster Relocation Fund** created by Congress as its budget for repacking. It estimates that 400-500 stations could be repacked within the \$1.75bln budget.

**Carriage:** **HRTV** inked its 1st carriage deal outside the US with Panama's **Cable Onda** signing on to carry the net.

**Programming:** **HBO** booked the 3rd season of "Girls" for 12 eps. -- **TruTV** renewed "Hardcore Pawn" for a 7th season as the series hit its 100th ep. -- The **L.A. Galaxy** unveiled its completed local TV schedule, with **Time Warner Cable Sports-Net** airing 21 regular season games and **Time Warner Cable Deportes** televising 17. **TWC SportsNet's** debut broadcast is set for Mar 17; **Deportes'** is on Mar 23 when the **Galaxy** takes on **Colorado**. The **Galaxy** also has 6 games on **ESPN** or **ESPN2** and **ESPN Deportes**, 5 games in Spanish on **Univision** or **UniMas** and 6 games on **NBC** or **NBC Sports Net**.

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Following are the categories in **The CableFAXIES Awards**:

- Advertising Campaign for a Single Program
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- Corporate Social Responsibility/Green Campaign
- Community Relations
- Direct Response Marketing
- Integrated Marketing Campaign
- Marketing Campaign
- Marketing of a New Series or Show
- Marketing of a Continuing Series
- Marketing of a Special or Documentary/ Documentary Series
- Media Event
- Media Relations Campaign
- Multicultural Marketing
- Press Kit
- Programming Stunt
- PR Stunt
- Public Affairs Campaign
- Social Media During a Program
- Social Media Marketing
- Sweepstakes and Games Marketing
- Technology Vendor Marketing
- Trade Show Marketing and PR
- Tchotchke

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(Awards can be given at 5 levels: Programmer, National; Programmer, Regional/Local; Operator, MSO; Operator, Local System; and Vendor)

- Marketer of the Year, VP Level and above
- PR Executive of the Year, VP Level and above
- Marketing Team of the Year
- PR Team of the Year

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For advertising and sponsorship information contact Amy Abbey at: 301-354-1629 or [aabbey@accessintel.com](mailto:aabbey@accessintel.com).

**CableFAX Week in Review**

| Company                      | Ticker | 1/25 Close | 1-Week % Chg | YTD %Chg |
|------------------------------|--------|------------|--------------|----------|
| <b>BROADCASTERS/DBS/MMDS</b> |        |            |              |          |
| DIRECTV:                     | DTV    | 53.65      | 0.54%        | 6.96%    |
| DISH:                        | DISH   | 37.73      | (0.5%)       | 3.65%    |
| DISNEY:                      | DIS    | 54.38      | 3.90%        | 9.22%    |
| GE:                          | GE     | 22.29      | 1.13%        | 6.19%    |
| NEWS CORP:                   | NWS    | 27.83      | 0.00%        | 6.06%    |
| <b>MSOS</b>                  |        |            |              |          |
| CABLEVISION:                 | CVC    | 15.20      | (0.85%)      | 1.74%    |
| CHARTER:                     | CHTR   | 80.68      | 2.35%        | 5.82%    |
| COMCAST:                     | CMCSA  | 39.76      | (1.27%)      | 6.42%    |
| COMCAST SPCL:                | CMCSK  | 38.31      | (0.93%)      | 6.65%    |
| GCI:                         | GNCMA  | 8.09       | (11%)        | (15.64%) |
| LIBERTY GLOBAL:              | LBTYA  | 68.43      | (1.44%)      | 8.69%    |
| LIBERTY INT:                 | LINTA  | 21.01      | 0.14%        | 6.76%    |
| SHAW COMM:                   | SJR    | 23.39      | (1.35%)      | 1.78%    |
| TIME WARNER CABLE:           | TWC    | 100.60     | 0.06%        | 3.51%    |
| VIRGIN MEDIA:                | VMED   | 39.78      | 3.14%        | 8.24%    |
| WASH POST:                   | WPO    | 387.10     | 1.82%        | 5.99%    |

| <b>PROGRAMMING</b> |       |       |         |          |
|--------------------|-------|-------|---------|----------|
| AMC NETWORKS:      | AMCX  | 58.16 | 3.65%   | 17.49%   |
| CBS:               | CBS   | 42.19 | 4.38%   | 10.88%   |
| CROWN:             | CRWN  | 1.91  | (2.05%) | 3.24%    |
| DISCOVERY:         | DISCA | 69.00 | 1.89%   | 8.70%    |
| GRUPO TELEVISA:    | TV    | 28.27 | 1.14%   | 6.36%    |
| HSN:               | HSNI  | 59.55 | 0.88%   | 8.12%    |
| INTERACTIVE CORP:  | IACI  | 40.30 | (3.38%) | (14.69%) |
| LIONSGATE:         | LGF   | 18.08 | (0.33%) | 10.24%   |
| OUTDOOR:           | OUTD  | 7.48  | (1.06%) | (1.58%)  |
| SCRIPPS INT:       | SNI   | 59.93 | 1.54%   | 3.47%    |
| TIME WARNER:       | TWX   | 50.40 | 0.94%   | 5.37%    |
| VALUEVISION:       | VTV   | 2.61  | 14.98%  | 45.00%   |
| VIACOM:            | VIA   | 61.81 | 2.57%   | 13.89%   |
| WWE:               | WWE   | 8.35  | 3.21%   | 5.83%    |

| <b>TECHNOLOGY</b> |      |        |          |          |
|-------------------|------|--------|----------|----------|
| ADDVANTAGE:       | AEY  | 2.26   | 9.18%    | 13.57%   |
| ALCATEL LUCENT:   | ALU  | 1.72   | 4.24%    | 23.74%   |
| AMDOCS:           | DOX  | 36.05  | 2.91%    | 6.06%    |
| AMPHENOL:         | APH  | 67.70  | 0.19%    | 4.64%    |
| AOL:              | AOL  | 31.26  | 5.08%    | 5.57%    |
| APPLE:            | AAPL | 439.88 | (12.02%) | (17.34%) |
| ARRIS GROUP:      | ARRS | 16.77  | (0.42%)  | 12.25%   |
| AVID TECH:        | AVID | 7.27   | (2.94%)  | (4.09%)  |
| BLNDER TONGUE:    | BDR  | 1.54   | 20.31%   | 33.91%   |
| BROADCOM:         | BRCM | 34.25  | (1.61%)  | 3.13%    |
| CISCO:            | CSCO | 21.15  | 0.62%    | 7.63%    |
| CLEARWIRE:        | CLWR | 3.27   | 3.15%    | 13.15%   |
| CONCURRENT:       | CCUR | 6.47   | 3.85%    | 12.72%   |
| CONVERGYS:        | CVG  | 16.86  | 0.06%    | 2.74%    |
| CSG SYSTEMS:      | CSGS | 18.18  | (4.57%)  | 0.00%    |
| ECHOSTAR:         | SATS | 36.19  | 1.69%    | 5.76%    |
| GOOGLE:           | GOOG | 753.67 | 6.98%    | 6.54%    |
| HARMONIC:         | HLIT | 5.46   | 7.27%    | 7.69%    |
| INTEL:            | INTC | 20.96  | (1.36%)  | 1.65%    |
| JDSU:             | JDSU | 13.45  | 1.89%    | (0.37%)  |
| LEVEL 3:          | LVT  | 24.39  | 2.95%    | 5.54%    |

| Company         | Ticker | 1/25 Close | 1-Week % Chg | YTD %Chg |
|-----------------|--------|------------|--------------|----------|
| MICROSOFT:      | MSFT   | 27.88      | 3.91%        | 4.38%    |
| RENTRAK:        | RENT   | 20.12      | 0.65%        | 3.23%    |
| SEACHANGE:      | SEAC   | 11.06      | 2.69%        | 14.37%   |
| SONY:           | SNE    | 14.41      | 29.94%       | 28.66%   |
| SPRINT NEXTEL:  | S      | 5.64       | (4.73%)      | (0.53%)  |
| TIVO:           | TIVO   | 12.61      | 4.47%        | 2.44%    |
| UNIVERSAL ELEC: | UEIC   | 19.11      | 1.33%        | (1.24%)  |
| VONAGE:         | VG     | 2.47       | 1.65%        | 4.22%    |
| YAHOO:          | YHOO   | 20.37      | 1.75%        | 2.36%    |

| <b>TELCOS</b> |    |       |       |         |
|---------------|----|-------|-------|---------|
| AT&T:         | T  | 34.02 | 1.73% | 0.92%   |
| VERIZON:      | VZ | 42.67 | 0.31% | (1.39%) |

| <b>MARKET INDICES</b> |      |          |       |       |
|-----------------------|------|----------|-------|-------|
| DOW:                  | DJI  | 13895.98 | 1.80% | 6.04% |
| NASDAQ:               | IXIC | 3149.71  | 0.48% | 4.31% |
| S&P 500:              | GSPC | 1502.96  | 1.14% | 5.38% |

**WINNERS & LOSERS**

| <b>THIS WEEK'S STOCK PRICE WINNERS</b> |  |       |  |         |
|--|--|-------|--|---------|
| COMPANY                                |  | CLOSE |  | 1-WK CH |
| 1. SONY:                               |  | 14.41 |  | 29.94%  |
| 2. BLNDER TONGUE:                      |  | 1.54  |  | 20.31%  |
| 3. VALUEVISION:                        |  | 2.61  |  | 14.98%  |
| 4. ADDVANTAGE:                         |  | 2.26  |  | 9.18%   |
| 5. HARMONIC:                           |  | 5.46  |  | 7.27%   |

| <b>THIS WEEK'S STOCK PRICE LOSERS</b> |  |        |  |          |
|---------------------------------------|--|--------|--|----------|
| COMPANY                               |  | CLOSE  |  | 1-WK CH  |
| 1. APPLE:                             |  | 439.88 |  | (12.02%) |
| 2. GCI:                               |  | 8.09   |  | (11%)    |
| 3. SPRINT NEXTEL:                     |  | 5.64   |  | (4.73%)  |
| 4. CSG SYSTEMS:                       |  | 18.18  |  | (4.57%)  |
| 5. INTERACTIVE CORP:                  |  | 40.30  |  | (3.38%)  |

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