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CableFAX Daily™

Monday — June 1, 2009

What the Industry Reads First

Volume 20 / No. 102

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What the Industry Reads First

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The World Is Flat: Cable Ops Brace for Softness in 2Q

Neither **Comcast** nor **Time Warner Cable's** CEO offered much hope Fri that 2Q would show strong growth. "The world is looking more like 4Q than 1Q," said TWC's *Glenn Britt*, referring to the slowdown across all products late last year vs the better-than-expected results cable posted in 1Q. His best guess is that it's related to the economy, not competitors, with vacant housing possibly being the biggest culprit. Comcast's *Brian Roberts* said his company isn't seeing a surge of disconnects, but it's not seeing a surge of orders either. There's "less opportunity to sell things right now," he said, citing a possible lag effect from job losses, lower housing starts and vacancy rates. **Collins Stewart's** *Tom Eagan* suggested that cable might see a lift as we get closer to the June 12 **DTV** transition, saying statistics show 30% of OTA HHs will make their decision in the 3 weeks leading up to the analog cutoff. Both CEOs acknowledged that it can be hard sometimes to tell what stems from the economy and what comes from competitive pressures. However, Britt said TWC believes DBS "essentially had no gains" in its footprint in 1Q. "**DirectTV** had big gains, but we don't think they came from us," he said. Britt said skirmishes with **AT&T** and **Verizon** have been "pretty rationale" with no price wars on the horizon. Here's a sampling of comments on a host of issues from the heads of the top 2 US MSOs. Consumption-based billing: "I still think some notion of use less, pay less/use more, pay more will happen," Britt said. As for its attempt earlier this year to expand tiered-usage trials, TWC "didn't handle the public relations very well and had a bit of a debacle to be honest." The MSO backed off plans to expand the trials so that it could better educate consumers. Broadband: Britt said there's evidence of it becoming the anchor product with customers that video has traditionally been. TWC will start rolling out **DOCSIS 3.0** this year in some markets, including NYC. Not only does it allow parity with telco competitors, but it makes the DOCSIS 2.0 service even better, he said. Cord Cutting: "It's good that it's being talked about, but I don't see... that it's happening in any statistical way that's affecting our life," Robert said. Comcast plans to launch its **On Demand Online** service later this year that would let subs watch programming online. Time Warner Cable is working on the similar **TV Everywhere** initiative.

In the Courts: The **US Solicitor General** recommended Fri that the **Supreme Court** not take up **Cablevision's** remote storage DVR case. Last Oct, studios and cable nets asked the Court to take the case, claiming that the MSO's technology infringes on their copyrights. "We're obviously pleased with the Solicitor General's recommendation and continue to believe in the legality of remote-storage DVRs, as validated by the unanimous Second Circuit decision," a CVC spokesman said. A rep for **Time Warner**, which has several businesses that are a party to the suit, declined comment. In Jan, the Supreme Court asked the Solicitor General to file a brief stating the views of the US on the issue. "Network-based technologies for copying and replaying television programming raise potentially significant questions, but this case does not provide a suitable occasion for this Court to address them," said the 22-page brief signed by Solicitor Gen *Elena Kagan*. The petition for a writ of certiorari should be denied, the brief concluded. The Supreme Court will have to decide what it wants to do. Cablevision has indicated it may launch the DVR this summer, according to a report from **Sanford Bernstein**

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Source: BETA 2008 Cable Operator Carriage Study, Ranked among all measured emerging and mid-sized cable networks among non-affiliates "very/fairly interested in carrying channel by end of 2009"

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analyst *Craig Moffett*. Last Aug, the 2nd Circuit US Appeals Court overturned an '07 lower court ruling in favor of the studios. The remote-storage DVR allows subs to record and store programs on Cablevision's servers rather than individual set-tops. Content firms challenging the case include **Cartoon, Turner, Paramount** and **NBC Studios**.

Canoe Paddling: AMC is one of the 1st cable nets to participate in **Canoe's** creative versioning for TV ads. **Comcast** chief *Brian Roberts* dropped AMC's name at a **Sanford Bernstein** conference Fri, saying the **Rainbow** net and "I think another couple networks" are participating in "our 1st product of creative versioning coming of Canoe." AMC confirmed that it's testing network community addressable messaging, which lets advertisers address different HHs with different messages, but declined to provide additional info. Earlier this week, the *WSJ* reported Canoe has taken longer than expected to work out technical differences among cable systems. Talk earlier this year was that Canoe's initial product would roll out in May.

Content Still Reigns: As **Time Warner Cable** and **Comcast** lamented a difficult 2Q operating environment Fri, **Time Warner** chmn/CEO *Jeff Bewkes* said his company is faring relatively well. The "underlying fundamentals of our business are quite good," said Bewkes. "Entertainment advertising's doing fine... and may be in fact stabilizing." There's softness in news-related comps because of '08 pricing run ups due to the Presidential election, but Bewkes remains bullish on TWX's branded content focus once the planned **AOL** spinoff is completed, possibly in 4Q. The deal will drop to 20% from 25% the company's percentage of rev from advertising, said Bewkes, and should lead to share repurchases. Furthermore, he said, as a smaller entity TWX "can get more traction" out of its commitment to slash corp costs, which are down 40% over the past 3 years. TWX will follow **Scripps Nets** and **Discovery** in restructuring to become more content focused, and the jury's still out on whether the move is favored by **Wall St**.

Programming: **DIY Net** and **MLB Net** are teaming for the "Who Wants a Man Cave?" contest whereby a winner will receive a baseball-themed home getaway through video submissions (Jun 12-Jul 24) at either **DIYNetwork.com** or **MLBNetwork.com**. Personalities from each net will build the winner's space on a special edition of DIY's "Man Caves" (Sept 29). -- **GSN's** Big Saturday Night 3-hr programming block premieres Jun 13 featuring new original series "20Q," based on the eponymous Internet and handheld game, and "The Money List," in which teams vie for prizes by best completing open-ended lists such as *Tom Cruise* movies.

Business/Finance: **Crown Media's** stock plummeted 22% Fri after the company announced late Thurs that primary debtholder **Hallmark Cards** has tendered a proposal to rework approx \$1.05bln in current debt in exchange for debt and convertible preferred stock. Ratifying the proposal or a similar agreement appears critical to Crown Media's future viability. According to a **SEC** filing, Crown said "that in light of the company's financial condition, results of operations and cash flows, and the state of the credit markets, the company believes that it is unable to refinance the [Hallmark Cards] debt" without concessions, and otherwise faces a default on more than \$1bln in May '10.

People: **Optimum Lightpath** promoted *Dave Pistacchio* to pres.

Editor's Note: CableFAX: The Magazine is accepting nominations for its annual Most Influential Minorities in Cable and Top 10 Places to Work in Cable lists—the deadline for submissions is June 30. To nominate an executive for Most Influential Minorities in Cable, go to: www.cablefax.com/cablefaxmag/2009topminorities.html; to nominate a company for Top 10 Places to Work in Cable, go to: www.cablefax.com/cablefaxmag/2009top10workplaces.html.

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CableFAX Week in Review

Company	Ticker	5/29 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
BRITISH SKY:	BSY	28.67	1.10%	4.00%
DIRECTV:	DTV	22.50	(5.1%)	(1.8%)
DISH:	DISH	16.40	(2.5%)	47.80%
DISNEY:	DIS	24.22	2.20%	8.20%
GE:	GE	13.48	2.90%	(11%)
HEARST-ARGYLE:	HTV	4.48		(24.9%)
NEWS CORP:	NWS	11.23	10.10%	18.50%

Company	Ticker	5/29 Close	1-Week % Chg	YTD %Chg
MSOS				
CABLEVISION:	CVC	19.03	(0.8%)	14.20%
COMCAST:	CMCSA	13.77	(3.1%)	(17.3%)
COMCAST SPCL:	CMCSK	13.00	(2.5%)	(18.3%)
GCI:	GNCMA	6.61	4.60%	(18.3%)
KNOLGY:	KNOL	8.00	1.40%	55.00%
LIBERTY CAPITAL:	LCAPA	13.89	2.70%	194.90%
LIBERTY ENT:	LMDIA	24.16	0.50%	38.20%
LIBERTY GLOBAL:	LBTYA	13.82	(5.2%)	(13.2%)
LIBERTY INT:	LINTA	5.86	3.70%	87.80%
MEDIACOM:	MCCC	5.98	(2.1%)	39.10%
SHAW COMM:	SJR	17.39	2.50%	1.40%
TIME WARNER CABLE:	TWC	30.79		
VIRGIN MEDIA:	VMED	8.70	18.70%	76.80%
WASH POST:	WPO	360.00	(0.5%)	(5.5%)

Company	Ticker	5/29 Close	1-Week % Chg	YTD %Chg
PROGRAMMING				
CBS:	CBS	7.38	5.30%	(8.7%)
CROWN:	CRWN	2.37	(15.7%)	(16.8%)
DISCOVERY:	DISCA	22.45	2.90%	58.50%
EW SCRIPPS:	SSP	1.95	9.20%	(11.6%)
GRUPO TELEVISIA:	TV	17.78	1.70%	19.00%
HSN:	HSNI	11.30	11.00%	55.40%
INTERACTIVE CORP:	IACI	16.20	4.60%	2.90%
LIBERTY:	L	27.05	5.00%	(4%)
LODGENET:	LNET	5.80	5.60%	728.60%
NEW FRONTIER:	NOOF	2.20	(0.9%)	29.40%
OUTDOOR:	OUTD	7.00	9.70%	(6.5%)
PLAYBOY:	PLA	3.33	16.00%	54.20%
RHI:	RHIE	3.12	(0.6%)	(61.6%)
SCRIPPS INT:	SNI	27.74	1.30%	26.80%
TIME WARNER:	TWX	23.42	2.40%	5.60%
VALUEVISION:	VVTV	0.75	1.40%	127.30%
VIACOM:	VIA	23.51	2.80%	16.80%
WWE:	WWE	12.48	5.90%	22.40%

Company	Ticker	5/29 Close	1-Week % Chg	YTD %Chg
TECHNOLOGY				
3COM:	COMS	4.32	5.10%	89.50%
ADC:	ADCT	7.03	3.60%	28.80%
ADVANTAGE:	AEY	1.95	12.10%	9.60%
ALCATEL LUCENT:	ALU	2.54	4.10%	18.10%
AMDOCS:	DOX	21.64	2.30%	18.30%
AMPHENOL:	APH	33.39	4.10%	39.40%
APPLE:	AAPL	135.81	10.90%	59.10%
ARRIS GROUP:	ARRS	12.11	13.60%	52.30%
AVID TECH:	AVID	14.24	8.80%	30.50%
BIGBAND:	BBND	5.22	5.20%	(5.4%)
BLNDER TONGUE:	BDR	1.53	(8.9%)	51.50%
BROADCOM:	BRCM	25.48	14.50%	50.10%

Company	Ticker	5/29 Close	1-Week % Chg	YTD %Chg
CISCO:	CSCO	18.50	3.40%	13.50%
CLEARWIRE:	CLWR	4.45	(3.9%)	12.10%
COMMSCOPE:	CTV	26.24	3.70%	68.90%
CONCURRENT:	CCUR	4.78	11.60%	41.20%
CONVERGYS:	CVG	9.25	(1%)	44.30%
CSG SYSTEMS:	CSGS	13.77	5.40%	(21.2%)
ECHOSTAR:	SATS	16.04	0.80%	7.90%
GOOGLE:	GOOG	417.23	6.00%	35.60%
HARMONIC:	HLIT	5.76	11.00%	2.70%
INTEL:	INTC	15.72	4.50%	16.60%
JDSU:	JDSU	5.39	8.10%	45.70%
LEVEL 3:	LVL	1.07	(7%)	52.90%
MICROSOFT:	MSFT	20.89	5.80%	8.80%
MOTOROLA:	MOT	6.06	2.70%	37.90%
OPENTV:	OPTV	1.75	10.10%	42.30%
PHILIPS:	PHG	18.95	(1%)	4.60%
RENTRAK:	RENT	9.70	(5%)	(17.7%)
SEACHANGE:	SEAC	7.44	12.70%	3.20%
SONY:	SNE	26.23	1.70%	19.90%
SPRINT NEXTEL:	S	5.15	(0.2%)	181.40%
THOMAS & BETTS:	TNB	30.68	4.40%	27.70%
TIVO:	TIVO	7.00	1.30%	(2.2%)
TOLLGRADE:	TLGD	5.62	8.50%	17.60%
UNIVERSAL ELEC:	UEIC	19.62	(0.4%)	21.00%
VONAGE:	VG	0.46	7.00%	(30.3%)
YAHOO:	YHOO	15.84	5.70%	29.80%

Company	Ticker	5/29 Close	1-Week % Chg	YTD %Chg
TELCOS				
AT&T:	T	24.79	4.70%	(8.7%)
QWEST:	Q	4.36	8.70%	24.20%
VERIZON:	VZ	29.26	1.60%	(9.6%)

Index	5/29 Close	1-Week % Chg	YTD %Chg	
MARKET INDICES				
DOW:	INDU	8500.33	2.70%	(3.1%)
NASDAQ:	COMPX	1774.33	4.90%	12.50%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. VIRGIN MEDIA:	8.70	18.70%
2. PLAYBOY:	3.33	16.00%
3. BROADCOM:	25.48	14.50%
4. ARRIS GROUP:	12.11	13.60%
5. SEACHANGE:	7.44	12.70%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. CROWN:	2.37	(15.7%)
2. BLNDER TONGUE:	1.53	(8.9%)
3. LEVEL 3:	1.07	(7%)
4. LIBERTY GLOBAL:	13.82	(5.2%)
5. DIRECTV:	22.50	(5.1%)



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Reality? What's That?

Chad and Seth usually cover programming; but I've been wondering about it more lately. Musing, really. Not watching much. (Was off the grid for a long weekend—worth it to do once in awhile. No phone. No internet access—who wants to carry a



Paul S. Maxwell

laptop into a rustic central building in the middle of a National Park—one founded in 1906?).

“Cable” channels are beating the once Big-Four more regularly in our collective

flavored Kool-Aid. **USA**, the **Turner** entertainment channels, **Showtime**, **Starz** and **HBO** all continue to out-dramatize (and sometimes out-laugh) the once dominant programmers. Just a look at my own DVR listings shows a startling shift over the years (OK, starting with VCRs).

So, kudos to **Discovery** for the **TLC** ratings.

Anybody remember The Louds?

So **Twitter** is developing a reality series that “twitterers” (tweeters? twits?) can use to their 140 characters to “direct” the program.

Is this, though, maybe the end of civilization as we know it?

And would that be all bad?

Random Notes:

• **Ad Turnaround?** Someday. Maybe. Well, quite likely. I think it'll begin turning around as we enter the Fall this year. (Don't laugh; we actually predicted the recession a year ahead and got the downturn and month right.) Consumer goods will lead. Last to return will be financial and auto advertisers (duh). But get ready now... a recent **Bloomberg** poll suggested that almost half of the nation's major advertisers wanted to ramp back up “three months before the recession ends.” (How anyone will know when is a different question—I'm just making a semi-educated guesstimate.) Another 30% or so want to start hawking goods 6 months before... so, here's how to get ready: plan on some media buying in mid-August by the adventurous; some real buying come late September; a real jolt up between Halloween and Christmas... and car sellers come January (really—some serious mini-SUV buying to go along with the Winter Olympics... on **NBC** et al this year in real prime time from Vancouver and Whistler). So, start now on picking your local and national targets... and tell 'em you're already selling out mid-January thru the end of February!

• **The “Projection” Concept:** The “noise” in the political universe is almost deafening... but here's a thought to help all of you who actu-

ally watch the “cable” news channels: think through what you hear amid the din. Every time you hear a politician (of either or any party) charge an ideological opponent with some nefarious deed or another, just look behind the politician making the charge: he (or she) probably just did the same thing.

• **Car Ads:** I think they'll return after the dust settles on who owns how much of which major automobile company... maybe. Catch might be just how much of Chrysler and General Motors the US government actually owns... and how much of the time the US acts like an owner. With Chrysler (descended, believe it or not, from The Maxwell Motorcar Company), the US will be a minority behind Fiat and the UAW; with GM, the US will hold—for awhile (how long?)—about 70%. Real question, of course, is how any local dealer will be able to advertise... so pick out the strong ones and do 'em a favor now.

• **Broadband Policy:** The understaffed (at least at the top) **FCC** is beginning to make some sense... maybe. That 1st “C” still stands for “Confusion.”

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