

# CableFAX Daily™

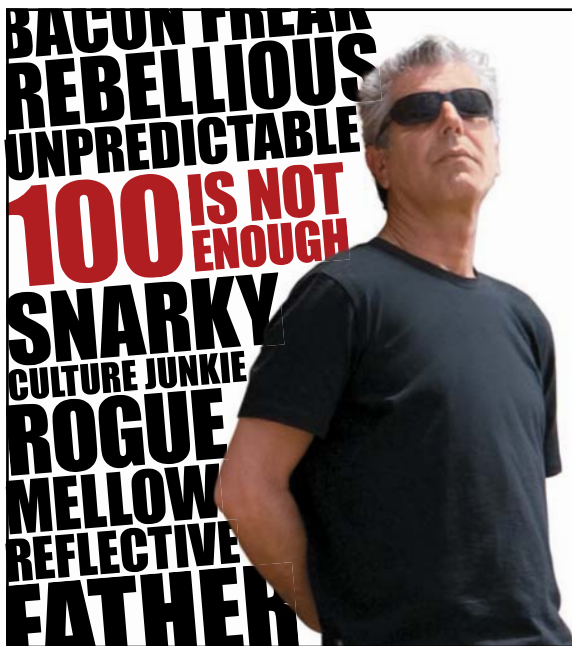
Wednesday — September 1, 2010

What the Industry Reads First

Volume 21 / No. 169

## Ownership Issues: Mediacom, Lionsgate Have Newsworthy Days

Notable tales emerged in the cable sector Tues, with ownership news surrounding **Mediacom** and **Lionsgate** sending the companies' shares in opposite directions. When Mediacom chmn/CEO *Rocco Commisso* announced the withdrawal of his May 31 non-binding offer to purchase all of the shares of the MSO not owned by him for \$6/share, investors jumped ship, sinking the shares by 15.33% to \$5.80. Conversely, investors hopped aboard Lionsgate after activist investor *Carl Icahn*, who owns approx 38% of the co's common shares, raised to \$7.50/share the price of his existing offer to acquire up to all of LGF's outstanding common shares, which gained 9.55% on the day to close at \$7.11. Commisso's decision stemmed from the rejection by the Special Cmte of MCCC's board of a "meaningful increase to his initial offer price," according to a release, though the improved price wasn't cited. "I am very disappointed with the highly unusual process and ground rules established by the Special Committee and its financial and legal advisors to evaluate my proposal," said Commisso, noting the cmte's dismissal of his request to allow MCCC shareholders to evaluate the revised proposal. Icahn, meanwhile, has had his own issues with an acquisition target's board. Since 1st tendering a \$6/share offer in Feb, Icahn's head-butting with the LGF board has included the board's enactment of a "poison pill" to make takeover attempts more difficult to achieve and Icahn's July filing in NY Supreme Court of a lawsuit against the board and other parties seeking compensatory and punitive damages due to the board's issuance of shares to dir/large shareholder *Mark Rachesky* for \$6.20 each (*Cfax*, 7/27). "The Icahn Group has determined, in order to protect the large position it now holds, that it is necessary to gain control of Lions Gate and remove the current board," read a release. Irrespective of the hard feelings evident in each case, that Commisso has no plans to sell his MCCC stake and Icahn remains bent on controlling LGF appears to underscore the high regard in which numerous parties hold cable and/or cable-related entities. "We are keeping our Buy rating on MCCC shares due to the potential for another offer by the Chairman/CEO sometime in the future OR continued public appreciation of cable assets, as private equity has exhibited," said **Miller Tabak's** *David Joyce* in a research note. **RCN**, remember, went private this week following its purchase by **ABRY Partners**, and an investor group recently scooped up a chunk of **Insight**. Moreover, **Cablevision** agreed to buy **Bresnan** this year, and **Knology** agreed to buy **Sunflower Broadband**. Said **Sanford Bernstein's** *Craig Moffett* of cable assets following Commisso's initial bid:



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“Still low equity valuations—free cash flow yields remain in double digits across the sector—have made privatization a very attractive course.” Expected FCF growth is 1 main reason why Joyce maintained his ‘buy’ rating on MCCC shares Tues, reiterating a belief that the MSO’s “very strong free cash flow characteristics make MCCC still worth \$8 (1-year target) or \$14+ long-term.” Meanwhile, Icahn has previously expressed a view of great growth potential in Lionsgate’s TV properties (**TV Guide Net**, **Epix**, **FEARnet**). And on Sun, Lionsgate’s “Mad Men” (**AMC**) and “Nurse Jackie” (**Showtime**) earned plaudits at the Prime Emmys. Tabak, however, kept his ‘neutral’ rating on LGF shares despite raising the corresponding price target to \$7.50 from \$7, citing uncertainty in the Icahn/LGF saga due mainly to Icahn’s demand of LGF’s board to either reform or rescind the Rachesky share disbursement.

**Deals:** **Hallmark Channel** and **AT&T** were talking Tues, ahead of the midnight expiration of their current contract. It was unclear if anyone would turn into a pumpkin at 12am, with a Hallmark rep saying the programmer does not plan to pull the nets. AT&T declined to say whether it would take the channels down. -- While things continue to look good, there’s no **Disney-Time Warner Cable** deal yet. Could negotiations go late into the night Wed? Possibly. Don’t let the bed bugs bite!

**Neutrality:** While the **FCC** is no longer hosting them, net neutrality talks between major stakeholders are making progress but still unresolved, according to sources. **NCTA**, **AT&T** and **Verizon** are among those with reps talking. **Stifel Nicolaus** noted this week that Thurs is the deadline under traditional FCC procedure for circulating a draft order on Title II before Sept’s open meeting. Whether FCC chmn *Julius Genachowski* does that or goes another route—such as delaying circulating an order or seeking comment on industry talks—remains to be seen. “Bottom line, we see the situation as unstable...” Stifel said in a research note Mon. Meanwhile, **DISH’s Charlie Ergen** met with Genachowski, FCC commish *Michael Copps* and staffers on Fri to reiterate the company’s support of the so-called “Third Way” approach to broadband reclassification (Title II w/ forbearance). **Comcast-NBCU** and the Satellite Television Extension and Localism Act also were touched on. Over at the **AT&T** public policy blog (attpublicpolicy.com), vp, federal regulatory *Hank Hultquist* waxes about the “Church of Extreme Net Neutrality” and how paid prioritization on the Net is widely available to businesses today.

**Comcast-NBCU:** **Comcast** spent \$3.8mln lobbying in 2Q, a total that includes lobbying for its proposed \$30bln transaction with **NBCU**, according to its lobbying disclosure form filed with the House Clerk’s Office. Pole attachments, sports program (and RSN) carriage and independent programming carriage were also among several lobbying issues for the Q. By comparison, 2nd largest MSO **Time Warner Cable** spent \$1.44mln on lobbying during 2Q, and **NCTA** spent \$3.93mln lobbying on multiple issues, according to their forms. -- No redacted transcript is available yet of last Fri’s **FCC** workshop of economists on Comcast-NBCU, but the Media Bureau did file a letter detailing participants. It was moderated by FCC chief economist *Jonathan Baker* and featured 2 panels: 1 on MVPD issues and another on online issues.

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# BUSINESS & FINANCE

Participants included *Gregory Ross-ton*, Deputy Dir, Stanford Institute of Economic Policy Research, Berkeley's *Michael Katz*, **Consumer Federation of America's Mark Cooper** and **Navigant's Hal Singer**.

**In the Courts:** Turner dropped its appeal of a court's prior denial to overturn a jury verdict that awarded \$281 mln to TX businessman *David McDavid*, who alleged Turner breached a contract that would have allowed him to purchase in '03 the **Atlanta Hawks**, **Atlanta Thrashers** and **Philips Arena**. Terms of a settlement between the parties were not disclosed.

**Public Affairs:** Sportsman Channel is now available to **DISH** subs as a \$3/ month a la carte option in addition to carriage on the DBS op's America's Top 250 package, part of promo campaign through which the net will funnel its a la carte proceeds this year to a special fund created with the **Coastal Conservation Assoc** to benefit Gulf coast habitat restoration and research. In support, DISH is offering a free preview of the channel from Sept 3-28.

**Editor's Note:** Only a few more days before the Sept 3 (this Fri) deadline to nominate friends, relatives, colleagues (or even yourself) for consideration for the coveted **CableFAX 100** list of the cable industry's most powerful and influential execs. And don't forget that you can also nominate candidates for our list of Regional power players as well. More info at <http://www.cablefax.com/cfp/2010cablefax100.html>.

## CableFAX Daily Stockwatch

Company	08/31 Close	1-Day Ch	Company	08/31 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	37.90	0.10	AVID TECH:	11.05	(0.18)
DISH:	17.94	0.16	BIGBAND:	2.70	0.04
DISNEY:	32.54	0.19	BLNDER TONGUE:	1.84	(0.05)
GE:	14.48	(0.04)	BROADCOM:	29.96	(2.06)
NEWS CORP:	14.09	0.16	CISCO:	19.98	(0.34)
<b>MSOS</b>					
CABLEVISION:	25.09	0.12	CLEARWIRE:	6.42	(0.01)
COMCAST:	17.09	0.10	COMMSCOPE:	18.75	(0.25)
COMCAST SPCL:	16.08	0.10	CONCURRENT:	5.19	0.24
GCI:	8.98	0.14	CONVERGYS:	10.13	(0.03)
KNOLOGY:	11.71	(0.15)	CSG SYSTEMS:	18.29	0.01
LIBERTY CAPITAL:	45.08	0.61	ECHOSTAR:	18.66	(0.18)
LIBERTY GLOBAL:	27.57	0.31	GOOGLE:	450.02	(2.67)
LIBERTY INT:	10.55	(0.04)	HARMONIC:	5.81	(0.07)
MEDIACOM:	5.80	(1.05)	INTEL:	17.66	(0.29)
SHAW COMM:	20.55	0.00	JDSU:	9.19	(0.31)
TIME WARNER CABLE:	51.57	(0.25)	LEVEL 3:	1.03	0.01
VIRGIN MEDIA:	20.80	0.83	MICROSOFT:	23.46	(0.17)
WASH POST:	360.23	(10.26)	MOTOROLA:	7.52	0.00
<b>PROGRAMMING</b>					
CBS:	13.82	0.14	RENTRAK:	22.06	(0.13)
CROWN:	2.10	0.05	SEACHANGE:	7.74	(0.22)
DISCOVERY:	37.75	0.01	SONY:	27.99	(0.5)
GRUPO TELEVISA:	18.49	(0.12)	SPRINT NEXTEL:	4.06	0.16
HSN:	26.29	0.11	THOMAS & BETTS:	36.95	(0.05)
INTERACTIVE CORP:	24.78	0.26	TIVO:	7.86	(0.1)
LIBERTY:	35.14	(0.01)	TOLLGRADE:	7.23	0.37
LIBERTY STARZ:	59.74	0.19	UNIVERSAL ELEC:	19.14	0.56
LIONSGATE:	7.14	0.65	VONAGE:	2.16	0.08
LODGENET:	2.54	0.07	YAHOO:	13.11	(0.07)
NEW FRONTIER:	1.84	0.04	<b>TELCOS</b>		
OUTDOOR:	5.31	0.26	AT&T:	27.03	0.40
PLAYBOY:	5.09	0.02	QWEST:	5.65	0.03
SCRIPPS INT:	40.18	(0.2)	VERIZON:	29.53	0.09
TIME WARNER:	29.98	0.41	<b>MARKET INDICES</b>		
VALUEVISION:	2.00	(0.02)	DOW:	10014.72	4.99
VIACOM:	35.60	(0.05)	NASDAQ:	2114.03	(5.94)
WWE:	14.02	0.12	<b>TECHNOLOGY</b>		
<b>TECHNOLOGY</b>					
ADC:	12.68	0.00			
ADVANTAGE:	2.95	(0.02)			
ALCATEL LUCENT:	2.57	(0.01)			
AMDOCS:	26.23	0.10			
AMPHENOL:	40.72	(0.51)			
AOL:	22.22	0.05			
APPLE:	243.10	0.60			
ARRIS GROUP:	8.18	(0.39)			

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