

CableFAX Daily™

Monday — August 13, 2007

What the Industry Reads First

Volume 18 / No. 156

Final Report: DISH Optimistic Despite Wall St Concerns

Like it has recently done to much of the pay TV industry, the tempestuous US housing market helped to cool growth rates at **EchoStar** in 2Q and swept away some sub additions, leading much of the Street to further lament weakness in the multichannel universe. Yet even as the company reported a paltry 170K net sub adds—which **Sanford Bernstein's Craig Moffett** called the worst in 10 years and 30% below Street expectations—CEO **Charlie Ergen** believes the sat-caster owns a vantage. "I like where we are positioned today because we have a lot of flexibility in the market...we are not leveraged like cable," he said, citing improved operating efficiencies as the primary catalyst for solid financial results. Revenue, net income, EBITDA and cash flow all showed improvement in the Q, as did churn and ARPU. Future growth opportunities include a continued acceleration of advanced services and HD content proliferation, said Ergen, who believes a digital set-top that can receive a DSL line for VOD is viable competition for cable. We must "play in that customer who doesn't necessarily want all the cost of digital cable and that customer who wants an advanced service," he said. As for HD, Ergen agrees with counterpart **Chase Carey's** firm belief in the differentiating power of HD offerings, but cautions against a focus on quantity over quality. "**DirecTV** is generally right that 100 [HD channels] is a good round number to get people excited, [but] there are probably 30-40 that are worthy of watching," he said. Truly jaw-dropping content from "people like **Discovery** who do something like **Discovery Earth**" will be the big driver of high-def adoption going forward, said Ergen. Also, the company will soon roll out new external hard drives enabling subs additional storage capacity for HD content. Interestingly, in the face of escalating programming costs, looking to partner with an established player like **Liberty** on content production is certainly a possibility, said Ergen, "assuming we have a good relationship." Potentially damaging storm clouds on the horizon for EchoStar include the pending DVR patent infringement suit with **TiVo** and **AT&T's** looming choice of either EchoStar or DirecTV as its lone video resale partner.

Play Book: With football season drawing near, **NFL Network** is looking to get lawmakers involved in its quest for carriage with "Big Cable." Its Website, **IWantMyNFL.com**, has a section devoted to sending a form letter to a fan's US Senators, US Representatives, Governor and state legislators, as well as the **FCC**. "We want to make sure legislators were aware the problem still exists and cable companies still will not negotiate a contract unless on their terms—which we do not believe are in the best interest of their constituents," an NFL Net spokesman said. "This is a result of some cable companies' refusal to listen to their own customers by not acknowledging their phone calls, mail, faxes or email. This empowers consumers to go directly to their elected officials to have their voices heard." "Football is America's game," the dispatch begins (shhhh...don't tell baseball!) and proceeds to decry how some cable companies are putting the net on sports tiers and charging customers up to \$10/month extra or refusing to carry the games and channel altogether. "Please stand up for football fans—tell Big Cable to listen to the fans and offer NFL Network affordably, just as the satel-

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lite companies are doing.” -- As promised, **Comcast** has moved NFL Net to its sports tier. But some football fans may get a little break. The Bay Area has cut the price for the tier to \$2.99/month through Feb (the end of the season). The tier averages \$5/month regularly in most Comcast markets. Similar promos are in place in some other Comcast markets.

Fresh Air? NBCU is said to be eyeing **Oxygen**, with *The Hollywood Reporter* reporting that the 2 sides are talking. If such a sale were to happen, cable would lose one of the few remaining independent cable nets. Oxygen Media is reportedly hoping for **BET**-kinda money (approx \$3bln).

Wireless: Add Nebraska to **Time Warner Cable**'s growing list of divisions offering Pivot, the Sprint-cable jv wireless service. The MSO launches the service to central NY later this month.

On the Block: The fate of **Insight**'s auction (bids were due Wed) appears uncertain following **Morgan Stanley**'s withdrawal of a financing package offer of 9.25 times annual cash flow, the *WSJ* reported Fri. **Time Warner Cable**'s still thought to be in the running for Insight, estimated at more than \$2bln. Meanwhile, **Virgin Media**, reportedly eyed by **Comcast** and **Time Warner**, has delayed its sale until debt financing improves.


In the Courts: **EchoStar**'s decision to break ranks with pay-TV ops and go toe-to-toe with **Forgent** turned out to be prudent, as a TX judge denied Forgent's motion Thurs for a new trial in the pair's DVR patent litigation. Following a \$28mln settlement earlier this year between Forgent and DirecTV/cable ops, a TX jury returned in May a verdict favorable to EchoStar, stymieing Forgent's bid for \$200mln in damages. Now the company must pay EchoStar's \$90K in court costs.

No Cameras! C-SPAN was surprised when it turned up to cover a panel on "Covering the Courts" at an **Association for Education in Journalism and Mass Communication** event Thurs and was turned away minutes before the session began. The problem? *NY Times* Supreme Court reporter **Linda Greenhouse** didn't want her remarks covered by the net, the session's moderator told C-SPAN. C-SPAN vp, programming **Terence Murphy** fired off a letter asking why AEJMC allowed Greenhouse, who has appeared on the net 51 times over the years, to prevail. "If professors of journalism and working journalists taking part in a journalism education conference don't stand up for open media access to public policy discussions, who will?" Murphy wrote. Greenhouse didn't return our request for comment, but in a letter to C-SPAN posted on the **CJR** blog, she said she never agreed to appear on national TV and found out C-SPAN was there when she showed up at the event.

True Hero: We were truly touched when we learned about **Comcast** tech **Rick Kraft**'s heroic efforts this month when Minneapolis' I-35 bridge collapsed. Kraft, who was on his way home after an install, appears to have placed one of the first calls to 911. He drove his Comcast van toward the disaster and began helping. He and another volunteer helped a man out of a nearly submerged car. Kraft, a strong swimmer, guided the man toward shore and kept him above water until paramedics arrived. He went onto rescue three others that day. But Kraft wouldn't call himself heroic. "I was just doing what needed to be done," he told his employer.

People: **Lifetime** tapped former **CBS** reality exec **Sandy Varo** to serve as vp, reality programming. The net's new reality programming includes "America's Psychic Challenge" (Oct 12). -- **SCTE** hired **Louise Games** as vp, membership services. -- Former **CNN** anchor **Aaron Brown** will become a full-time prof at Arizona State Univ's Journalism School.


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CableFAX Week in Review

Company	Ticker	8/10 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
BRITISH SKY:	BSY	55.06	3.50%	36.20%
DIRECTV:	DTV	21.84	3.20%	(12.4%)
DISNEY:	DIS	33.16	(2.2%)	(0.5%)
ECHOSTAR:	DISH	38.75	(6.2%)	1.90%
GE:	GE	38.23	0.40%	8.00%
HEARST-ARGYLE:	HTV	21.22	4.00%	(14.6%)
ION MEDIA:	ION	1.39	(0.7%)	178.00%
NEWS CORP:	NWS	22.01	(1.7%)	(0.7%)
TRIBUNE:	TRB	26.50	(3.6%)	(12.7%)

Company	Ticker	8/10 Close	1-Week % Chg	YTD %Chg
MSOS				
CABLEVISION:	CVC	33.00	(2.2%)	15.90%
CHARTER:	CHTR	2.74	(9%)	(10.5%)
COMCAST:	CMCSA	25.44	(0.5%)	(9.9%)
COMCAST SPCL:	CMCSK	25.36	(0.4%)	(9.2%)
GCI:	GNCMA	12.89	14.20%	(18.1%)
KNOLOGY:	KNOL	13.61	(1.4%)	27.90%
LIBERTY CAPITAL:	LCAPA	113.43	1.20%	15.80%
LIBERTY GLOBAL:	LBTYA	40.62	(5.4%)	39.30%
LIBERTY INTERACTIVE:	LINTA	19.13	(7.3%)	(11.3%)
MEDIACOM:	MCCC	7.76	(7.6%)	(3.5%)
NTL:	NTLI	28.22		(54.5%)
ROGERS COMM:	RG	42.97		45.10%
SHAW COMM:	SJR	22.45	(2.5%)	46.90%
TIME WARNER CABLE:	TWC	34.60	(3.1%)	(9.7%)
WASH POST:	WPO	792.75	(4%)	8.00%

Company	Ticker	8/10 Close	1-Week % Chg	YTD %Chg
PROGRAMMING				
CBS:	CBS	30.62	(3%)	1.70%
CROWN:	CRWN	7.05	6.70%	94.20%
DISCOVERY:	DISCA	24.57	4.30%	67.90%
EW SCRIPPS:	SSP	39.88	(1.1%)	(18.8%)
GRUPO TELEVISIVA:	TV	24.21	(2.5%)	(3%)
INTERACTIVE CORP:	IACI	27.30	(0.4%)	(26.5%)
LODGENET:	LNET	27.65	0.50%	10.50%
NEW FRONTIER:	NOOF	6.01	(25.7%)	(14.7%)
OUTDOOR:	OUTD	8.92	(2%)	(30.5%)
PLAYBOY:	PLA	10.82	4.00%	(5.6%)
TIME WARNER:	TWX	18.62	0.10%	(13.4%)
UNIVISION:	UVN	36.23		2.30%
VALUEVISION:	VVTV	8.40	(6%)	(36.1%)
VIACOM:	VIA	39.00	0.80%	(9.6%)
WWE:	WWE	14.88	2.70%	3.10%

Company	Ticker	8/10 Close	1-Week % Chg	YTD %Chg
TECHNOLOGY				
3COM:	COMS	3.56	(7.8%)	(13.4%)
ADC:	ADCT	16.46	(11.3%)	0.40%
ADDVANTAGE:	AEY	4.88	(15.6%)	74.90%
ALCATEL LUCENT:	ALU	11.25	(1.1%)	(8.5%)
AMDOCS:	DOX	35.81	1.10%	(7.6%)
AMPHENOL:	APH	35.39	1.70%	14.40%
APPLE:	AAPL	125.00	(5.2%)	38.40%
ARRIS GROUP:	ARRS	14.97	7.40%	19.70%
AVID TECH:	AVID	33.41	9.80%	(10.3%)
BIGBAND:	BBND	9.99	(6.5%)	(6.5%)
BLNDER TONGUE:	BDR	1.43	0.70%	(15.9%)
BROADCOM:	BRCM	35.85	8.80%	11.00%

Company	Ticker	8/10 Close	1-Week % Chg	YTD %Chg
C-COR:	CCBL	12.99	1.20%	16.60%
CISCO:	CSCO	31.39	6.60%	14.90%
COMMSCOPE:	CTV	49.52	(7%)	62.50%
CONCURRENT:	CCUR	1.41	(2.8%)	(22.1%)
CONVERGYS:	CVG	17.38	(4.2%)	(26.9%)
CSG SYSTEMS:	CSGS	22.01	(8.3%)	(17.7%)
GEMSTAR TVG:	GMST	5.47	0.60%	36.40%
GOOGLE:	GOOG	515.75	2.50%	12.00%
HARMONIC:	HLIT	8.58	0.80%	18.00%
JDSU:	JDSU	14.54	4.00%	(12.5%)
LEVEL 3:	LVLTL	5.41	4.20%	(3.4%)
MICROSOFT:	MSFT	28.71	(0.9%)	(1.8%)
MOTOROLA:	MOT	16.61	1.60%	(17.3%)
NDS:	NNDS	48.73	12.60%	1.00%
NORTEL:	NT	18.90	(2.3%)	(29.3%)
OPENTV:	OPTV	1.50	(9.6%)	(35.3%)
PHILIPS:	PHG	38.54	(2%)	6.70%
RENTRAK:	RENT	12.32	(15.9%)	(20.5%)
SEACHANGE:	SEAC	6.30	(4%)	(38.4%)
SONY:	SNE	48.00	(3.6%)	12.60%
SPRINT NEXTEL:	S	18.85	(4.7%)	0.60%
THOMAS & BETTS:	TNB	55.09	(8.2%)	16.50%
TIVO:	TIVO	6.69	26.70%	30.70%
TOLLGRADE:	TLGD	9.11	(10.1%)	(13.8%)
UNIVERSAL ELEC:	UEIC	29.73	(2.6%)	41.40%
VONAGE:	VG	2.46	20.60%	(64.6%)
VYYO:	VYYO	6.58	18.10%	45.30%
WEBB SYS:	WEBB	0.14	55.60%	250.00%
WORLDGATE:	WGAT	0.43	(8.5%)	(67.9%)
YAHOO:	YHOO	23.94	4.50%	(6.3%)

Company	Ticker	8/10 Close	1-Week % Chg	YTD %Chg
TELCOS				
AT&T:	T	38.87	(1.5%)	16.70%
QWEST:	Q	8.37	(2.3%)	
VERIZON:	VZ	41.33	(3.3%)	19.80%

Index	Value	% Chg	YTD %Chg	
MARKET INDICES				
DOW:	INDU	13239.54	0.40%	6.20%
NASDAQ:	COMPX	2544.89	1.30%	5.40%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. WEBB SYS:	0.14	55.60%
2. TIVO:	6.69	26.70%
3. VONAGE:	2.46	20.60%
4. VYYO:	6.58	18.10%
5. GCI:	12.89	14.20%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. NEW FRONTIER:	6.01	(25.7%)
2. RENTRAK:	12.32	(15.9%)
3. ADDVANTAGE:	4.88	(15.6%)
4. ADC:	16.46	(11.3%)
5. TOLLGRADE:	9.11	(10.1%)



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Buford Media Group, LLC; CEO

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Google; Director, Google TV Ads

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Mediacom, LLC; SVP, Programming & HR

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MaxFAX...

Random Notes:

• **Launch!** So I get to add another country to some list (thanks, Clay)... I'm in French Guiana (the French place, not the Kool-Aid country next door) this morning awaiting the launch of an **Arianespace** rocket (Ariane 5 ECA) tomorrow taking



Paul S. Maxwell

Hughes Networks' Spaceway 3 and Japan's BSSC's BSAT-3a into space orbit tomorrow (we all hope). Along with **Wild Blue**, I'd say there's about to be

some more serious broadband competition than before... this one has averages of 1Mbps up and 5Mbps down. Better than the old DirecPC we used to use (pre-**Comcast** wiring our little mountain "neighborhood"). French Guiana, by the way, is not a colony nor is it an independent country. It is a French "overseas department"... that is, a part of France. It is still hot, humid and has lots and lots of mosquitoes. Well named capital, though: Cayenne. Devil's Island—the most famous part of this place—is closed as a prison, except to tourists (and I'm skipping it; just in case).

• **Dog Days:** It is August. It is hot. Rains, too. Subways, I discovered, can flood. Especially after torrential rains accompanied by lots of spec-

tacular lightning in the early, early hours of morning. Reason enough to live in the mountains. Quite the adventure going from midtown to LGA last Wednesday.

• **Next Dog Days:** Going to be a bit different next year ... **NBC+** is going to make the Beijing Olympics a sort of never-ending two-week marathon of coverage. If you like a sport—any summer sport—you'll be able to watch it live in some manner or another. Or later if you like. Delivering cable's promise... thanks to the Internet and cable broadband.

• **Liberty Ball:** Atlanta Braves honcho *Terry McGuirk* (one of cable programming history's better guys) told *The New York Times* something obvious last week: "At the end of the day, we know that winning creates value. We're all about winning. I'm sure that fits with the **Liberty** philosophy of life." Braves executives also claimed they had not talked with Liberty about money. (*NYT*, 8/7) Speaking on the record gets more surreal every day.

• **Four Seasons:** I used to have lunch or dinner there (the New York restaurant with the great rooms) a half dozen or more times a year with *Irving Kahn*... always a wonderful source (and great raconteur). I'd only been there once or twice since Irving died... but I was in the famous pool-room at a great table at the pool (across from where I used to always

sit) the other evening listening to insider politics from the peripatetic *Leo Hindery*... we didn't even mention cable. And, if you'd believe that... well... The duck was fantastic.

• **DVR Projections:** Read through the detail (lots of detail) in the latest **Carmel Group** mega-study—this one last month's DVR study. Fascinating nuggets throughout. One thing upon which we certainly agree: "The Carmel Group continues to believe that by 2020, nearly all audio and video include the implementation of a DVR-like function."

• **Travel Glamour:** Among the reasons I worry greatly about the future of mankind, the folks of the Transportation Security Agency rank quite high. On my way back to Colorado from New York once, the TSA guy at La Guardia chastised me for the wear and tear on my much-used one quart Ziplock bag with my "liquids and gels of less than three ounces" in it... then made me go to the back of the line, get a new one, and then come through again. Amazing. And, I never said a negative word. Really. Just grinned. He didn't like that, either.

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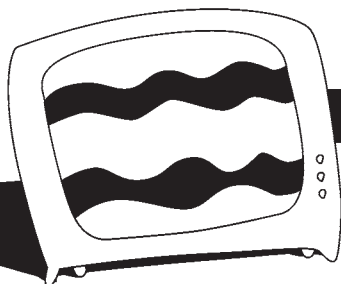
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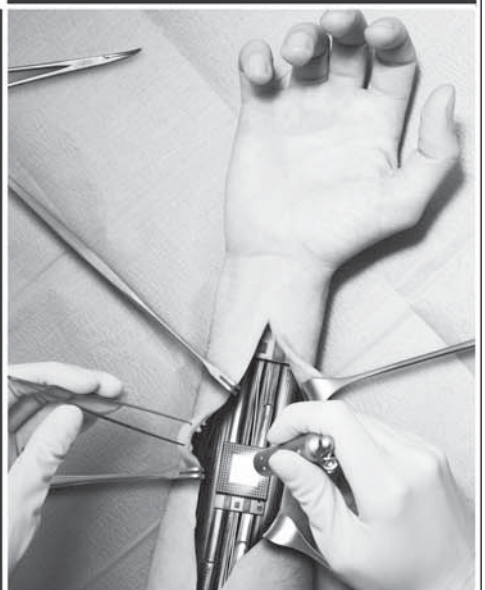




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* Source: Beta Research 2007 Non-Subscriber Study - Interest in Basic Cable Networks (rankings based on high interest in network)

** Source: Beta Research 2007 Cable Subscriber Study - Interest in Emerging/Mid-Sized/VOD Networks (rankings based on high interest in network)