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Monday — December 5, 2011

What the Industry Reads First

Volume 22 / No. 233

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If You Can't Beat 'Em: Big Cable, VZ Wireless Forge Game-Changing Pact

Its shape and structure mercurial, the US wireless market just gained an element of major change—with **Comcast**, **Time Warner Cable** and **Bright House** simultaneously prepared to jockey for a posh position within an industry that has been, outside of WiFi, largely a source of vexation for years. Not only does the trio earn a handsome 64% return on the spectrum licenses it won from the **FCC** in '06 by selling **SpectrumCo's** 122 AWS licenses to **Verizon Wireless** for \$3.6bln, but also avoids untold wireless network capex by forging a game-changing relationship with its erstwhile foe. Starting next year, the MSOs will begin reselling VZ Wireless voice and broadband services as part of bundled packages while VZ does the same with their wireline products, and in approx 4 years can sell their own branded wireless services in perpetuity using VZ's network. The latter wholesale piece "is one of the more important statements, in our view, because it provides options," said **Wells Fargo Securities' Marci Ryvicker**. "This announcement is good for CMCSA and TWC as it answers the question, 'what is the wireless strategy?' and negates the fear of a wireless build." Moreover, the MSOs and VZ Wireless formed an innovation jv to develop tech to better integrate wireline and wireless products and services. "These agreements, together with our Wi-Fi plans, enable us to execute a comprehensive, long-term wireless strategy and expand our focus on providing mobility to our Xfinity services," said **Comcast Cable** pres **Neil Smit** in a release. But before the Cristal is popped, the spectrum sale requires FCC approval, and **Sanford Bernstein's Craig Moffett** presented opposing sides to that probability. First, he said, the FCC's negative stance on the **AT&T-T-Mobile** deal doesn't bode well, yet on the other hand the cable-VZ proposition would help get the **NAB** and others off the Commission's back where spectrum warehousing is concerned. "It has been an embarrassment for the FCC that the cable industry has not yet deployed assets to support the block, and getting that spectrum into use expeditiously would be a clear win for the FCC," said Moffett. As for potential winners and losers due to the sweeping deal, **Clearwire**, fresh off an important financial lifeline from **Sprint (Cfax, 12/2)**, was dealt a setback. Within 6 months, Comcast and TWC will cease selling their branded mobile wireless services offered through Clearwire, a venture that has performed woefully to date. Comcast counts just 30K subs currently and TWC 27K. The pair plus Bright House still own stakes in Clearwire, although in all likelihood they have long since been written down. Sprint suffers by extension, with **BTIG's Richard Greenfield** noting the cable-VZ deal

CableFAX's

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“is a surprising twist and clearly an incremental negative for Sprint and Clearwire.” **DISH**, meanwhile, remains a wild card in the ever-changing wireless world. At the very least, the DBS op’s swaths of MSS and 700MHz spectrum—plans for which have been secretive yet no doubt percolating—receive a boost in value on the deal, said analysts. In fact, Ryvicker believes DISH’s spectrum is now worth approx \$10bln, or \$22/share. Still, questions surrounding how DISH will proceed with its wireless assets endure. A speculated affiliation between DISH and VZ now appears dead, with Moffett saying DISH “would now seem a more likely partner for T-Mobile, which will be even more desperately in need of spectrum if the AT&T deal crumbles, and Dish could potentially be a logical partner for AT&T as well.” One thing seems a certainty: additional major changes in the wireless space going forward.

On the Hill: That was quick. The Cyber Intelligence Sharing and Protection Act, introduced Wed, was approved by the **House Intelligence Committee**. Cable, wireless and phone all like the bipartisan bill, saying it allows for the govt to share info with them about potential threats. “You can’t fix what you don’t know,” **NCTA’s** Michael Powell wrote in a blog post Fri, urging swift passage. -- **Facebook’s** settlement with the **FTC** isn’t the end of privacy concerns. Founder and CEO **Mark Zuckerberg** has been invited to participate in a Dec 14 briefing on children and teen online privacy by the Bi-Partisan Congressional Privacy Caucus. Meanwhile, Caucus co-chair **Ed Markey** (D-MA) wants the FTC to investigate software company Carrier IQ and whether it’s secretly collecting users’ personal info, such as the content of text messages.

5Qs with Nancy Kanter, Disney Junior Worldwide gm and svp, original programming: *With Disney Junior set to debut early next year as a 24/7 preschool network, replacing SOAPnet, we spoke with Kanter about the long-anticipated launch. (On Fri, Disney announced Daytime pres Brian Frons will depart when his contract expires in Jan and “try something new.” He also oversees SOAPnet.)* **Why did you decide to launch the network now? Do you stand by your decision to not have done so earlier?** About 8 or 9 years ago there was some talk about launching a separate 24-hour channel, but at the time there wasn’t an enormous amount of content that we had created specifically for the preschool audience. At that moment in time, looking at what the cost was for actually launching a brand new channel and given that we really didn’t have the depth of content that we have now, it just didn’t seem to be a wise decision to make. The decision was made to just maintain and hopefully grow the preschool block on Disney Channel, which is what we’ve done in the last 9 or 10 years. The landscape has obviously changed a lot in those 10 years. **How has your success with intl preschool networks influenced the launch?** We started doing that internationally (where the cost to launching those channels was less) quite a number of years ago. And we’ve seen tremendous success with those 24-hour channels around the world... You’ve seen the choices for kids’ television growing by leaps and bounds—and the viewing patterns. The viewing levels are highest in parts of the day that aren’t traditionally thought of as children’s television—or at least preschool television hours—which are 5-9 pm. ... [Parents say] that’s a time when I can use television in a way that fits our family life, and kids are very much expecting to find content there at those hours—which we didn’t have when we were just an early morning, afternoon block on Disney Channel in the US. **With Disney Junior replacing SOAPnet, are you making new deals?** It’s going to be a strategy where as deals expire, and we start to renegotiate deals with the cable operators, we’ll slowly build distribution through the deals that are being renewed. For some period of time, there will be SOAPnet as well as Disney Junior available on some cable operators. **Were you influenced by programming research or the market—currently served by your competitors?** Some of both. We definitely did a lot of research with moms and really tried to figure out what their viewing preferences were... We heard loud and clear that yes, there were choices already out there for a full 24-hour service, but that they really thought Disney was a missing a piece of that. They loved the content available in the early part of the day and [said] ‘wouldn’t it be great if we had this all day long?’ **What are your plans to engage preschoolers on the digital front?** If you ever come across a 2- or 5-year-old with an iPad, they are as proficient with it as anybody. They are some of the most successful apps out there because this has become sort of a must-have for parents. We’re looking at digital across the board... You just can’t afford to be only looking at it from a television broadcast perspective anymore. *More from the Q&A at cablefax.com.*

Programming: With the **NBA** season still expected to tip off Christmas Day, **TNT** and **ESPN/ABC** announced their respective holiday features. TNT’s set to present a Celtics-Knicks game at noon ET, preceded by a hour-long edition of “TNT NBA Tip-Off presented by AutoTrader.com.” ESPN has a prime double-header, with Magic-Thunder slated for 8pm ET followed by Clippers-Warriors at 10:30. ABC will feature Heat-Mavericks at 2:30 and Bulls-Lakers at 5pm.

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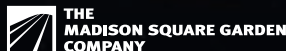
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CableFAX Week in Review

Company	Ticker	12/02 Close	1-Week % Chg	YTD %Chg
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BROADCASTERS/DBS/MMDS

DIRECTV:	DTV	46.82	4.53%	17.26%
DISH:	DISH	26.21	12.63%	33.32%
DISNEY:	DIS	36.61	9.61%	(2.4%)
GE:	GE	16.09	9.23%	(10.16%)
NEWS CORP:	NWS	18.00	7.02%	9.62%

MSOS

CABLEVISION:	CVC	15.14	6.47%	(55.26%)
CHARTER:	CHTR	53.08	4.12%	36.31%
COMCAST:	CMCSA	23.36	10.87%	6.33%
COMCAST SPCL:	CMCSK	23.19	11.01%	11.44%
GCI:	GNCMA	10.04	13.96%	(20.7%)
KNOLOGY:	KNOL	14.27	7.29%	(8.7%)
LIBERTY GLOBAL:	LBTYA	40.38	2.77%	14.13%
LIBERTY INT:	LINTA	15.87	(0.38%)	0.63%
SHAW COMM:	SJR	20.09	2.19%	(6.03%)
TIME WARNER CABLE:	TWC	63.80	10.63%	(3.38%)
VIRGIN MEDIA:	VMED	22.43	0.63%	(17.66%)
WASH POST:	WPO	366.71	9.08%	(16.56%)

PROGRAMMING

AMC NETWORKS:	AMCX	34.66	0.17%	(13.02%)
CBS:	CBS	25.56	9.04%	34.17%
CROWN:	CRWN	1.46	(6.41%)	(44.27%)
DISCOVERY:	DISCA	41.49	6.28%	(0.5%)
GRUPO TELEVISIA:	TV	20.35	7.27%	(21.52%)
HSN:	HSNI	36.36	6.35%	18.63%
INTERACTIVE CORP:	IACI	42.45	8.32%	47.91%
LIONSGATE:	LGF	8.41	0.12%	29.19%
LODGENET:	LNET	2.27	9.13%	(46.59%)
NEW FRONTIER:	NOOF	1.07	(3.6%)	(43.39%)
OUTDOOR:	OUTD	6.86	11.18%	(4.32%)
SCRIPPS INT:	SNL	40.30	7.93%	(22.13%)
TIME WARNER:	TWX	34.41	6.96%	6.96%
VALUEVISION:	VVTV	2.07	23.95%	(66.12%)
VIACOM:	VIA	51.14	2.22%	11.51%
WWE:	WWE	9.88	7.63%	(30.62%)

TECHNOLOGY

ADVANTAGE:	AEY	2.02	1.00%	(35.67%)
ALCATEL LUCENT:	ALU	1.67	12.84%	(43.58%)
AMDOCS:	DOX	28.46	3.34%	3.60%
AMPHENOL:	APH	45.07	8.06%	(14.61%)
AOL:	AOL	14.47	6.16%	(38.97%)
APPLE:	AAPL	389.70	6.19%	20.81%
ARRIS GROUP:	ARRS	10.58	5.59%	(5.7%)
AVID TECH:	AVID	7.60	12.59%	(56.47%)
BLNDER TONGUE:	BDR	1.30	(45.15%)	(38.1%)
BROADCOM:	BRCM	29.99	(1.45%)	(31.14%)
CISCO:	CSCO	18.55	6.55%	(8.3%)
CLEARWIRE:	CLWR	2.14	38.96%	(58.45%)
CONCURRENT:	CCUR	3.40	(5.29%)	(32.81%)
CONVERGYS:	CVG	12.60	8.90%	(4.33%)
CSG SYSTEMS:	CSGS	14.99	7.07%	(20.86%)
ECHOSTAR:	SATS	23.07	2.35%	(7.61%)
GOOGLE:	GOOG	620.36	8.81%	4.44%
HARMONIC:	HLIT	5.31	12.50%	(38.04%)

Company	Ticker	12/02 Close	1-Week % Chg	YTD %Chg
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INTEL:	INTC	24.64	8.55%	17.17%
JDSU:	JDSU	10.91	(0.73%)	(24.65%)
LEVEL 3:	LVLTL	20.45	11.57%	1986.73%
MICROSOFT:	MSFT	25.22	3.06%	(9.64%)
MOTOROLA MOBILITY:	MMI	38.78	0.65%	33.26%
RENTRAK:	RENT	14.24	12.57%	(52.79%)
SEACHANGE:	SEAC	7.45	1.78%	(12.87%)
SONY:	SNE	17.77	9.22%	(50.24%)
SPRINT NEXTEL:	S	2.60	5.26%	(38.53%)
THOMAS & BETTS:	TNB	52.01	7.26%	7.68%
TIVO:	TIVO	9.57	2.03%	10.89%
UNIVERSAL ELEC:	UEIC	16.66	15.94%	(41.28%)
VONAGE:	VG	2.58	0.00%	15.18%
YAHOO:	YHOO	16.05	7.43%	(3.49%)

TELCOS

AT&T:	T	28.96	5.12%	(1.43%)
VERIZON:	VZ	37.85	7.07%	5.79%

MARKET INDICES

DOW:	DJI	12019.42	6.77%	3.82%
NASDAQ:	IXIC	2626.93	6.78%	(0.98%)
S&P 500:	GSPC	1244.28	7.10%	(1.06%)

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. CLEARWIRE:	2.14	38.96%
2. VALUEVISION:	2.07	23.95%
3. UNIVERSAL ELEC:	16.66	15.94%
4. GCI:	10.04	13.96%
5. ALCATEL LUCENT:	1.67	12.84%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. BLNDER TONGUE:	1.30	(45.15%)
2. CROWN:	1.46	(6.41%)
3. CONCURRENT:	3.40	(5.29%)
4. NEW FRONTIER:	1.07	(3.6%)
5. BROADCOM:	29.99	(1.45%)



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