

CableFAX Daily™

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What the Industry Reads First

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FiOS Spark: Verizon Shares Make Big Gains

Wall St heftily rewarded **Verizon** for its 3Q results Mon, with shares closing up 10%. *Bloomberg* reports that the stock saw its largest rise in more than 8 years, with sales for the Q up 4.1% to \$24.8bln and net income up 31%. The telco was proud of **FiOS** numbers, despite what it called the “rhetoric of the cable companies.” In its first 3 months in Staten Island, FiOS TV has achieved a 10% penetration rate, execs said. “On average FiOS TV achieves 17% penetration in just 12 months and over 26% penetration within 2 years,” said pres/COO *Denny Strigl*, noting that Verizon will be 2/3 through with its fiber buildout in the coming months. “These numbers are better than we had anticipated.” Verizon entered NYC in 3Q and began marketing to an additional 1.2mln homes. It added 233K new FiOS TV HHs in the Q. In the “coming soon” category, Verizon plans to allow DVR programming via cell phone (**AT&T’s U-verse** already does this) as well the ability to view **Facebook** and **YouTube** on the TV. Access lines continue to fall, and DSL lost 96K subs. FiOS Internet gained 225K subs, giving Verizon a net gain of 129K broadband customers. “We’re not surprised at the access line loss. We’ve been saying now for a couple years that DSL itself was going to become less potent. Wireless is obviously much more of a substitute capability going forward,” said chmn/CEO *Ivan Seidenberg*. Telco brass said spending has begun on LTE wireless technology, but declined to disclose a specific figure. “I can tell you looking at our capital spend plans for next year, we’ll continue to bring our spend as a percent of revenue down,” Strigl said. **S&P** maintained its “buy” rating on the stock. “Despite economic and competitive pressure that we contend led to 9% access line losses, we are encouraged by VZ’s strong 1.5mln organic wireless additions and the continued rollout of its FiOS offerings,” it said. Somewhat more cautious was **Sanford Bernstein’s Craig Moffett**, who described Verizon as “dodging a bullet, for now. Wireless (1.5mln adds/2.13 when acquisitions are included) and enterprise beat his expectations, while wireline remains “bleak” even though margins held at 27.3%, flat sequentially and approximately flat versus a year ago. “The problem, of course, is that Verizon’s guidance maintains an expectation of expanding wireline margins in the face of declining wireline volumes over the next few years (and so do consensus forecasts),” Moffett said in a note to clients. And while FiOS turned EBITDA positive this Q, he expects it to be a drag on margins until its own margins crosses 27%, which is the avg for the wireline division.

Wireless World: The lingering \$305mln wireless question surrounding **Cox** has finally been answered—at least partially. After purchasing 22 spectrum licenses earlier this year that cover 76% of its footprint, the MSO plans in ‘09 to roll out wireless offerings using **Sprint’s** national network and its own 3G wireless network currently under construction. No word, however, on initial markets, product mix or pricing for a potential quad play. In a departure from the wireless broadband-only focus of cable brethren such as **Comcast**, **Time Warner Cable** and **Cablevision**, Cox will also offer plans for wireless handsets. While admitting that the US wireless voice market is “saturated,” Cox wireless vp *Stephen Bye* said the service “is really important to our customers.” Planned products and services will “at least offer competitive parity,” he

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said, eschewing specificity. Cox had always been the most active MSO in cable's defunct **Pivot** wireless initiative with Sprint, and learned through the experience that more personal control over products and offerings was imperative, said Bye. As such, the MSO will manage every aspect of the wireless services, from product development to customer support and billing. Cox said 64% of its customers buy multiple services and one-third subscribe to a triple-play.

At the Portals: NCTA is asking the FCC to proceed with caution when it comes to white spaces, pointing to a report released earlier this month from the FCC's Office of Engineering & Technology. The report found that unlicensed devices operating at low output power will disrupt cable service in the home. The issue is slated for a vote at the FCC's Nov 4 meeting. "According to the Chairman's press statements, the proposed item would allow devices to operate at 100 mW—20 times the power that has been shown to cause interference to cable television reception of both analog and digital signals. This is frankly inexplicable," NCTA told the FCC. It joins NAB and **MSTV** in calling for the FCC to seek a public notice on the OET white spaces report.

Guilty: A jury has found former Sen Commerce vice chmn *Ted Stevens* (R-AK) guilty on corruption charges. The Sen was found guilty on all 7 counts of lying on Senate disclosure forms to hide more than \$250K in home renovations and other gifts. Stevens, 84, is running for re-election.

Competition: AT&T will begin rolling out next week up to 30 HD nets across U-verse TV markets, including **Hallmark Movie Channel**, **Lifetime** and numerous RSNs. The move brings to more than 75 the number of high-def nets available on the service, a number the telco said exceeds those offered by the major local cable op in every U-verse TV market. AT&T's programming ramp also includes an expansion of ethnic content packages and additional HD package options. Separately, the telco has launched U-verse TV in Madison, WI.

Sports Shuffle: As all of **Fox's** RSN's are transitioning to **Fox Sports** monikers instead of FSN, 2 more family nets will launch this week in the Southeast. **Fox Sports TN** will feature live games and other content from the Memphis Grizzlies, Nashville Predators and the SEC through more than 1.8mln area cable/satellite HHs. **Fox Sports Carolinas** will hit more than 4mln HHs in NC and SC, offering live games and other content from the Carolina Hurricanes, Charlotte Bobcats and the ACC. The channels take over in their respective areas for **Fox Sports South**, which continues to service 7mln homes in AL, GA, KY and MS. Sibling net **SportSouth** will complement the both of the new nets' programming.

Advertising/Marketing: **Suddenlink** unveiled its "Easy" branding effort, and a related ad campaign bows this week on TV, radio, online, print and outdoor media. Check out 1 of the ads at YouTube.com/watch?v=8ajWCghBUjk.

ITV: **LIN TV's** Hartford-New Haven stations (**WTNH** and **WCTX**) will participate in **Backchannelmedia's** TV-to-Internet click-through market trial next month. It will test Backchannel's interactive tech with a select group of viewers and advertisers. While watching the stations, viewers use their remotes to bookmark items of interest; the bookmarks are forwarded to a personal Website. LIN is in a retrans dispute with **Time Warner Cable**, but this market is not affected.

DTV Doings: A MI **DISH Network** retailer has some egg on its face. **Future Vision** made calls to some MI residents warning them that they could lose broadcast signals if they rely on OTA reception come Nov—not Feb 17, the date of the national DTV transition. Apparently, the retailer confused the early Nov 19 transition of a Flint, MI, **PBS** station, thinking that it applied to all of the state's broadcasters. "This was a misunderstanding on the part of the retailer and

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BUSINESS & FINANCE

has been resolved," said a spokeswoman for DISH Network. "Future Vision representatives believed the switch that will occur in Flint, MI, in November was the official digital transition for all of Michigan. DISH Network takes these matters seriously, and when we were first notified of the allegations, we reached out to the retailer immediately. Upon learning of their error, Future Vision was very apologetic and has immediately ceased referencing November as the month of Michigan's transition."

People: *Nina Lederman* joins **Life-time Nets** as svp, series programming and development. -- Former **HGTV.com** vp/site dir *Freddy James* was upped to svp, program development and prod for the linear net. *Jilliam St. Charles* assumes James' former post. -- **Time Warner Cable** named *David Flessas* svp, technical operations. -- **TLC** tapped *Laura Staro* as vp, TLC Research. -- *Scott Grogin* was named svp, comm., for the **Fox Networks Group**. He had been svp, corp communications for **Fox Broadcasting**.

Business/Finance: *Pali* initiated coverage of **CBS** with a "sell" rating and \$5 price target, citing a faltering US ad market. -- **Embarq** agreed to **CenturyTel's** all-stock merger proposal valued at \$11.6bln and including \$5.8bln of Embarq debt. CenturyTel will pay 1.37 shares for each share of Embarq; Embarq shareholders are expected to own approx two-thirds of the combined firm after the deal closes.

CableFAX Daily Stockwatch

Company	10/27 Close	1-Day Ch	Company	10/27 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	21.69	1.18	ALCATEL LUCENT:	1.86	(0.17)
DIRECTV:	17.95	(0.73)	AMDOCS:	20.17	(0.83)
DISNEY:	21.37	(1.24)	AMPHENOL:	23.61	(0.69)
ECHOSTAR:	15.62	(0.57)	APPLE:	92.09	(4.29)
GE:	17.73	(0.1)	ARRIS GROUP:	4.54	(0.28)
HEARST-ARGYLE:	15.13	(0.42)	AVID TECH:	13.40	(0.16)
ION MEDIA:	1.44	0.00	BIGBAND:	2.75	(0.35)
NEWS CORP:	7.88	(0.72)	BLNDER TONGUE:	0.80	0.08
MSOS					
CABLEVISION:	14.28	0.26	BROADCOM:	16.39	0.75
CHARTER:	0.37	(0.03)	C-COR:	11.00	0.00
COMCAST:	13.62	0.55	CISCO:	16.09	(0.22)
COMCAST SPCL:	13.47	0.62	COMMSCOPE:	17.14	(1.38)
GCI:	5.32	(0.37)	CONCURRENT:	3.37	(0.22)
KNOLGY:	3.87	(0.34)	CONVERGYS:	9.91	(0.3)
LIBERTY CAPITAL:	6.99	(0.56)	CSG SYSTEMS:	14.33	(0.57)
LIBERTY ENT:	15.18	(1.55)	ECHOSTAR HOLDING:	18.53	(0.34)
LIBERTY GLOBAL:	12.08	(1.38)	GOOGLE:	329.49	(9.8)
LIBERTY INT:	5.71	(0.61)	HARMONIC:	6.27	(0.93)
MEDIACOM:	3.01	(0.26)	JDSU:	5.40	(0.1)
SHAW COMM:	14.61	(1.04)	LEVEL 3:	0.86	0.11
TIME WARNER CABLE:	18.01	(0.29)	MICROSOFT:	21.18	(0.78)
VIRGIN MEDIA:	3.99	(0.12)	MOTOROLA:	5.05	0.04
WASH POST:	322.41	(28.09)	NDS:	48.00	0.55
PROGRAMMING					
CBS:	7.78	(0.01)	NORTEL:	1.06	(0.17)
CROWN:	2.40	(0.1)	OPENTV:	1.03	0.00
DISCOVERY:	10.41	0.14	PHILIPS:	15.89	(1.37)
EW SCRIPPS:	4.34	(0.01)	RENTRAK:	11.60	(0.12)
GRUPO TELEVISA:	13.35	(0.05)	SEACHANGE:	6.50	(0.08)
HSN:	6.09	1.21	SONY:	19.18	(0.64)
INTERACTIVE CORP:	15.71	(0.31)	SPRINT NEXTEL:	2.92	(0.24)
LIBERTY:	25.65	(5.66)	THOMAS & BETTS:	20.06	(0.26)
LODGENET:	1.17	0.03	TIVO:	5.23	0.01
NEW FRONTIER:	1.78	0.08	TOLLGRADE:	3.28	(0.02)
OUTDOOR:	6.68	(0.32)	UNIVERSAL ELEC:	16.16	(1.06)
PLAYBOY:	1.15	0.03	VONAGE:	0.75	(0.02)
RHI:	11.73	0.18	YAHOO:	11.58	(0.52)
SCRIPPS INT:	21.41	(1.99)	TELCOS		
TIME WARNER:	8.81	(0.29)	AT&T:	24.39	(0.29)
VALUEVISION:	0.60	(0.01)	QWEST:	2.23	(0.06)
VIACOM:	18.71	(1.63)	VERIZON:	27.61	2.53
WWE:	13.39	(0.38)	MARKET INDICES		
TECHNOLOGY					
3COM:	2.12	(0.09)	DOW:	8175.77	(203.18)
ADC:	4.75	0.32	NASDAQ:	1505.90	(46.13)
ADVANTAGE:	1.92	0.10			

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The awards are presented by the most trusted information source in cable: CableFAX Daily and sister brands CableFAX: The Magazine and Content Business. The winners and honorable mentions will be honored at an awards event on February 26, 2009 at the Grand Hyatt, NYC.

Awards Timeline

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Late Entry Deadline: December 10, 2008

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- Mobile Application
- Original Content
- Podcast or Videocast
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- Supplemental Web Content
- Video: Overall Use of Video

People Awards:

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- Online Marketing Executive
- Web Editor
- Video Editor/Producer
- Web Designer
- Other (please enter an executive) who is successfully leading your organization's digital initiatives

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- Cable Network
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- Technology and other Vendors
- Cable Associations



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