

CableFAX Daily™

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What the Industry Reads First

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Bethpage Bombshell: Cable World Still Digesting Rutledge's Resignation

The phone calls and emails discussing *Tom Rutledge's* surprise resignation went late into the night Thurs and continued Fri morning. Many wondered if **Charter** could be his next stop. Most people we spoke to Fri just couldn't see Rutledge in St Louis. But then again, a lot of people didn't expect **Cablevision** to be running a business in Montana. Or prevailing with its remote-storage DVR. Others worried that Rutledge's departure 2 years before his contract ends, followed so closely by Cablevision cable and comm pres *John Bickham's* resignation, signals that there could be some conflict with the Dolans. We'd heard buzz days before the Rutledge announcement that Jim Dolan might be re-asserting himself on the cable side and that there was possible friction. And still some took stock in Rutledge's own statement that, basically, there's nothing left to do at Cablevision. While the parlor game guessing continues over Rutledge's next step (no one's betting on retirement), one thing is crystal: investors don't like it. CVC shares closed down nearly 8.5% Fri as downgrades came in. Calling the departure the latest in a series of disappointing news from the company, **Bank of America Merrill Lynch** lowered the stock to "underperform" and dropped the price objective to \$10 from \$20. "The company in our view appears to be ill-prepared to fill the significant void left by Mr Rutledge," *Jessica Reif Cohen* wrote in a note to clients. "While we don't anticipate material deviation in operating and financial metrics for the 4Q, this news certainly provides little confidence that the company is about to turn the corner—particularly in light of the fact that the company faces significant competition from **Verizon FiOS** within its footprint." **Miller Tabak** lowered the stock to "neutral" from "buy," taking the short-term target to \$15 from \$22. While Rutledge's departure has opened the floodgates of Cablevision sale chatter, (yes, he's *that* important, wrote **Sanford Bernstein's** *Craig Moffett*), *Moffett* is a skeptic. "Cablevision still isn't truly cheap on an unlevered basis, and of the 2 potential strategic bidders, **Time Warner Cable** has made it clear that they will only buy assets that trade at a discount to their own valuation and **Comcast** still has their hands full trying to integrate NBC," he said. *Moffett* kept Cablevision's "market perform" and \$20 price target, but reiterated that the company's a victim of its own success—which Rutledge and Bickham played a big hand in.

Wireless: All aboard! **Charter** has yet to sign on despite its stated desire, but **Cox** stepped up Fri to forge a wireless deal with **Verizon** that's virtually identical to the telco's new alliance with **Comcast**, **Time Warner Cable** and **Bright**

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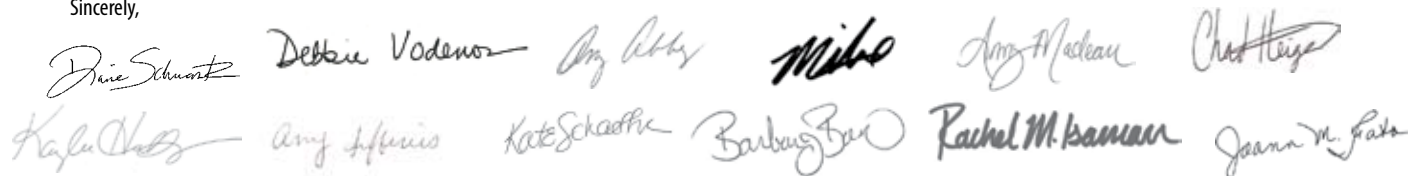
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House (Cfax, 12/5). Cox agreed to sell its AWS spectrum covering 28mln POPs to VZ for \$315mln, and the pair entered a marketing agreement to sell each other's residential and commercial products/services. Cox also receives the option to sell Verizon Wireless' services on a wholesale basis over time. Cox's 700MHz spectrum and its Cox Wireless customer accounts are not included. "These agreements provide Cox customers with key enablers to mobility, such as access to Verizon Wireless' 4G LTE network and iconic wireless devices," said Cox pres *Pat Esser* in a release. "We look forward to the many benefits this will bring to customers." While many analysts anticipated Cox's move, **Free Press** believes the cable/VZ tie-ups are anti-consumer. "Without real competition for cable or mobile phone service, there's no pressure to lower prices or innovate," said policy dir *Matt Wood*. "For consumers that means no choice but skyrocketing prices and onerous contract agreements while the cartel rakes in exorbitant profits." So what's next in the wireless space? **BTIG's** *Walter Peczyk* believes **DirectTV's** launch of a TDD-LTE wireless broadband network in Brazil could portend a strategic move in the US. After DTV saw its LTE aspirations with VZ trumped by last week's cable deal, Peczyk said the DBS op "has a window of opportunity to negotiate a strategic relationship with Clearwire and Sprint while AT&T and T-Mobile are tied up with their transaction and Dish awaits FCC transfer of its wireless licenses."

Penalty Box: **Comcast** CEO *Brian Roberts* will pay a \$500K civil penalty to settle charges he violated premerger reporting and waiting requirements when he acquired Comcast voting securities. "Comcast and Mr. Roberts appreciate the acknowledgement by the **Federal Trade Commission** that this was a technical and inadvertent violation that was self-reported, promptly corrected, and did not involve any financial gain to the company or to Mr. Roberts. We take very seriously our obligations to comply with all aspects of the Hart-Scott-Rodino Act and working with our lawyers we have put in place additional safeguards to ensure that an inadvertent violation does not occur in the future," Comcast said. The HSR Act imposes notification and waiting period requirements on individuals and companies over a certain size before they consummate acquisitions resulting in holding stock or assets above a certain value (currently \$66mln). According to a complaint filed by **DOJ's** Antitrust div, at the request of the FTC, Roberts failed to comply with the antitrust premerger notification rules of the Act before acquiring voting securities of Comcast as part of his compensation as chmn/CEO beginning in Oct '07, which resulted in him holding more than \$119.5mln of Comcast stock. He made a corrective filing for Comcast voting securities he acquired in Aug '09. It's the 1st time he has been charged with an HSR Act violation, but he had made corrective filings twice previously, asserting that the failures to file and observe the waiting period were inadvertent.

Retrans: With retrans season upon us and nothing doing on **FCC** retrans reform, Sen *Jim DeMint* (R-SC) and Rep *Steve Scalise* (R-LA) have introduced a comprehensive video bill that tackles the issue. "Over the last several decades, communications and entertainment technology has become more advanced, while the laws governing the industry have remained relatively unchanged," Scalise said. The legislation would repeal retrans consent provisions and the Copyright Act's compulsory license provisions, as well as repeal the ownership limits imposed on local media operators. Additionally, it would strike mandatory carriage of certain broadcast signals by MVPDs. Predictably, **NAB** doesn't like it; **ACA** does.

Intl: After completing its purchase of **HM Capital Partners'** majority interest in **Fox Pan American Sports, Fox Intl Channels** plans to launch **Fox Sports** in Brazil in Feb. As such, *Carlos Martinez* was upped to pres. FIC Latin America and *Emiliano Saccone* was named pres, ent for the div. -- New HD net **ESPN3** launched as the 1st all-sports online simulcast of an ESPN linear network in Spanish-speaking Latin America.

Funny Time: As broadcasters continue to dominate the comedy categories on the awards circuit, **USA** is ramping its commitment to the genre with the hire of *Melanie Frankel* as vp, original comedy series. Frankel comes from **ABC Studios** at a time when USA has greenlit 2 comedic pilots: *Nathan Lane* will star in an untitled project and "Paging Dr. Freed" follows 2 brothers who take over their father's medical practice after his untimely death. "We feel lucky to have found someone with Melanie's keen instincts, depth of experience and collaborative spirit as we create our own distinctive brand of comedy with the most talented minds in the genre," said USA svp, original scripted programming *Bill McGoldrick* in a release.

Programming: **Univision** acquired the exclusive US TV and digital rights to the home games of 4 additional **Liga Mexicana** soccer teams, bringing to 12 of 18 the number of league teams for which it has exclusive rights and resulting in a total of 204 matches/year plus playoff matchups.

Oops: The increase in female employees between **WICT's** '09 and '11 PAR results was 7%, rather than 9%.

CableFAX Week in Review

| Company | Ticker | 12/16 Close | 1-Week % Chg | YTD %Chg |
|------------------------------|--------|-------------|--------------|----------|
| BROADCASTERS/DBS/MMDS | | | | |
| DIRECTV: | DTV | 42.10 | (8.6%) | 5.43% |
| DISH: | DISH | 25.78 | (0.19%) | 31.13% |
| DISNEY: | DIS | 35.32 | (3.39%) | (5.84%) |
| GE: | GE | 17.01 | 1.01% | (5.03%) |
| NEWS CORP: | NWS | 17.62 | (1.89%) | 7.31% |
| MSOS | | | | |
| CABLEVISION: | CVC | 12.75 | (10.4%) | (62.32%) |
| CHARTER: | CHTR | 54.52 | 2.98% | 40.01% |
| COMCAST: | CMCSA | 23.33 | 2.87% | 6.19% |
| COMCAST SPCL: | CMCSK | 23.15 | 2.71% | 11.24% |
| GCI: | GNCMA | 10.56 | 3.94% | (16.59%) |
| KNOLOGY: | KNOL | 14.11 | (1.19%) | (9.72%) |
| LIBERTY GLOBAL: | LBTYA | 39.58 | (0.45%) | 11.87% |
| LIBERTY INT: | LINTA | 15.43 | (3.62%) | (2.16%) |
| SHAW COMM: | SJR | 19.03 | (4.42%) | (10.99%) |
| TIME WARNER CABLE: | TWC | 62.21 | (0.42%) | (5.79%) |
| VIRGIN MEDIA: | VMED | 20.95 | (1.32%) | (23.09%) |
| WASH POST: | WPO | 353.79 | 2.55% | (19.5%) |
| PROGRAMMING | | | | |
| AMC NETWORKS: | AMCX | 36.49 | 0.66% | (8.43%) |
| CBS: | CBS | 24.84 | (6.76%) | 30.39% |
| CROWN: | CRWN | 1.17 | (14.6%) | (55.34%) |
| DISCOVERY: | DISCA | 40.17 | (4.15%) | (3.67%) |
| GRUPO TELEVISIA: | TV | 20.07 | (4.7%) | (22.6%) |
| HSN: | HSNI | 36.28 | (3.92%) | 18.37% |
| INTERACTIVE CORP: | IACI | 41.53 | (0.6%) | 44.70% |
| LIONSGATE: | LGF | 8.39 | (2.67%) | 28.88% |
| LODGENET: | LNET | 2.39 | 5.29% | (43.76%) |
| NEW FRONTIER: | NOOF | 1.10 | (0.9%) | (41.8%) |
| OUTDOOR: | OUTD | 7.22 | (2.7%) | 0.70% |
| SCRIPPS INT: | SNI | 41.79 | (1%) | (19.25%) |
| TIME WARNER: | TWX | 34.59 | (0.03%) | 7.52% |
| VALUEVISION: | VVTV | 1.82 | (14.15%) | (70.21%) |
| VIACOM: | VIA | 47.36 | (3.47%) | 3.27% |
| WWE: | WWE | 9.55 | (8.79%) | (32.94%) |
| TECHNOLOGY | | | | |
| ADVANTAGE: | AEY | 2.09 | 3.47% | (33.44%) |
| ALCATEL LUCENT: | ALU | 1.48 | (13.45%) | (50%) |
| AMDOCS: | DOX | 27.48 | (1.89%) | 0.04% |
| AMPHENOL: | APH | 41.62 | (7.45%) | (21.14%) |
| AOL: | AOL | 14.05 | 0.50% | (40.74%) |
| APPLE: | AAPL | 381.02 | (3.2%) | 18.12% |
| ARRIS GROUP: | ARRS | 10.23 | (2.94%) | (8.82%) |
| AVID TECH: | AVID | 7.81 | 1.56% | (55.27%) |
| BLNDER TONGUE: | BDR | 1.20 | (49.37%) | (42.86%) |
| BROADCOM: | BRCM | 28.72 | (5.18%) | (34.05%) |
| CISCO: | CSCO | 17.94 | (4.98%) | (11.32%) |
| CLEARWIRE: | CLWR | 2.09 | (2.79%) | (59.42%) |
| CONCURRENT: | CCUR | 3.42 | 0.29% | (32.41%) |
| CONVERGYS: | CVG | 12.41 | (1.9%) | (5.77%) |
| CSG SYSTEMS: | CSGS | 14.47 | (4.11%) | (23.6%) |
| ECHOSTAR: | SATS | 20.72 | (9.83%) | (17.02%) |
| GOOGLE: | GOOG | 625.96 | (0.23%) | 5.39% |
| HARMONIC: | HLIT | 5.03 | (5.09%) | (41.31%) |

| Company | Ticker | 12/16 Close | 1-Week % Chg | YTD %Chg |
|-----------------------|--------|-------------|--------------|----------|
| INTEL: | INTC | 23.23 | (7.12%) | 10.46% |
| JDSU: | JDSU | 9.53 | (11.76%) | (34.19%) |
| LEVEL 3: | LVLT | 17.61 | (4.24%) | 1696.94% |
| MICROSOFT: | MSFT | 26.00 | 1.17% | (6.84%) |
| MOTOROLA MOBILITY: | MMI | 38.70 | (0.44%) | 32.99% |
| RENTRAK: | RENT | 13.47 | (8.86%) | (55.34%) |
| SEACHANGE: | SEAC | 7.18 | (9%) | (16.02%) |
| SONY: | SNE | 17.31 | (5.31%) | (51.53%) |
| SPRINT NEXTEL: | S | 2.25 | (13.46%) | (46.81%) |
| THOMAS & BETTS: | TNB | 52.87 | (0.97%) | 9.46% |
| TIVO: | TIVO | 8.90 | (8.72%) | 3.13% |
| UNIVERSAL ELEC: | UEIC | 16.53 | 1.35% | (41.73%) |
| VONAGE: | VG | 2.36 | (8.53%) | 5.36% |
| YAHOO: | YHOO | 14.96 | (6.15%) | (10.04%) |
| TELCOS | | | | |
| AT&T: | T | 28.85 | (0.62%) | (1.8%) |
| VERIZON: | VZ | 38.78 | 0.91% | 8.38% |
| MARKET INDICES | | | | |
| DOW: | DJI | 11866.39 | (2.61%) | 2.50% |
| NASDAQ: | IXIC | 2555.33 | (3.46%) | (3.68%) |
| S&P 500: | GSPC | 1219.66 | (2.83%) | (3.02%) |

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

| COMPANY | CLOSE | 1-WK CH |
|---------------|-------|---------|
| 1. LODGENET: | 2.39 | 5.29% |
| 2. GCI: | 10.56 | 3.94% |
| 3. ADVANTAGE: | 2.09 | 3.47% |
| 4. CHARTER: | 54.52 | 2.98% |
| 5. COMCAST: | 23.33 | 2.87% |

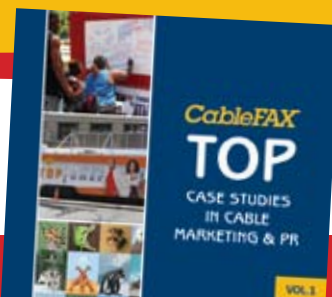
THIS WEEK'S STOCK PRICE LOSERS

| COMPANY | CLOSE | 1-WK CH |
|--------------------|-------|----------|
| 1. BLNDER TONGUE: | 1.20 | (49.37%) |
| 2. CROWN: | 1.17 | (14.6%) |
| 3. VALUEVISION: | 1.82 | (14.15%) |
| 4. SPRINT NEXTEL: | 2.25 | (13.46%) |
| 5. ALCATEL LUCENT: | 1.48 | (13.45%) |

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