

CableFAX Daily™

Thursday — May 22, 2008

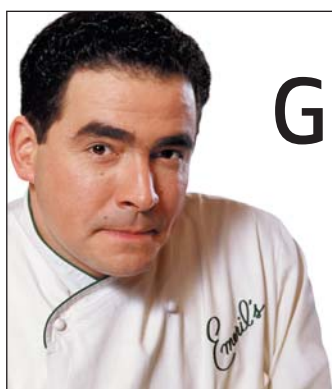
What the Industry Reads First

Volume 19 / No. 099

Happy Ending: Planned TWX/TWC Split Seen as Positive

Time Warner and **Time Warner Cable** unveiled Wed the details of the pair's long-awaited structural separation, and while execs said the transaction is a victory for all involved, shareholders of the cable unit are poised to reap the most obvious benefits. Prior to the separation's expected 4Q completion, Time Warner Cable common shareholders will receive a dividend of \$10.27/share from a total pool of approx \$10.9bln. Since Time Warner will retain an 85.2% ownership of the shares following closure, up from 84%, it stands to pocket \$9.25bln. Pres/CEO *Jeff Bewkes* refused to speculate on planned uses for the cash windfall, instead opting to focus on the "better long-term strategic, financial and operational flexibility" that the separation offers both entities. Time Warner Cable pres/CEO *Glenn Britt*, whose company plans to fund the dividend through its existing revolving credit facility plus \$9bln from a new 2-year bridge financing from a syndicate of banks, outlined numerous positives. "The special dividend is a statement of our confidence in our business, both in our growth prospects and in the level of our ongoing capital needs," he said. Also, the substantial increase in the cable shares' public float will enhance their liquidity, said Britt, and "make it easier for large institutions to invest in our company." The dividend will also, however, boost TWC's debt load to approx \$24.2bln while slashing TW's by nearly two-thirds to \$12.3bln. No problem, said cable CFO *Robert Marcus*, because the company's debt offerings are "still comfortably within investment grade," and because Time Warner has committed to a \$3.5bln loan if the bridge loan can't be refinanced. **Fitch** and **Moody's** affirmed Wed the debt ratings of both Time Warner and Time Warner Cable at a respective 'BBB' and 'baa2.' **S&P** said it may reduce its corresponding ratings and placed Time Warner Cable on CreditWatch with negative implications. Although the important revenue-generating cable business will soon operate on its own, Bewkes said notable value remains within the Time Warner stable that includes **Turner** and **AOL**. "We've got very good secular growth prospects," said Bewkes of the company's content businesses, which are "growing faster than is currently realized out in the market." Shares of both Time Warner (+0.6%) and Time Warner Cable (+3.5%) advanced Wed.

Independents: Sens *Byron Dorgan* (D-ND), *Patrick Leahy* (D-VT) and *Herb Kohl* (D-WI) have asked the **GAO** to study the state of media and the impact of increased media concentration. Of particular concern for the threesome is the decline of independently owned and produced content. "While the subscription video industry once looked like a promising alternative for independent programming, vertical integration and retransmission agreements have prevented this from coming to fruition; in particular, the parent companies of the cable operators and broadcast companies control much of the subscription video content," the 3 wrote. They want the GAO to examine the sources of programming for subscription video, radio and TV and how they've changed, as well as to what extent the Internet has provided an outlet for independent programming.



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Advertising: The wireless industry spent \$4bln on advertising last year, up 12% from '06, **Nielsen Monitor-Plus** found. The bulk of spending went to network TV (35.3% or \$1.4bln), with cable coming in 2nd (20% or \$815mln). Of the 5 cable nets Nielsen monitors for product placements, **MTV's** "The Real World" had the most wireless plugs (104), followed by **A&E's** "Dog the Bounty Hunter" (83). The top 10 wireless brands had 864 placements on cable last year, with **Motorola Mobile Telephones** leading the way (171). In overall ad spending, **Verizon Wireless** ranked as the biggest wireless spender (\$1.175bln), followed by **AT&T** (\$1.17bln). -- **CBS College Sports Net** has partnered with the **NCAA** and **CBSSports.com** in creating interactive vertical ad network **CBS College Sports Media**. The network will offer display and video ads across NCAA.com, CBSSports.com and the official athletic sites of the approx 215 colleges currently operated by CBS College Sports Net. -- **GM** is at the wheel of a sponsorship of **Planet Green** that includes premier sponsorship of net series "Greensburg," various vehicle and program integrations, short-form content and an online component.

VOD: **Cox** has added **MyPrimetime** to its on demand library in AZ; Roanoke, VA; KS and middle GA, offering eps of prime series from **ABC** and **NBC** such as "Lost" and "30 Rock" on the day following their network premieres. **Fox** will offer some series later this summer, beginning with a trial in the MSO's Orange County system. -- **Comcast's** Eastern Div and **Pentagon Channel** have teamed up to bring coverage of the commencement ceremonies of the Air Force Academy, Naval Academy and US Military Academy to the MSO's VOD platform. -- **MTV** will create a "2008 MTV Movie Awards" section in its free VOD area aimed at driving Movies on Demand orders for affiliate partners, including **Charter**, **Comcast** and **Time Warner Cable**. MTV will make special extras available for nominated films available on VOD, including behind-the-scenes clips, music videos, etc.

Competition: NYC's Franchise and Concession Review Committee is expected to vote on **Verizon's** video franchise proposal Tues. If the cmte approves it, the proposal will be submitted to the state PSC for confirmation. Verizon said it would begin to offer services to city residents later this year if the approvals are achieved in a timely fashion. The telco says it will build out FTTP throughout the entire city by mid '14. -- **DirectTV** has rolled out to customers with select DVRs **GameSearch**, a search-engine based tech that recognizes a sports game blackout on a receiver-tuned channel and immediately checks to see if the game is available via another net.

Battle of the Bands: We were robbed! We demand a recount! How is it that the *TV Rejects* failed to win the **NCTA's** charity **Battle of the Bands** Tues night? Oh wait. Maybe it was because the winner, **Cox's** *Xpanded Bandwidth*, performed a flawless set dripping with passion and stellar musicianship (and those vocals... wow!). The judges were right. These folks should quit their day jobs (sorry, Cox). Congrats also to **Charter** for producing the 1st and 2nd runners up: *The Paul Allen Band* and *The Frontline*. In all seriousness, the musical talent displayed on stage was impressive—and the NCTA raised about \$300K for its **CableCares** initiative to help New Orleans. Hats off to *Barbara York*, *Mark Bell* and others at the NCTA who worked tirelessly to organize the event. The sound. The video. Everything was impeccable. You made us all feel like stars. All the bands, the audience (and the city of New Orleans) are in your debt!

Online: Channels have launched on **YouTube** surrounding **HGTV**, **Food Net**, **DIY Net** and **Fine Living**. -- What's the best way to get **Cfax** ink for your viral marketing campaign? Stick the brilliant *Christopher Guest* in it. We've been cracking up at **National Geographic Channel's** spoof interviews with *Spinal Tap's* *Nigel Tufnel* (Guest) on his theories behind Stonehenge (www.StonehengeDecoded.com). It's all to promote the June 1 debut of "Stonehenge Decoded" (9pm).

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TV GUIDE NETWORK

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BUSINESS & FINANCE

Programming: This fall, **Style** will debut series "Ruby," which follows 500-pound *Ruby Gettinger* of Savannah, GA through her trials and triumphs.

-- *NY Times* columnist **Frank Rich** signed on as a creative consultant for **HBO**. He'll recuse himself from writing about HBO and **Time Warner** in his weekly OpEd column, which is largely about politics and public affairs. -- **Starz** greenlit production of an additional 10 eps of "Head Case."

People: **Jeff Kunken** was upped to vp, digital media & creative dev for **Sundance Channel**. -- **Neil Brooks** was made vp, **Univision's** natl sales team in NY. -- **MTVN Music & Logo** group appointed **Nancy Bennett** to the new post of svp, creative and content dev for program enterprises. -- **Bravo** upped **Andy Cohen** to svp, original programming/dev. **Shari Levine** will head production for the net, while **Cori Abraham** will lead the development team. **Christian Barcellos** was promoted to vp, prod, and **Eli Lehrer** was named vp, dev/prod.

Oops: **NCTC** is also a sponsor of the DTV Coordination Handbook that was distributed to cable ops and broadcasters this week (**Cfax**, 5/21).

Business/Finance: **EchoStar** priced an offering of \$750mln aggregate principal amount of sr debt securities. They'll be issued as 7.75% sr notes due '15. The offering was upsized from \$500mln.

CableFAX Daily Stockwatch

Company	05/21 Close	1-Day Ch	Company	05/21 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
ARRIS GROUP:	8.42	0.40	ARRIS GROUP:	8.42	0.40
BRITISH SKY:	42.12	(0.21)	AVID TECH:	21.77	(0.58)
DIRECTV:	27.46	(0.08)	BIGBAND:	6.04	0.10
DISNEY:	33.66	(0.43)	BLNDER TONGUE:	1.19	0.00
ECHOSTAR:	34.37	(0.93)	BROADCOM:	25.55	(0.68)
GE:	30.99	(0.73)	C-COR:	11.00	0.00
HEARST-ARGYLE:	20.55	(0.07)	CISCO:	25.37	(0.48)
ION MEDIA:	1.45	0.00	COMMSCOPE:	51.45	(0.74)
NEWS CORP:	19.52	(0.17)	CONCURRENT:	0.68	0.01
MSOS					
CABLEVISION:	25.22	0.43	CONVERGYS:	15.99	(0.01)
CHARTER:	1.20	0.01	CSG SYSTEMS:	12.78	0.00
COMCAST:	21.76	(0.14)	ECHOSTAR HOLDING:	36.46	1.80
COMCAST SPCL:	21.48	(0.15)	GEMSTAR TVG:	4.41	0.00
GCI:	6.64	(0.1)	GOOGLE:	549.99	(28.61)
KNOLGY:	14.26	(0.52)	HARMONIC:	9.21	0.47
LIBERTY CAPITAL:	14.84	(0.18)	JDSU:	11.48	(0.13)
LIBERTY ENTERTAINMENT:	26.93	0.13	LEVEL 3:	3.15	(0.23)
LIBERTY GLOBAL:	35.14	(0.09)	MICROSOFT:	28.25	(0.51)
LIBERTY INTERACTIVE:	16.35	(0.28)	MOTOROLA:	9.38	(0.44)
MEDIACOM:	5.51	(0.02)	NDS:	54.92	(0.19)
SHAW COMM:	20.88	(0.92)	NORTEL:	8.15	0.05
TIME WARNER CABLE:	31.27	1.05	OPENTV:	1.48	0.02
VIRGIN MEDIA:	14.78	0.03	PHILIPS:	38.50	(0.63)
WASH POST:	625.50	(11)	RENTRAK:	13.70	0.00
PROGRAMMING					
CBS:	22.90	(0.22)	SEACHANGE:	7.17	(0.13)
CROWN:	4.90	(0.12)	SPRINT NEXTEL:	8.96	(0.31)
DISCOVERY:	25.70	0.20	THOMAS & BETTS:	42.41	(0.09)
EW SCRIPPS:	46.80	(0.21)	TIVO:	8.64	(0.08)
GRUPO TELEVISA:	26.34	(0.27)	TOLLGRADE:	4.44	(0.17)
INTERACTIVE CORP:	23.29	(0.31)	UNIVERSAL ELEC:	24.03	(0.23)
LODGENET:	7.15	0.75	VONAGE:	1.75	(0.03)
NEW FRONTIER:	4.91	(0.01)	WORLDGATE:	0.30	0.00
OUTDOOR:	7.91	0.06	YAHOO:	27.33	(0.15)
PLAYBOY:	5.72	(0.02)	TELCOS		
TIME WARNER:	16.24	0.09	AT&T:	38.89	(0.48)
VALUEVISION:	4.23	0.06	QWEST:	4.62	(0.02)
VIACOM:	39.23	0.11	VERIZON:	37.22	(0.61)
WWE:	16.62	0.16	MARKET INDICES		
TECHNOLOGY					
3COM:	2.52	0.02	DOW:	12601.19	(227.49)
ADC:	14.76	(0.07)	NASDAQ:	2448.27	(43.99)
ADVANTAGE:	3.70	0.02			
ALCATEL LUCENT:	7.21	(0.07)			
AMDOCS:	31.40	(0.33)			
AMPHENOL:	45.49	(0.96)			
APPLE:	178.19	(7.71)			



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