

CableFAX Daily™

Monday — February 4, 2008

What the Industry Reads First

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Blasting Off: Cable Continues To Reach for Programming Stars

Discovery Channel's expensive mission to space underscores the shift in programming power from broadcasters to cable—one that **NBCU** pres/CEO *Jeff Zucker* effectively illustrated at **NATPE**. Zucker's declaration that "the big show is a vestige of the past" and his plans to decrease spending on expensive linear pilots for NBC came as Discovery readies to launch the weighty (and costly) project "When We Left Earth: The NASA Missions" (summer). Diminishing returns in content production are crushing the broadcast nets, said Zucker, a concern set ablaze by the writer's strike. "It's our industry's version of a forest fire," said Zucker of the strike, still hopeful that it will "leave behind fertile ground and robust growth." Cable, however, is enjoying several flame-retarding properties inherent to the industry: dual revenue streams, net segmentation and valuable branding. No wonder Zucker is looking to his cable properties as "guides." But even if triumph isn't guaranteed and sleep is often fitful when launching major content initiatives, cable is in a much better programming position vis-a-vis broadcasters, Discovery Channel pres/GM *John Ford* told **Cfax**. "The narrower range in which we operate enables us to make more programming bets [and] to achieve a better batting average," said Ford. "We're used to scrapping and don't have a spending strategy locked in." Also helpful has been the sharply-defined audiences of many cable nets, which often spur more germane shows and enhanced advertiser interest. Plus, sub fees "give something of a cushion" to cable nets, allowing for even more content wagers, said Ford. Blend all these ingredients together and what results are "emotional connections" to cable nets and the incubation of "strong brands," said **Lifetime** Nets pres/CEO *Andrea Wong* at **NATPE**. In short, the "cable business model is much stronger than the broadcast [model]," said **Universal TV Group** pres/COO *Jeff Gaspin* at the conference. Indeed, Discovery, **AMC**, **USA** and others continue to beneficially travel the original programming space between cable and the broadcast medium.

Retrans: After more than a year with no **Fox** affiliate, **Time Warner Cable** subs in parts of ID, MT and WA will get to watch Sun's big game. The MSO and **Northwest Broadcasting's** **KAYU** reached a retrans pact Fri that runs through Feb 1 '13. The station pulled its signal from TW in Dec '06, with Coeur d' Alene, ID, and Pullman, WA, among the impacted markets. Terms of the agreement weren't announced. The signal was back up Fri afternoon.

Mega Merger: What does **Microsoft's** \$44.6bln bid for **Yahoo** mean for cable? *Fortune* speculates that a cable company, including **Comcast** or **Time Warner Cable**, or a telco might take an interest in buying **AOL**. The magazine's rationale is that an ad network like AOL's could be appealing as MSOs add functions, such as placing Web-like advertising on TV screens. Whether a cabler buys AOL or not, the Yahoo-Microsoft proposal definitely begs the question: What happens to AOL? Maybe there will be some answers during Wed's earnings call.

Broadband: The **FCC** and **USDA** launched a Website aimed at rural communities that want broadband services

THE LEGACY

has never been so clear



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(<http://wireless.fcc.gov/outreach/ruralbroadband>). The site includes info on technology platforms, govt funding for broadband services and how to locate companies already licensed to offer wireless services in or near specific communities.

At the Portals: ION is urging the FCC to require DBS providers to carry all local DTV must carry stations and to “carry one, carry all” HD signals from those stations. The FCC adopted such rules for cable in '01. “The disparity between cable and DBS carriage requirements must be removed,” ION chmn/CEO *Brandon Burgess* wrote in a letter to FCC chmn *Kevin Martin* on Wed. -- The FCC’s dual carriage order, voted on Sept 11, has been published in the Federal Register. Under FCC procedural rules, the order could now be legally challenged. There has been no indication of a legal fight from anyone, though cable continues to call for a blanket exemption to the rules for small operators. The order requires cable ops to carry digital and analog must-carry signals for 3 years starting Feb 18, 2009.

Ratings: The Democratic presidential debate on CNN Thurs goes down as the highest-rated primary debate in cable news history, with 8.3mln total viewers. One moment from the debate that cable might want to note: *Barack Obama* said that he believes parental control is the best way to deal with objectionable content on the TV and Internet. He also called on those in the industry to “show some thought about who they are marketing some of these programs that are being produced to,” saying he didn’t want his children to see a violent slash film trailer during “American Idol.”


Hammer Time: The 75-year-old woman who made national headlines for attacking her Comcast office with a hammer extended her 15 minutes of fame with an appearance on “Dr Phil” Thurs. Despite *Mona Shaw*’s arrest for disorderly conduct, she didn’t appear especially repentant in the episode on vigilante justice, calling the MSO employees “submoronic idiots.” Her husband had a gold pin made for her 76th birthday in the shape of a hammer.

Falling Star: After less than 6 months on air, truTV axed the low-rated “Star Jones Show.” Fri marked the last ep. It will be replaced by “Arrest & Trial.” truTV cited its rebranding for the cancellation, calling it a mutual decision. At TCA in July, however, *Jones*’ show was hailed as the anchor for Court TV’s Jan 1 transition to truTV. “We appreciate the work she has contributed over the last few months and look forward to the next phase of our relationship,” the net said Fri.

Online: A&E Nets is teaming with Crisp Wireless to launch mobile Websites for A&E, History Channel and BIO.

Public Affairs: NCTA outlined the extent of its “CableCares” Initiative assisting children and schools in New Orleans, which after many years will once again host Cable Show '08 in May. Activities include building a new playground at Fannie C. Williams Elementary School; wiring up Banneker Elementary School for broadband and painting/landscaping Sarah T. Reed High School; and rebuilding school libraries using donations of Cable Show attendees.


Business/Finance: Disney CEO *Bob Iger* inked a new 5-year contract, according to an SEC filing. Under it, his annual performance bonus increases to \$10mln from \$7.25mln. CFO *Thomas Staggs* also received a new 5-year deal. -- Bear Stearns raised its price target on TiVo to \$14 and reiterated its “outperform” rating, citing its EchoStar legal victory and CBS’s decision to subscribe to its ratings service. Now that TiVo has won its patent case, it may move ahead with MSO distribution agreements and “likely can ‘demand’ recurring revenue royalties from the remaining MSOs,” the firm said. Friedman Billings Ramsey downgraded TiVo to “underperform” from “market perform” because of the 30% spike in TiVo shares following its legal victory. -- Sanford Bernstein upgraded DirecTV to “outperform” from “market perform” and raised its 12-month price target to \$30.



Hoax or History?

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CableFAX Week in Review

Company	Ticker	2/01 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
BRITISH SKY:	BSY	44.08	3.90%	(9.9%)
DIRECTV:	DTV	23.98	9.00%	3.70%
DISNEY:	DIS	30.66	6.90%	(5%)
ECHOSTAR:	DISH	31.17	10.70%	(8.2%)
GE:	GE	36.16	6.40%	0.10%
HEARST-ARGYLE:	HTV	22.36	7.70%	1.80%
ION MEDIA:	ION	1.44	6.70%	11.60%
NEWS CORP:	NWS	20.01	3.90%	(5.8%)
MSOS				
CABLEVISION:	CVC	24.99	15.90%	2.00%
CHARTER:	CHTR	1.28	12.30%	9.40%
COMCAST:	CMCSA	18.55	7.70%	1.60%
COMCAST SPCL:	CMCSK	18.39	8.10%	4.50%
GCI:	GNCMA	7.21	(4.4%)	(17.6%)
KNOLOGY:	KNOL	11.63	9.30%	(9%)
LIBERTY CAPITAL:	LCAPA	112.24	5.60%	2.20%
LIBERTY GLOBAL:	LBTYA	40.96	10.30%	4.50%
LIBERTY INTERACTIVE:	LINTA	16.51	11.90%	(13.5%)
MEDIACOM:	MCCC	4.98	9.50%	8.50%
ROGERS COMM:	RG	42.97		
SHAW COMM:	SJR	20.64	7.70%	(12.1%)
TIME WARNER CABLE:	TWC	25.75	3.10%	(6.7%)
VIRGIN MEDIA:	VMED	16.69	1.40%	1.40%
WASH POST:	WPO	758.58	4.20%	(4.2%)

PROGRAMMING				
CBS:	CBS	25.51	6.80%	(6.4%)
CROWN:	CRWN	5.90	(1%)	(9.2%)
DISCOVERY:	DISCA	23.36	(1.8%)	(7.1%)
EW SCRIPPS:	SSP	41.59	6.30%	(7.6%)
GRUPO TELEvisa:	TV	22.50	5.80%	(5.3%)
INTERACTIVE CORP:	IACI	26.26	7.60%	(2.5%)
LODGENET:	LNET	15.81	8.20%	(9.3%)
NEW FRONTIER:	NOOF	4.44	(9.4%)	(12.2%)
OUTDOOR:	OUTD	7.84	16.00%	13.60%
PLAYBOY:	PLA	8.55	2.60%	(6.3%)
TIME WARNER:	TWX	16.07	7.40%	(2.7%)
UNIVISION:	UVN	36.23		
VALUEVISION:	VVTV	6.13	19.70%	(2.5%)
VIACOM:	VIA	39.82	7.10%	(9.5%)
WWE:	WWE	15.40	10.20%	7.60%

TECHNOLOGY				
3COM:	COMS	4.05	(3.3%)	(10.4%)
ADC:	ADCT	14.81	10.40%	(4.7%)
ADVANTAGE:	AEY	5.80	17.90%	(6%)
ALCATEL LUCENT:	ALU	6.60	5.30%	(9.8%)
AMDOCS:	DOX	33.41	1.70%	(3.1%)
AMPHENOL:	APH	39.80	1.40%	(14.1%)
APPLE:	AAPL	133.75	2.90%	(32.5%)
ARRIS GROUP:	ARRS	9.16	19.00%	(8.2%)
AVID TECH:	AVID	20.88	(16.5%)	(26.3%)
BIGBAND:	BBND	6.21	25.20%	20.80%
BLNDER TONGUE:	BDR	1.51	(3.2%)	(9%)
BROADCOM:	BRCM	23.43	1.70%	(10.4%)
CISCO:	CSCO	24.94	3.10%	(7.9%)

Company	Ticker	2/01 Close	1-Week % Chg	YTD %Chg
COMMSCOPE:	CTV	44.90	5.90%	(8.8%)
CONCURRENT:	CCUR	0.87	14.50%	4.80%
CONVERGYS:	CVG	15.96	12.60%	(3%)
CSG SYSTEMS:	CSGS	12.79	0.50%	(13.1%)
ECHOSTAR HOLDING:	SATS	31.05	3.50%	(5.6%)
GEMSTAR TVG:	GMST	4.47	2.80%	(6.1%)
GOOGLE:	GOOG	515.90	(8.9%)	(25.4%)
HARMONIC:	HLIT	10.76	14.80%	2.70%
JDSU:	JDSU	10.60	5.60%	(19.9%)
LEVEL 3:	LVLTL	3.40	13.30%	11.80%
MICROSOFT:	MSFT	30.45	(7.6%)	(14.5%)
MOTOROLA:	MOT	12.69	18.30%	(20%)
NDS:	NNDS	52.44	7.10%	(11.5%)
NORTEL:	NT	12.69	(1.6%)	(15.9%)
OPENTV:	OPTV	1.22	3.40%	(7.6%)
PHILIPS:	PHG	39.90	6.60%	(6.7%)
RENTRAK:	RENT	10.73	(2.1%)	(25.6%)
SEACHANGE:	SEAC	7.03	(0.8%)	(2.8%)
SONY:	SNE	46.30	(0.8%)	(14.7%)
SPRINT NEXTEL:	S	10.44	11.30%	(20.5%)
THOMAS & BETTS:	TNB	45.70	4.50%	(6.8%)
TIVO:	TIVO	8.72	26.70%	4.60%
TOLLGRADE:	TLGD	6.23	(6%)	(22.3%)
UNIVERSAL ELEC:	UEIC	23.40	(1.1%)	(30%)
VONAGE:	VG	2.00	0.50%	(13%)
VYYO:	VYYO	2.32	(6.8%)	(26.1%)
WEBB SYS:	WEBB	0.04	(33.3%)	
YAHOO:	YHOO	28.38	29.40%	22.00%

TELCOS				
AT&T:	T	38.28	8.60%	(7.9%)
QWEST:	Q	5.86	4.10%	(16.4%)
VERIZON:	VZ	38.72	2.50%	(11.4%)

MARKET INDICES				
DOW:	INDU	12743.19	4.40%	(3.9%)
NASDAQ:	COMPX	2413.36	3.70%	(9%)

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. YAHOO:	28.38	29.40%
2. TIVO:	8.72	26.70%
3. BIGBAND:	6.21	25.20%
4. VALUEVISION:	6.13	19.70%
5. ARRIS GROUP:	9.16	19.00%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. WEBB SYS:	0.04	(33.3%)
2. AVID TECH:	20.88	(16.5%)
3. NEW FRONTIER:	4.44	(9.4%)
4. GOOGLE:	515.90	(8.9%)
5. MICROSOFT:	30.45	(7.6%)

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MaxFAX...

Politics?

The race along the road to the White House is beginning to shake itself out. Tuesday is going to tell us even more.

On the one side: *John McCain v. Mitt Romney*. On the other: *Hillary R. Clinton v. Barack Obama*.



Paul S. Maxwell

(OK, I know ... Gov Mike Huckabee is still claiming the conservative mantle, but I'm betting he'll go the way of John Edwards later this week. And I know that Rep Ron Paul

is hanging in there, too... for Libertarians sake, I suppose; not to mention to spend the cash he's raised).

On the one side: a veteran v. a manager. On the other: a long time striver v. an upstart challenger.

What does all this mean for the cable industry?

Of that, we aren't too sure. (FYI: both Senators Clinton and McCain have been featured guests for fund raisers at DISH's Charles Ergen's home! We're not sure what that means exactly, if anything).

But I think we'd all better find out.

Random Notes:

• **Hi-Def?** Super Bowl Sunday? Did you get your newest 105" plasma hi-

def set all connected in time? Or will you keep working on it until the Pro Bowl? Did anyone at Best Buy or Circuit City (or wherever) tell you about all of the HD channels available at your home? Via your local cable system? Local overbuilder? DISH and/or DirectTV? Local telco video provider? 4DTV? Well, beginning today take a look at www.whereshd.com. All the answers in one place.

• **Cable Spin-Off?** Wednesday the 6th is the day that **Time Warner** CEO *Jeff Bewkes* tells analysts what he's going to do... maybe. Instead, maybe he'll volunteer to referee the *Malone v. Diller* brouhaha?

• **March Forth!** Don't forget to book for the Cable Positive "Power Awards" dinner on March 4th... 2 great "cable" guys (*Insight's Michael Willner* and *MTV Int'l's Bill Roedy*) will be joined by humanitarian award winner *Dr Helene Gayle* of CARE. Go to www.cablepositive.org/power/info.html for details today!

• **Lake Retreat:** Our friends at **Argo Systems** are gearing up for their annual state of the networks retreat... March 10-12 at Lakeway Resort (on Lake Travis; great place) outside Austin, TX.

• **Best Cable Places To Work?** Interesting list in the 2/4 Fortune. No cable-specific company in the top 100. But some with tight cable relationships: #1 – **Google**; #6 – **Cisco (SA)**; #86 – **Microsoft**;

#87 – **Yahoo!**; and #93 – **Erickson Retirement Communities** (parent of **Retirement Living TV**).

• **A Favorable Forbes Story on Cable?** WOW! Yep. But the story is about programming, not operations. The steadfastly anti-cable magazine (2/11) is bullish on *Bonnie Hammer*, not necessarily cable. We're bullish on both. Portfolio liked her, too (and has a great "exit interview" with *Gerry Laybourne* on the web site).

• **Alternative Distribution?** Sure. Why not? **Starz** does it; **Sundance** does it... so why shouldn't the soon-to-launch VOD **SKI Channel** sponsor a film festival, too? And, because it is all about mountains and skiing, why shouldn't it be a ski film festival? And if you're going to do that, wouldn't it be great to do it with the guy who invented the idea of ski films? Personally, I'm looking forward to the first festival—bound to be at a great location—and featuring a special award for lifetime achievement named in honor of *Warren Miller*. And, I'm certain I'll be skiing at that festival, too. (And, hey Larry... next year I'll come to Park City and ski a few runs for sure!)

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