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What the Industry Reads First

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Charter's Rutledge: CEO on Spectrum's Roll Out, Set-Tops, Broadband Plan

A day after **Spectrum** rolled out its new pricing and packaging in 2 markets, **Charter** chmn/CEO *Tom Rutledge* made an appearance at **Goldman Sachs** 25th Annual Communacopia Conference to talk about the company's roll out, programmers, set-tops and more. On Tues Spectrum services were launched in L.A. and Southern CA as well as all its operations in TX. "Today we can represent ourselves to our customers as a unified company," he said. Spectrum is coming to NYC later this fall and about 40% of the country by the end of the year. By March, the new product and pricing will be available across Charter's nationwide footprint. The strategy: "The main objective is to put a high value product in the package," he said. "Our video product is the best video service you can get," and superior to satellite, he said. The next part entails upping Internet speeds. In L.A., for instance, the minimum speed is 100 Mbps for Spectrum packages, "about 15 times faster than **AT&T's** service." With voice, it's about making it a flat, low rate, with then creating a package compelling enough for non subs to change providers. Commenting briefly on Charter's ability to achieve synergies from programming cost savings, despite current disagreements, Rutledge said "we expect the efficiencies that we said we would. There are operating efficiencies, too, and we've actually said that we've found more synergies than we thought we would, faster, so far, in other areas of the company... but in terms of programming, we're about where we expected they would be." The CEO warned that security of product is an issue for the industry. "First things first, you need to make sure whatever you're selling is available only when somebody buys it... that it goes to the right place, the right household, and under the right conditions and terms of sale. And that's not happening today." So if you have a better product with poor controls on it, "you're changing the valuation of the core product." Rutledge also said that though OTT services "all have their limitations" in his view, the company is trying to integrate services such as **Netflix** into its offering. "Our primary objective is to follow the customer wherever they go," give them all the services that they want, and to integrate it all into a common interface. Rutledge also had some thoughts on the **FCC's** set-top box proposal. It's "a big regulatory solution with a very confusing concept of having a licensing body... it's also potentially a copyright problem for content companies and the potential for having content ripped apart and used by other parties like manufacturers of hardware and software that might want to use information from the content to sell advertising or to encapsulate the content with the additional programming and advertising... So

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it could be a potential steal of lots of valuable copyrighted material, so in some ways it's industrial policy but it's a very complicated regulatory intervention in a market that's actually working." Meanwhile, Rutledge says he's working with **Verizon** on activating Charter's MVNO agreement, and the MSO is talking to other companies about MVNOs as well. On facing competition from telcos, he said "we are building faster speeds faster than they are. And we have a pathway on our existing infrastructure to get to 10 gig symmetrical service to every house... We have a vision where we're going to take speeds up to dramatically higher rates over the next 5 years, and virtual reality will become the way we work and play, and high speed low latency networks with high compute capabilities are what we're going to provide."

Modems and Set-Tops: The latest salvo in the set-top saga isn't over the proposed licensing construct, but a provision "deep within the proposal" that would require all ISPs to charge a modem rental fee and include a distinct line on customers' bills, **Charter** said in a blog post Wed. Charter is taking on this issue as the only major provider that does not charge such a fee. The **FCC** sees this more as an issue of transparency—arguing that modem costs are bundled into the price customers are paying overall. "As part of the proposal, all pay-TV providers are required to be fully transparent about the cost consumers pay for leased equipment used to access video programming. The goal is to uncover hidden fees and give consumers the ability to make informed choices," an FCC spokesperson said. "If a consumer chooses to purchase their own equipment at retail, our rules would require they no longer have to pay for the built-in cost on their bill. We look forward to input from the Commissioners on this aspect of the proposal." A Charter spokesperson rebuffed the idea that the company isn't being transparent. "Our pricing is competitive and comparable to other providers. And then in addition they charge a modem fee of around \$10. Our service isn't \$10 more expensive. We don't bake it in, we include it as part of the service," the spokesperson said. In an ex parte, it noted the FCC previously prohibited the MSO from charging such a modem fee for the low-income broadband service it will soon offer. Charter's been scrutinized over modems by the FCC previously. The same day its **Time Warner Cable** transaction was approved at the FCC, the agency's Media Bureau entered into a consent decree to resolve its investigation into whether Charter prevented the connection of customer-owned cable modems to its network without determining whether they posed a harm. Charter agreed to adopt a 3-year compliance plan with reporting requirements and will make a settlement payment of \$640K. The modem fee in the set-top plan has caught the attention of MD State Senate Majority Leader *Catherine Pugh*, Democratic mayoral primary winner for Baltimore. In a *Huffington Post* piece this week, she called on the FCC to reverse course. "Rather than punishing providers by forcing them to charge a fee, the FCC should push other large internet providers to meet the challenge and eliminate these unnecessary fees. Instead, the FCC has opted to create new fees for consumers," she wrote. Meanwhile, **Public Knowledge** released a video Wed in favor of the FCC's set-top plan. The video shows toys locked in a "cable box" and says cable is trying to move "from a monopoly box to a monopoly app."

Evolving Viacom: **Viacom** continues its state of flux, with interim pres/CEO *Tom Dooley* to depart the company by Nov 15 (he'll earn \$4.375m by not resigning before that date, according to an **SEC** filing). His departure was part of a quartet of announcements Wed, including that it will no longer search for a minority investor in **Paramount**. Viacom also is slashing its dividend to 20 cents from 40 cents, and it expects adjusted diluted EPS of 65-75 cents in fiscal 4Q—reflecting a \$115m impairment charge in the filmed entertainment segment related to the expected performance of an unreleased film. Analysts were expecting something more in the 90-cent range. **Telsey Advisory Group** analysts expect another shoe to drop. "While we welcome the hiring of a new CEO with creative or relevant media company experience (such as *Jeffrey Katzenberg* or *Tom Staggs*), that might not be enough to forestall an S&P downgrade," they said in a research note, adding they expect to reduce FY16 estimates. **MoffettNathanson** already shifted its EPS for the year at \$3.65, 33% lower than FY2015, estimating that 90% of the declines are from Paramount ("which should really be sold") and a rollback on the selling of SVOD content ("a smart, long-term decision").

LTE-U: The **Wi-Fi Alliance** released a test plan for ensuring LTE-U devices can show that they can share unlicensed spectrum fairly. It was developed with companies from several industries including the LTE-U and WiFi industries. Cable sounded hopeful about the plan, which will have the Alliance qualifying independent test labs to conduct the test regimen. "This test plan represents a year of hard work by the Wi-Fi Alliance and by a diverse group of industry stakeholders, all of whom made significant compromises to reach a final result based on sound engineering principles," NCTA said. "Although

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the details of test plan execution at each lab remain important, **NCTA** urges the FCC to rely on test results that implement the Wi-Fi Alliance plan in its entirety in deciding whether to approve LTE-U devices.”

Shentel Support: Shentel will support the vice presidential debate on Oct 4 at Longwood University by providing a 10 gigabit fiber optic Internet connection. It will also increase the number of video outlets and associated services to provide video services for viewing parties across the community. Additionally, Shentel has partnered with **C-SPAN** for the Campaign 2016 tour bus to visit students at Prince Edward High school and Hampden-Sydney College leading up to the debate.

Programming: Univision plans to show Mon's presidential debate live with simultaneous Spanish translation on the flagship net, Univision.com, the Univision and Univision Noticias apps, Facebook.com/UnivisionPolítica, UnivisionNOW, Univision Noticias' YouTube channel, Periscope, and Snapchat Live. It will also live stream in English on Univision.com.

People: Discovery Comm named Michael Bishara as svp, gm for OTT & digital syndication. He previously served as svp, digital products & gm of OTT and TVE for Synacor. -- NBCU Telemundo hired Fox Intl Channels Latin America exec Erika Estrada Boden as vp, business and legal affairs.

Cablefax Daily Stockwatch

| Company | 09/21 Close | 1-Day Ch | Company | 09/21 Close | 1-Day Ch |
|------------------------------|----------------|-------------|------------------------|----------------|-------------|
| BROADCASTERS/DBS/MMDS | | | | | |
| DISH:..... | 53.25 | 0.92 | INTEL:..... | 37.45 | 0.31 |
| ENTRAVISION:..... | 7.35 | 0.07 | INTERACTIVE CORP:..... | 61.58 | 0.98 |
| GRAY TELEVISION:..... | 10.03 | 0.03 | LEVEL 3:..... | 48.41 | 0.31 |
| MEDIA GENERAL:..... | 17.80 | 0.10 | MICROSOFT:..... | 57.76 | 0.95 |
| NEXSTAR:..... | 52.55 | 0.52 | NETFLIX:..... | 94.88 | (3.37) |
| SINCLAIR:..... | 25.91 | (0.08) | NIELSEN:..... | 52.33 | (0.08) |
| TEGNA:..... | 20.88 | 0.34 | SEACHANGE:..... | 2.82 | 0.01 |
| MSOS | | | | | |
| CABLE ONE:..... | 578.34 | 8.27 | SONY:..... | 33.43 | 0.97 |
| CHARTER:..... | 274.27 | 9.71 | SPRINT NEXTEL:..... | 6.36 | 0.15 |
| COMCAST:..... | 67.16 | 0.93 | SYNACOR:..... | 2.97 | 0.01 |
| GCI:..... | 13.35 | (0.08) | UNIVERSAL ELEC:..... | 76.42 | 2.73 |
| LIBERTY BROADBAND:..... | 70.34 | 1.46 | VONAGE:..... | 6.47 | 0.19 |
| LIBERTY GLOBAL:..... | 33.50 | 0.45 | YAHOO:..... | 44.14 | 1.35 |
| SHAW COMM:..... | 20.11 | 0.20 | TELCOS | | |
| SHENTEL:..... | 27.04 | 0.78 | AT&T:..... | 40.57 | 0.61 |
| PROGRAMMING | | | | | |
| 21ST CENTURY FOX:..... | 24.00 | 0.11 | CENTURYLINK:..... | 26.92 | 0.17 |
| AMC NETWORKS:..... | 51.42 | 0.47 | FRONTIER :..... | 4.13 | (0.08) |
| CBS:..... | 50.08 | 0.11 | TDS:..... | 27.14 | 0.44 |
| DISCOVERY:..... | 24.53 | 0.26 | VERIZON:..... | 51.87 | 0.60 |
| DISNEY:..... | 92.39 | (0.56) | MARKET INDICES | | |
| GRUPO TELEVISIA:..... | 24.77 | 0.39 | DOW:..... | 18293.70 | 163.74 |
| HSN:..... | 38.53 | 0.41 | NASDAQ:..... | 5295.18 | 53.83 |
| LIONSGATE:..... | 20.97 | 0.57 | S&P 500:..... | 2163.12 | 23.36 |
| MSG NETWORKS:..... | 18.20 | 0.13 | | | |
| SCRIPPS INT:..... | 59.82 | 0.15 | | | |
| STARZ:..... | 31.58 | 0.42 | | | |
| TIME WARNER:..... | 76.66 | 1.26 | | | |
| VIACOM:..... | 40.51 | 0.02 | | | |
| WWE:..... | 20.23 | 0.87 | | | |
| TECHNOLOGY | | | | | |
| ADDVANTAGE:..... | 1.77 | (0.05) | | | |
| AMDOCS:..... | 59.05 | 0.10 | | | |
| AMPHENOL:..... | 64.90 | 0.77 | | | |
| APPLE:..... | 113.55 | (0.02) | | | |
| ARRIS GROUP:..... | 28.90 | 0.41 | | | |
| AVID TECH:..... | 7.79 | 0.41 | | | |
| BLNDER TONGUE:..... | 0.59 | 0.04 | | | |
| CISCO:..... | 31.36 | 0.26 | | | |
| COMMSCOPE:..... | 30.64 | (0.19) | | | |
| CONCURRENT:..... | 5.53 | UNCH | | | |
| CONVERGYS:..... | 29.42 | 0.36 | | | |
| CSG SYSTEMS:..... | 43.74 | 0.90 | | | |
| ECHOSTAR:..... | 40.11 | 0.44 | | | |
| GOOGLE:..... | 776.22 | 4.81 | | | |
| HARMONIC:..... | 4.76 | 0.11 | | | |

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