

# CableFAX Daily™

Monday — May 12, 2008

What the Industry Reads First

Volume 19 / No. 091

## Tier Drops: DirecTV Modifies Outdoor's Placement

Many nets have suddenly found themselves dropped to a less distributed tier—ask **NFL Net** or **Voom** as both are suing **DISH** over such moves. But **Outdoor Channel** recently experienced the opposite. Since Oct '07, **DirecTV** has been carrying Outdoor on its "Total Choice Plus" package, a more widely distributed tier than its agreement with the net allowed, according to an **SEC** filing Fri from Outdoor. DirecTV's placement of the net came to light during ongoing negotiations for the renewal and extension of their carriage agreement, the filing said. Outdoor declined to comment, and DirecTV did not return calls by deadline. The satellite provider has recently modified carriage of Outdoor, reportedly moving it back to its \$10/month sports tier, according to DirecTV subs. Subscribers were told that the "free preview" period for the channel had ended. "Although the **Nielsen Media Research** estimated number of HHs receiving Outdoor Channel has not increased significantly since Oct '07, the company is unable to ensure that there will be no decrease in Nielsen's estimated number of HHs receiving Outdoor Channel in the future as a result of this recent modification of carriage by DirecTV," Outdoor said in its 8-K filing. Outdoor, which is in about 31mln homes, has been working hard over the past year on renewal deals—including avoiding sports tier placements. As an incentive for better penetration, it has significantly slashed sub fees. As of Mar, distribution agreements with 4 major service providers, accounting for approx 50% of its sub base, had expired, according to an SEC filing. It reupped in Apr with Charter, which has about 10% of its sub base. Negotiations continue with those providers, including DirecTV. Outdoor has renewed some agreements for a short period or on a month-to-month basis as talks continue. Under previous management, Outdoor launched a public campaign and spent \$200K+ after **Time Warner Cable** threatened to drop it or move it to a sports tier. Negotiations have been much quieter in recent years though. In Sept, Outdoor hired former **Tennis Channel** distribution chief *Randy Brown* to lead affil sales.

**Vroom Vroom:** Owing to **CableLabs' DOCSIS 3.0** specs, the old phrase "surfing the 'net" may soon become "hurtling through the 'net," with **Ambit**, **Arris**, **Cisco**, **Motorola** and **SMC** set to provide the propulsion. The 5 companies have received from CableLabs the 1st DOCSIS 3.0 certifications for cable modems capable of delivering downstream data rates of 160Mbps or higher. Also, CableLabs awarded "full" qualification status for CMTS to **Casa Systems** for a pair of devices, also a 1st. Widespread deployment of such top-end Web speeds may be years away, but staunch wideband proponent **Comcast** already expects to deliver speeds of up 100Mbps over the next 2 years and is poised to deploy DOCSIS 3.0 tech in 20% of its markets this year.

**Upfront:** **MTVN** brought impressive star power to its Thurs presentation, as *Justin Timberlake*, *Chris Rock* and *Samuel L. Jackson* all made appearances. MTVN focused on ad/marketing opportunities surrounding multi-screen engagement, an in-house study of which showed that viewers develop stronger emotional connections to content and ads through interaction across platforms. For example, while more than 75% of "The Hills" viewers recognized



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a particular TV ad, the number jumped nearly 10% among those that interacted with the same ad on **MTV.com** or in **Virtual Hills**. Through a deal with **Marketing Evolution**, MTVN will be the 1st media co to offer clients a suite of measurement solutions based on Marketing Evolution's data analysis and marketing effectiveness metrics.

**Sub Rub:** A "nominal" subscriber loss at **DISH** "is now a possibility" and "would mark a dramatic reversal for Dish Network, and indeed for the satellite business overall," **Sanford Bernstein's Craig Moffett** said in a note to clients Fri. Moffett noted that several MSOs and DirecTV took a bigger slice of the sub pie than expected. DISH reports 1Q reports Tues.

**Competition: Verizon** is phasing out the duplicate analog channels available through FiOS TV ahead of the DTV transition, with NJ the next region to begin the phase out. -- **CBS College Sports Net** has launched a simulcast HD net available to all multichannel ops, with **DirecTV** now carrying the feed. -- **Verizon** has enhanced the availability of its HSI service (7Mbps max) to include nearly 1mln consumers in parts of 50 NY communities. -- **Nexstar** reported 18% growth in 1Q retrans consent rev to \$4.6mln.

**On the Hill:** The latest net neutrality bill comes from Reps **John Conyers** (D-MI) and **Zoe Lofgren** (D-CA). It would require ISPs to interconnect with the facilities of other network providers on a "reasonable and nondiscriminatory" basis, and subject those that fail to do so to antitrust violations. Providers would also have to operate their networks so that all content apps and services are treated the same and have an equal opportunity to reach consumers.

**VoIP: Vonage** isn't the picture of health, but it's not dead either. The digital phone provider reported 15% growth in 1Q rev to \$225mln, but sub adds were only 30K and churn rose 3.3%. Meanwhile, the company will roll out a broadband service through a strategic relationship with **Covad Comm. Vonage Broadband** is expected to launch later this year using Covad's nationwide DSL network, offering download speeds of up to 6Mbps to residential and small business customers.

**Programming:** Wilmington, NC, Mayor **Bill Saffo** (D) will appear on **C-SPAN's** "The Communicators" Sat (6:30pm ET) to talk about being the test market for the upcoming DTV transition. The show repeats at 8am and 8pm, Mon on **C-SPAN 2**. -- **Military Channel's** "Showdown: Air Combat" (Jun 15) features recreations of historic dogfights with restored aircraft from every era of aerial warfare. -- **Comedy Central** struck a deal with **The Weinstein Company** that gives it 1st broadcast-window premiere rights for "Superhero Movie," "Fanboys" and "The Promotion." -- **ImaginAsian TV** is celebrating the 30th anniversary of **Asian Pacific American Heritage Month** with PSAs beginning Mon, sponsorship of a presidential town hall meeting in L.A. (May 17) featuring **Obama, Clinton** and **McCain**, and new programming including reality show "Eye for a Guy" (Thurs) and "Road Feast" (Fri), featuring Malaysian cuisine.

**In the States: LodgeNet** inked a deal to deliver HDTV and broadband solutions to **Loews Hotels** in the US and Canada. The broadband services will cover 8K rooms, and the HDTV offering will include movies, on demand TV and a sports package from **DirecTV**.

**In the Courts: TV One, C-SPAN, Discovery** and **A&E** have filed in support of **NCTA's** emergency stay request of the **FCC's** new leased access rules. The trade organization filed last month to suspend the rules, which cut leased-access rates by 75%. The programmers said that the rules will reduce rates to "essentially zero," stimulating greater use of leased access channels but "at the cost of displacing and damaging a diverse array of existing national cable programming networks."

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# WIDE APPEAL.



**Earnings:** Crown's renewal deals with major distributors are showing up in its sub license fees growth. For 1Q, sub fee revenue jumped 85% over 1Q07 to \$13.9mln. Net revenue climbed 32% to \$70.6mln vs 1Q07, with ad rev up 23% to \$56.4mln. The **Hallmark Channel** parent trimmed its net loss to \$14.7mln from \$40.2mln a year ago. -- **Sinclair's** broadcast rev climbed 8.5% Y-over-Y to \$160.9mln, thanks partly to having the Super Bowl on 20 stations and cash payments from multichannel video distributors.

**Research:** Eying digital growth, 63% of media and ent execs plan to pursue a multi-screen (TV, Web and mobile) content distribution strategy over the next 5 years, according to an **Accenture** survey, and 68% view social media and UG content as a key driver (56% are currently involved in social media). Respondents cited short-form content as a key growth component, and 62% believe ad-supported business models will trump both sub-based and pay-per-play going forward. Other points: More than half expect digital advertising to eclipse traditional advertising within 5 years, and 45% said it will take longer than 3 years for the mobile market to reach mass appeal.

**Carriage:** **ReelzChannel** has launched on **Time Warner Cable** in San Antonio. Meanwhile, **ReelzChannel** is launching a free VOD component in June for its affiliates. -- **Time Warner Cable** has launched **Shalom TV** in L.A. and Dallas. -- **Gospel Music Channel** has been launched in TX on **Time Warner Cable's** Corpus Christi and Flower Mound systems.

**Online:** A content and co-marketing agreement allows **Mixx.com** users to add **CNN.com** headlines to their personal blends of online news, information, photos and videos. Also, CNN.com users now have direct access to Mixx's networking and personalization tools through branded placement of "add to" Mixx buttons on CNN.com story pages.

**On the Circuit:** **NAMIC Mid-Atlantic** will hold a mentoring roundtable, Tues, 6-8:30pm, at **Discovery's** Silver Spring HQ. Speakers include **CTAM's** *Char Beales*, **TV One's** *Katrice Jones* and **Cox Business Services' J.D. Meyers**. RSVP at [namic\\_midatlantic@namic.com](mailto:namic_midatlantic@namic.com).

**Honors:** **Lifetime Nets** pres/CEO *Andrea Wong* was honored Fri by **Step Up Women's Network** for philanthropic accomplishment. The host cmte for the org's L.A. event included actresses *Jessica Alba* and *Molly Sims*. -- Entertainment marketing/promotion assn **Promax/BDA** will present **WWE** boss *Vince McMahon* with a Lifetime Achievement Award during its June conference.

**People:** **GSN** svp, programming *Jamie Roberts* will leave the net to open an indie prod firm in L.A. but will remain during the search for his successor. Also, the net signed Roberts to a 1st-look prod deal. -- *Amy Jo Wayne* is leaving **Scripps Nets** to become svp, ad sales for **ReelzChannel**. -- Congrats to *Georgia Juvelis* who was named vp, corp comm for **Rainbow**. -- Hispanic net **CaribeVision** appointed *Emilio Nicolas* pres/CEO, advertising, and *Carlos Barbra* pres/CEO, programming.

**Business/Finance:** **Scripps'** board has approved the plan to separate the company into 2 public entities, effective Jul 1. The separation will encompass a tax-free distribution of stock to existing shareholders in **Scripps Networks Interactive**, which will house Scripps' cable nets. The transaction still must receive approval from the **SEC** and Scripps' controlling class of shareholders, who will vote on the issue at the company's annual shareholders meeting Jun 13. -- **Pali's** *Richard Greenfield* has upgraded **Cablevision** shares to 'neutral' from 'sell,' citing the "power of [the MSO's] incredibly high video, data and voice penetration levels to reduce churn, and mitigate marketing cost increases, despite rising competition." 1 reason the rating wasn't bumped to 'buy,' wrote Greenfield, is because of CVC's expected lower FCF over the next few years. -- In spite of potential challenges to **AT&T** from the **Sprint/Clearwire** WiMax venture, **S&P** has maintained its 'strong buy' rating on the telco's shares, citing cost-cutting efforts and Sprint's struggles to retain customers using 3G tech.

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## CableFAX Week in Review

Company	Ticker	5/09 Close	1-Week % Chg	YTD %Chg
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**BROADCASTERS/DBS/MMDS**

BRITISH SKY:	BSY	41.14	(4.6%)	(12.4%)
DIRECTV:	DTV	27.02	4.60%	16.90%
DISNEY:	DIS	34.30	2.40%	6.30%
ECHOSTAR:	DISH	30.39	0.10%	(10.5%)
GE:	GE	32.27	(3.2%)	(7.9%)
HEARST-ARGYLE:	HTV	20.20	(3.9%)	(7.4%)
ION MEDIA:	ION	1.45		12.40%
NEWS CORP:	NWS	19.35	(0.3%)	(8.1%)

**MSOS**

CABLEVISION:	CVC	24.97	7.90%	1.90%
CHARTER:	CHTR	1.19	4.40%	1.70%
COMCAST:	CMCSA	21.68	(1.3%)	19.40%
COMCAST SPCL:	CMCSK	21.26	(1.3%)	18.00%
GCI:	GNCMA	6.23	0.20%	(28.8%)
KNOLOGY:	KNOL	13.30	0.30%	4.10%
LIBERTY CAPITAL:	LCAPA	15.25	(1.4%)	(34.5%)
LIBERTY ENTERTAINMENT:	LMDIA	26.05	(2.3%)	7.70%
LIBERTY GLOBAL:	LBTYA	34.88	(5.1%)	(11%)
LIBERTY INTERACTIVE:	LINTA	16.11	4.60%	(15.6%)
MEDIACOM:	MCCC	5.00	8.90%	8.90%
ROGERS COMM:	RG	42.97		
SHAW COMM:	SJR	21.70	1.80%	(4.8%)
TELEWEST:	TLWT	24.20		
TIME WARNER CABLE:	TWC	29.67	0.80%	7.50%
VIRGIN MEDIA:	VMED	13.95	(1.1%)	(14.8%)
WASH POST:	WPO	650.48	(0.4%)	(16.7%)

**PROGRAMMING**

CBS:	CBS	24.40	0.30%	(7.7%)
CROWN:	CRWN	4.50	(1.5%)	(30.8%)
DISCOVERY:	DISCA	26.53	9.00%	5.50%
EW SCRIPPS:	SSP	46.36	1.10%	3.90%
GRUPO TELEVISIA:	TV	24.91	(2.3%)	4.80%
INTERACTIVE CORP:	IACI	21.54	0.30%	(20%)
LIBERTY:	L	8.32		
LODGENET:	LNET	5.39	(16%)	(69.1%)
NEW FRONTIER:	NOOF	5.26	2.90%	9.80%
OUTDOOR:	OUTD	7.65	2.50%	10.90%
PLAYBOY:	PLA	7.25	(13%)	(20.5%)
TIME WARNER:	TWX	15.91	0.90%	(2.5%)
UNIVISION:	UVN	36.23		
VALUEVISION:	VVTV	5.01	(8.7%)	(20.3%)
VIACOM:	VIA	38.39	(2.8%)	(12.7%)
WWE:	WWE	16.09	(11%)	17.10%

**TECHNOLOGY**

3COM:	COMS	2.46		(45.6%)
ADC:	ADCT	14.93	4.10%	(3.8%)
ADVANTAGE:	AEY	4.09	(1.4%)	(33.7%)
ALCATEL LUCENT:	ALU	6.96	0.40%	(4.9%)
AMDOCS:	DOX	31.67	(0.6%)	(8.1%)
AMPHENOL:	APH	46.30	(2.9%)	0.00%
APPLE:	AAPL	183.45	1.40%	(7.4%)
ARRIS GROUP:	ARRS	7.95	(3.4%)	(20.3%)
AVID TECH:	AVID	21.16	1.40%	(25.3%)
BIGBAND:	BBND	6.74	(4.4%)	31.10%

Company	Ticker	5/09 Close	1-Week % Chg	YTD %Chg
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BLNDR TONGUE:	BDR	1.55	10.70%	(6.6%)
BROADCOM:	BRCM	26.14	(1.3%)	
C-COR:	CCBL	11.00		
CISCO:	CSCO	25.49	(4.7%)	(5.8%)
COMMSCOPE:	CTV	51.04	5.80%	3.70%
CONCURRENT:	CCUR	0.66		(20.5%)
CONVERGEN:	CVG	15.36	(2.7%)	(6.7%)
CSG SYSTEMS:	CSGS	12.41	(1.3%)	(15.7%)
ECHOSTAR HOLDING:	SATS	30.61	(3.6%)	(7%)
GEMSTAR TVG:	GMST	4.41		(7.4%)
GOOGLE:	GOOG	573.20	(1.4%)	(17.1%)
HARMONIC:	HLIT	7.90	(3.1%)	(24.6%)
JDSU:	JDSU	11.30	(4.1%)	(15.1%)
LEVEL 3:	LVLTL	3.12	(2.5%)	2.60%
MICROSOFT:	MSFT	29.39	0.50%	(16.5%)
MOTOROLA:	MOT	9.76	(2.7%)	(37.3%)
NDS:	NNDS	51.31	0.60%	(13.4%)
NORTEL:	NT	8.07	(5.3%)	(46.7%)
OPENTV:	OPTV	1.51	18.00%	14.40%
PHILIPS:	PHG	37.68	(0.8%)	(4.7%)
RENTRAK:	RENT	13.82	(3%)	(4.2%)
SEACHANGE:	SEAC	7.18	(3%)	(0.7%)
SONY:	SNE	44.74	(6%)	(17.6%)
SPRINT NEXTEL:	S	9.38	18.90%	(28.6%)
THOMAS & BETTS:	TNB	36.51	(1.5%)	(25.6%)
TIVO:	TIVO	8.06	(3.6%)	(3.4%)
TOLLGRADE:	TLGD	4.40	(4.6%)	(45.1%)
UNIVERSAL ELEC:	UEIC	22.58	(13.4%)	(32.5%)
VONAGE:	VG	1.83	(6.6%)	(20.4%)
WEBB SYS:	WEBB	0.05	25.00%	25.00%
WORLDGATE:	WGAT	0.30		
YAHOO:	YHOO	25.93	(9.6%)	11.50%

**TELCOS**

AT&T:	T	38.59	(1.8%)	(1.4%)
QWEST:	Q	4.78	(11.6%)	(28.4%)
VERIZON:	VZ	37.91	(3.1%)	(8.3%)

### WINNERS & LOSERS

**MARKET INDICES**

DOW:	INDU	12745.88	(2.4%)	(3.9%)
NASDAQ:	COMPX	2445.52	(1.3%)	(7.8%)

**THIS WEEK'S STOCK PRICE WINNERS**

COMPANY	CLOSE	1-WK CH
1. WEBB SYS:	0.05	25.00%
2. SPRINT NEXTEL:	9.38	18.90%
3. OPENTV:	1.51	18.00%
4. BLNDR TONGUE:	1.55	10.70%
5. DISCOVERY:	26.53	9.00%

**THIS WEEK'S STOCK PRICE LOSERS**

COMPANY	CLOSE	1-WK CH
1. LODGENET:	5.39	(16%)
2. UNIVERSAL ELEC:	22.58	(13.4%)
3. PLAYBOY:	7.25	(13%)
4. QWEST:	4.78	(11.6%)
5. WWE:	16.09	(11%)



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# MaxFAX...

## “Take Out the Papers...”

... and the trash.” And make a joyful noise (maybe even with **Gospel’s** Blind Boys of Alabama) while we rehab, spruce-up and altogether coast to a revitalized elementary school!

Back to New Orleans! About time!



Paul S. Maxwell

“This time I’m walkin’ to New Orleans.”

Well, not really (but TED ain’t much better).

“Way down yonder in New Orleans...”

So, who did it better? *Gary US Bonds* or *Freddy ‘Boom-Boom’ Cannon*?

And will anybody cover that great song Tuesday night at the don’t-miss Battle of the Bands? (Aside: please vote for the band that should be called “the remainders”: *Rob Kennedy*, *Tim Hermes*, *Mike Grebb*, *Tommy Bullough* and *Seth Arenstein* aka TV Rejects. I’m biased).

“In two thousand eight we took a little trip along with *Kyle McSparrow* down the mighty Mississipp!” (Sorry, *Jimmy Driftwood*... but who sang it better? *Johnny Horton* or the *Nitty Gritty Dirt Band*?) This year, better food than bacon and beans. No guns, either (we can hope).

“I’m the train they call the City of

New Orleans...” And I’m back this year... traveled a hell of lot more than 500 miles remembering *Steve Goodman* (and Arlo, of course).

“Dancin’ with the Queen down Bourbon Street...” Ah, wait! That was the last show. And they claim the Street got cleaned up? Towel rides, anyone? May you all have good eating.

## Random Notes:

• **A la carte?** Not for cable... but the airlines are doing it (\$25 per extra bag and on board “food” for sale). So, let’s donate Federal Confusion Commission Chairman Kevin Martian to the FAA? But—hold on!—that would be an even bigger mistake, as he would most likely mandate charging extra for landing gear. Or fuel. Or carpet under your seat. And he’d never admit the peanuts cost more when not bundled.

• **Wi-What?** Unlike a lot of folks, I’m a fan of the new win (again) by *Craig McCaw*. With him in charge, the other companies will be more likely to go along instead of squabble for squabbling sake. Maybe they’ll even all learn to pivot on the correct foot. If widespread deployment of Wi-Max really works... it will be a real game changer. And, in case no one noticed, it seems that satellite is now without a super-fast (for now) broadband play. In this instance—even considering the semi-odd collection of **Clearwire**, **Sprint**, **Intel**, **Google**, **Bright House**,

**Time Warner Cable** and **Comcast**—each player has significant upside that can only come from pulling together. This will allow for real interoperability and fully integrated video, broadband and voice offerings. My bet: more cable participants... and soon.

• **Truncated Show Schedules:** Sure makes choosing hard sometimes.

• **Rainbow + Sundance = Good Move All Around:** Good financials. Good upside. Good home. Some very good people, too.

• **Hurricane Katrina & Cyclone Nargis:** I think the planet may be trying to tell us something.

• **Old Argument of Conduit v. Content:** Takes two to tango. The “genius” of **NCTA**... keeping them together... just look around the show floor at the exhibitors and the attendees.

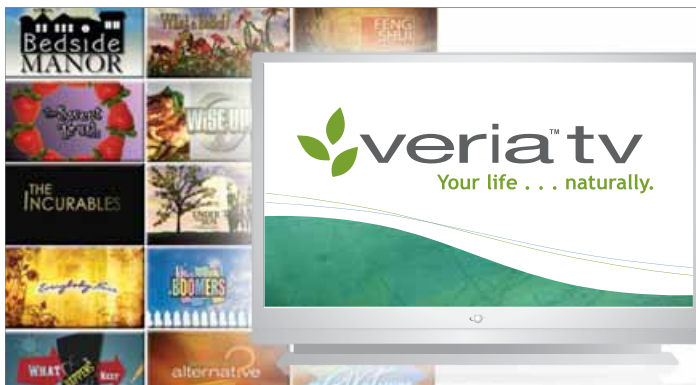
• **Great NAB Idea!** They asked the Administration to use the president and/or vice president doing a DTV transition TV PSA... I can see it now... President *George W Bush* in the Rose Garden with a 36” TV, an antenna and a script... camera pans in and he says, “You’re doing a heckuva job, Kevin Martian!”

Paul Maxwell

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