

CableFAX Daily™

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What the Industry Reads First

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Private Party: Dolans Have Board Approval—Will Shareholders Agree?

Say good-bye to **Cablevision**. If you thought the company was tight-lipped now, just wait and see what happens if the Dolan family succeeds in taking it private. We may never again know if *Chuck* and *Jim* get into a slugfest like what we saw over failed DBS entity **Voom**. Kidding aside, the MSO famous for its no-comments has delivered a gift to the cable industry in its \$10.6bln deal—and right before all eyes turn to the industry for its annual trade show next week. Cable operator stocks jumped on the news, with **Bernstein's** *Craig Moffett* declaring the family's continued efforts to buy the company (this was its 3rd attempt after all) evidence of the Dolans' confidence in the free cash flow potential and in cable's resiliency in terms of rising telco competition. The deal requires the owners of a majority of Cablevision's outstanding Class A shares not held by the Dolan family, or Cablevision's directors and executive officers, to approve the transaction. The deal is seen as more likely to close than previous attempts, thanks in part to the \$36.26/share the family will pay. But one indicator that the deal could gain approval may be that lawyers representing shareholders in litigation over going private participated in the deal and helped improve the financials (the legal action is being dropped pending court approval). Still, some are wondering if the pot doesn't need to be sweetened. "It's certainly possible the investor base will try and hold out for more, but given the pending competition and increased competition from **Verizon** coming around the corner and the reduced guidance we saw on basic sub and an RGU basis and on EBITDA growth basis this year vs last year... I think it would be better for investors to take their money now while they have a chance," said **UBS's** *Joseph Stein*. *Moffett* says it's still unclear whether independent shareholders will accept the \$36 bid. "We still believe that a higher bid price is warranted given the underlying value of the cable business," he said in a note to clients. "However, given the unmistakably weak sentiment surrounding cable, and low comparable valuations industry-wide, we believe that a \$36 offer has a reasonable chance of acceptance." *John Linehan*, who helps manage \$10bln including CVC shares at **T. Rowe Price**, told *Bloomberg* the bid is not reflective of the value of the company, saying the firm believes it's worth in the mid-\$40s. Wed's news, of course, revived questions over whether **Time Warner** will eventually try to purchase Cablevision. "Our position for many years has been that if the Dolans were ever to decide to part with that business, we would be on their list of people to talk to," TW CEO *Dick Parsons* said in an earnings call. -- Cablevision reports its 1Q results Thurs in a conference call that we're sure will include a fair share of "no comments."

CVC SEC: Cablevision details were still unfolding at presstime as a number of deal-related **SEC** filings started coming over the transom. Among them was a lengthy merger disclosure with a provision requiring the Dolans to cough up as much as \$300mln in damages if there's "any material breach of the Merger Agreement by **Dolan Family Acquisition Company**." It also says either side can walk away if the deal isn't consummated by Mar 31, '08. Meanwhile, in separate SEC filings, *Thomas Dolan* was appointed a Cablevision director by written consent of

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Class B Common Stock holders. Also provided to the SEC was an internal letter from the Dolans to employees noting that Cablevision began as a private company, and "we believe the best way to continue this tradition in today's increasingly competitive environment is as a privately held company... As chairman and chief executive, we both recognize that our employees are primarily responsible for the growth and success of this company and are extremely proud of all you have accomplished. Simply put: you are Cablevision's most important assets."

TW's Impressive 1Q: Time Warner Cable reported a strong 1Q, despite some problems transitioning former **Adelphia** subs in L.A. and Dallas, markets that represent about 15% of the MSO's basic subs. "We stumbled initially in L.A. by trying to do change too much too fast, but once we realized this, we moved very quickly to remedy the situation," said TW Cable CEO *Glenn Britt*, noting that overall OIBDA grew 12% even though Dallas and L.A. didn't contribute to the growth at all in the Q. The improvements could be seen in basic sub losses for the 2 systems, which dropped to 17K lost from 40K in 4Q. The MSO exceeded several analyst estimates, with net RGU adds totally 910K. Basic adds totaled 46K; digital adds were 278K, HSD totaled 356K. VoIP adds totaled 234K, with Britt noting that commercial phone will be priority in '07 just as residential phone was a year ago. Acquired systems added 24K phone subs in the Q, with the MSO on track to add 200K phone subs from acquired systems by year-end. TW Cable's rev climbed 61% to \$3.85bln. The MSO reiterated that rev and OIBDA growth will be in the mid-to-high 30s. It expects free cash flow for the year of \$800mln-\$1bln.

Cable Gives Back: 11 cable operators and interconnect **Adlink** have partnered to commit at least \$12mln in donated advertising time to help the city of New Orleans rebound from Hurricane Katrina. **Cox** New Orleans had the initial idea, which soon spread companywide. The **Cox Media** ad sales team reached out to other operators and soon **Bresnan, Bright House, Cable One, Cablevision, Charter, Comcast, Insight, Mediacom, Suddenlink** and **Time Warner Cable** jumped on board. New Orleans tourism research suggests the donated time will yield greater than \$1.3bln in visitor spending. The spots feature well-known celebs with connections to the city, such as *Wynton Marsalis* and *Dan Akroyd*, inviting viewers to "Come fall in love with New Orleans all over again." Spots have been running for the past month, with Cox having already committed \$1.2mln in ad time.

Competition: **Gemstar-TV Guide** inked a patent license agreement allowing **Verizon** to support its interactive programming guides and related technology on FiOS TV. The pair will also collaborate to enable FiOS TV subs to remotely schedule recordings on FiOS DVRs using TV Guide listings. -- **Verizon** bowed a triple-play bundle in 5 FL counties, offering FiOS TV, FiOS Internet service and Freedom Essentials phone service to nearly 500K homes. Bundle pricing starts at \$100/month. -- **Qwest** is content with observing the video rollouts of **Verizon** and **AT&T**, and will continue selling DirecTV service before attempting a similar launch, said CEO *Richard Notebaert* in an interview with Bloomberg. Notebaert wants to gauge customer interest in telco video products before committing to a large investment. -- Meanwhile, **Qwest** renewed its sponsorship agreement with **MLB's** Arizona Diamondbacks through the '08 season.

Toiling Away: Pres/CEO *Henry Schleiff's* rolled-up sleeves delivered further dividends Wed, as **Crown Media** renewed its distribution agreement with **NCTC** for **Hallmark Channel**. But much work remains for Schleiff to get contract renewals this year for approx 60% of the net's sub base, plus increase **Hallmark Movie Channel's** reach in the process. The deal follows a Feb pact with Mediacom that represents 1mln+ subs and a Mar handshake with DISH for Hallmark and HMC.

*Source: Nielsen Galaxy, Idol Tonight Premiere Telecasts only AA (000) 3/14 - 3/28/07 8P vs 3/14 - 3/28/06 7P, Live Stream



Idol Tonight is a hit with young viewers! Ratings up 96% among Adults 18-34.

BUSINESS & FINANCE

Shocking Cut In: Some NJ children received some graphic and inappropriate birds-and-the-bees education Tues, when **Comcast** inadvertently replaced a cartoon on **Playhouse Disney** with an X-rated porno film in an undisclosed number of northern NJ homes. The net is geared toward kids ages 3-6, no doubt nauseating and incensing parents who noticed. A spokesman for the MSO's eastern division issued an apology for the error and said an investigation into the cause has yet to deliver definitive answers. **Disney** said Comcast has taken full responsibility for the incident and has requested assurances from the MSO that measures are being taken to prevent a recurrence.

Say It Isn't So, Katherine!: Like trade reporters everywhere this week, we were bummed to hear that one of our faves, *Katherine Urbon*, is leaving her post as head of **Lifetime's** corporate communications to spend more time with her newborn twins, travel and freelance. Good for her family; bad for us hacks, who love Urbon to death and hope to see her back in the industry soon!

People: *Ed Erhardt*, pres, customer marketing and sales, **ESPN** was appointed chmn of **CAB's** board. -- **Turner** promoted *Stuart Snyder* to evp/COO, animation, Young Adults & Kids Media division. -- **Disney** elected **P&G Beauty & Healthy** vice chmn *Susan Arnold* to its board.

CableFAX Daily Stockwatch

Company	05/02 Close	1-Day Ch	Company	05/02 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	49.18	2.11	AMPHENOL:	35.87	0.19
DIRECTV:	24.21	0.40	APPLE:	100.39	0.92
DISNEY:	35.70	0.23	ARRIS GROUP:	15.70	0.48
ECHOSTAR:	48.62	0.87	AVID TECH:	33.87	0.92
GE:	37.30	0.20	BLNDER TONGUE:	1.70	0.00
HEARST-ARGYLE:	25.91	(0.23)	BROADCOM:	32.73	0.68
ION MEDIA:	1.29	0.03	C-COR:	13.41	1.04
NEWS CORP:	23.44	0.45	CISCO:	27.67	0.81
TRIBUNE:	32.78	(0.02)	COMMScope:	49.58	0.94
MSOS					
CABLEVISION:	35.90	3.23	CONCURRENT:	1.57	0.09
CHARTER:	3.27	0.22	CONVERGYS:	25.30	0.15
COMCAST:	27.14	0.44	CSG SYSTEMS:	27.02	0.13
COMCAST SPCL:	26.78	0.48	GEMSTAR TVG:	4.55	0.10
GCI:	14.65	0.42	GOOGLE:	465.78	(3.22)
KNOLOGY:	18.38	0.25	HARMONIC:	8.48	0.28
LIBERTY CAPITAL:	115.45	1.92	JDSU:	16.64	0.42
LIBERTY GLOBAL:	37.05	0.60	LEVEL 3:	5.42	0.14
LIBERTY INTERACTIVE:	25.58	0.60	MICROSOFT:	30.61	0.21
MEDIACOM:	8.67	0.12	MOTOROLA:	17.56	0.10
NTL:	28.22	0.00	NDS:	51.10	0.47
ROGERS COMM:	39.92	1.40	NORTEL:	25.12	2.05
SHAW COMM:	39.68	1.07	OPENTV:	2.49	(0.01)
TIME WARNER CABLE:	36.99	0.77	PHILIPS:	41.14	(0.13)
WASH POST:	768.14	2.84	RENTRAK:	14.65	0.65
PROGRAMMING					
CBS:	31.81	(0.16)	SEACHANGE:	8.64	0.04
CROWN:	5.99	0.10	SONY:	53.70	0.87
DISCOVERY:	21.47	(0.09)	SPRINT NEXTEL:	20.64	0.63
EW SCRIPPS:	43.60	0.32	THOMAS & BETTS:	56.05	1.09
GRUPO TELEvisa:	28.99	0.82	TIVO:	6.48	0.19
INTERACTIVE CORP:	38.59	0.31	TOLLGRADE:	11.81	0.19
LODGENET:	33.79	(0.34)	UNIVERSAL ELEC:	30.69	1.32
NEW FRONTIER:	8.88	0.03	VONAGE:	3.25	0.11
OUTDOOR:	10.19	(0.26)	VYYO:	7.97	0.02
PLAYBOY:	10.11	0.30	WEBB SYS:	0.06	0.00
TIME WARNER:	20.95	0.36	WORLDGATE:	0.74	(0.01)
UNIVISION:	36.23	0.00	YAHOO:	28.12	0.39
VALUEVISION:	11.35	0.21	TELCOS		
VIACOM:	41.73	0.57	AT&T:	38.68	(0.16)
WWE:	17.05	0.02	QWEST:	9.39	0.28
TECHNOLOGY					
3COM:	4.01	0.04	VERIZON:	39.60	1.09
ADC:	18.62	0.24	MARKET INDICES		
ADVANTAGE:	4.21	(0.04)	DOW:	13211.88	75.74
ALCATEL LUCENT:	13.37	0.07	NASDAQ:	2557.84	26.31
AMDOCS:	37.40	0.51			

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Jack Had Chutzpah

Jack Valenti died last week. The legendary long-time head of the Motion Picture Association of America, not to mention White House advisor to Lyndon Johnson and all the other great things he did, was the quintessential role model for my generation of Washington lobbyists.

Jack was dapper and articulate (can I use those words these days?) to a degree rarely seen. His ability to turn a phrase, to quote from just about any Classic, his flawless delivery while eviscerating the "other side" was truly a display that even those on the "other side" appreciated.



Steve Effros

I was one of them. Jack (MPAA), Jim Mooney (NCTA), Eddie Fritts (NAB) and I would often find ourselves on the same panel testifying on Capitol Hill about the battles between cable, the broadcasters and Hollywood. Jack once quietly

lamented to me, with a little smile, that I had an unfair advantage because I was the tallest one of the crew! Since I'm only 5'7 1/2, you have to appreciate that Jack did indeed have a sense of humor, even self-deprecating at times, and that while we all did battle, it was never in anger and it was always civil. Too bad that's not the case today.

There are folks all over Washington writing columns like this about Jack, remembering a man who touched us all in a way that is unforgettable, and acted in a way that we can only wish still held sway in this town. He was good, very good. It was Jack, after all, who labeled cable an "unregulated monopoly" and got it to stick, even though neither was true!

In one particularly memorable episode, I was testifying with Jack and suggested that he had a great deal of "chutzpah" for suggesting that I, representing the small cable operators, was representing far more millionaires

than he was! Weeks later a Representative on the committee started harshly criticizing me, in public, suggesting that I had uttered "ethnic slurs" while testifying! The attack took everyone by surprise until we realized that he was not familiar with the Yiddish term "chutzpah," which can convey both awe and backhanded compliment as well as challenge. It's certainly not an ethnic slur!

The solution, I decided, was to send the Chairman of the committee a page from Leo Rosten's book, "The Joys of Yiddish," which explained the meaning of the word by giving this example: the boy who kills his mother and father and then appeals to the mercy of the court because he is an orphan! The Chairman liked that explanation so much he inserted it into the record of the hearing.

Jack went further.

A week later, he sent out an announcement of the topic of his upcoming speech to the Federal Communications Bar Association. The title: "The Chutzpah of the Cable Television Industry!" That was Jack. He watched your back even when you were an adversary. He offered advice (of course, a lot of it designed to advance his cause) to anyone who sought it. He was willing to talk to anyone and see if "...something could be worked out." We came very close, in those early days, of trying to limit the damage new copyright laws would do to small cable systems and to closing a deal where copyright for cable would only apply in the top 25 markets! Ultimately it didn't fly, but in the end the fees for the small operators were limited, in part thanks to Jack.

He was a unique gem. He will be missed.

And yes, he had Chutzpah.

Steve

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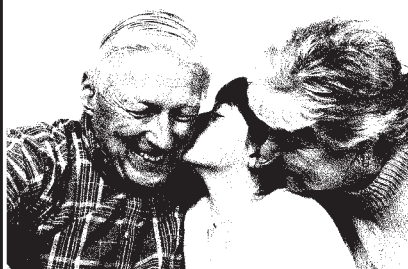
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