

CableFAX Daily™

Thursday — September 24, 2009

What the Industry Reads First

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Tech Talk: Arris Looking to Offer Multimedia Gateway with Digeo Deal

The news that **Arris** is acquiring *Paul Allen's Digeo* for approx \$20mln cash and is working on its own multimedia gateway offering IP-based video, voice, and data may sound like yet another attempt to penetrate the **Motorola** and **Cisco** video stronghold. After all, how many players have we seen try and fail in the space? But give Arris credit for having successfully challenged the 2 in its core product areas of voice and HSD. In 2Q, Arris overtook Cisco in world-wide CMTS market share, with 47% share. "We think there's a discontinuity over the next several years as the networks migrate to an IP infrastructure from the architecture there in today and it will follow a similar evolution to both the voice and high-speed data industries," said *Bruce McClelland*, Arris Broadband Comm Systems pres. "It will open up. It will become an open standards environment, where it's a more competitive playing field. We're not afraid to compete in that space." Investors were skittish Wed, with Arris shares closing down about 8.5%. **CL King** cut its rating to "accumulate" from "strong buy," saying the deal raises Arris' risk profile. The purchase raises the company's R&D investment by \$3mln per quarter, increasing its total by 10%. Arris will support, augment and look to extend the 300K active Digeo boxes deployed with cable operators (primarily with **Charter**, but **Time Warner Cable**, **Comcast**, **BendBroadband** and others have some as well). It also will keep the newly launched retail line going. "One of the things that attracted us to the fledgling retail business... is the ability to get direct consumer feedback. That's really a piece we don't have today," McClelland said. We're sure the price also was attractive, with more than \$110mln reportedly being sunk into Digeo. Having already downsized staff and products last year, Arris inherits about 75 employees located in Kirkland, WA. That's all but about 10 Digeo staffers, Diego CEO *Greg Gudorf* told us. The deal is expected to close in early 4Q. Earlier this month, Arris announced its acquisition of certain assets of video encoding-systems vendor **EGT** for \$6.5mln.

Game, Set, Match: Now that the US Open has closed, **Tennis Channel** is going to let **Cablevision** carry the channel "for now." The net said it will grant signal access to the MSO effective Thurs under the **NCTC** agreement. That means Cablevision can put it on its sports tier—something Tennis was trying to avoid. "We remain deeply concerned about Cablevision's tactic of using our agreement with NCTC to undermine the parties' longstanding negotiations and to carry Tennis Channel on terms that do not serve the interests of its customers," Tennis said in a statement. It also said

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Debbie Vodenos, Publisher; 301-354-1695; dvodenos@accessintel.com
Erica Gottlieb, Account Manager; 212-621-4612; egottlieb@accessintel.com

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that NCTC has “transformed itself from a small-operator buying cooperative into an entity that reaches 26.7mln cable subscribers,” which is more than the number reached by largest US operator **Comcast**. Besides Cablevision, NCTC counts top 5 MSOs **Cox** and **Charter** as members. “These actions have industry-wide ramifications and should be addressed by the appropriate regulatory authorities,” Tennis concluded. Cablevision’s response to the news Wed: “We welcome the Tennis Channel to the iO Sports Pak. It is unfortunate that the leadership of the Tennis Channel decided to withhold its programming until now, denying our customers the ability to receive its U.S. Open coverage, but we look forward to now making it available to any Cablevision customer who wants to receive it.” NCTC said it was pleased CVC customers would have access to the net. A refresher on the feud: In the weeks leading up to the US Open, Tennis launched a \$500K-\$1mln media campaign aimed at CVC’s lack of carriage and attempts to relegate it to a sports tier. The MSO fired back on Aug 26 by announcing that it has a deal to tier the channel through NCTC. Tennis refused to grant CVC access to the signal, saying it was evaluating what steps to take.

Going Digital: Cablevision has asked the **FCC** to allow it to encrypt its basic service tier in the NYC franchise area. Every NYC tier except broadcast basic already is all-digital, with CVC arguing that a waiver to FCC rules prohibiting encryption of the tier will “reduce costs, improve customer service, reduce fuel consumption and CO2 emissions and have virtually no negative impact on customers.” CVC said the waiver would let it activate and terminate service without appointments and enhance security of the network. The FCC rule was created to limit additional cost/equipment for consumers, but CVC argued the issue is moot because nearly all of its subs will have either a digital set-top or CableCARD-equipped device to view digital programming, and by extension, encrypted programming. Still, some subs with TV sets with digital cable tuners who subscribe only to broadcast basic would be affected and have to buy or rent a set-top or CableCARD. Cablevision pegs those impacted at no more than 1%. The Media Bureau is seeking comments, which are due Oct 22.

Competition: FiOS TV agreed to launch next week **NBA TV** and **NBA League Pass**. The net will be available within the service’s most popular package, Extreme HD, and Pass, offering 40 out-of-market games/week, will be offered for a seasonal price of \$169 through Nov 4 (\$189 after).

In the States: BendBroadband’s preparing to bow 2 new HSD tiers as part of its footprint-wide DOCSIS 3.0 rollout, a Platinum service offering up to 60Mbps and starting \$90/month and a Gold service offering up 25Mbps and starting at \$45/month. Both will be available to residential and business customers. Also, the MSO intro’d a new dog logo because “just like a loyal dog, we live to earn [customers’] trust through reliable and responsive service.” No word if the pooch is supposed to be a speedy greyhound. -- *Working Mother* named its 100 Best Companies, of which 100% offer telecommuting and flextime schedules, 98% offer job-sharing, 94% offer compressed workweeks and 86% provide backup care. Making the list were **Discovery Comm**, **Turner** and **Verizon**. -- **Canoe Ventures** and the **VCU Brandcenter** have partnered to support the university’s push to foster innovation by teaching grad students how to apply new TV technologies. Interactive TV advertising will become a bigger part of the school’s curriculum, and Canoe established a scholarship fund.

Ratings: *Peyton Manning*’s passing prowess helped **ESPN**’s MNF deliver an 11/10.85mln and 14.7mln viewers this week, the 2nd straight in which the telecast established an ’09 cable record among HHs and total viewers. And the net’s football ratings frenzy doesn’t stop at the pro level. College pigskin games are averaging a 2.7/2.67mln (+30%) and 3.64mln total viewers (+34%), and “College GameDay” has so far delivered healthy increases among HHs (+18%) and

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Jamie Cuthbert, A&E
Tom Eagan, Collins Stewart
Matthew Emans, Navic
Marc Goldstein, Group M
Peggy Green, Zenith Media
Joshua Herman, Axiom
Michael Kubin, Invidi
Steve Lanzano, MPG
Kris Magel, Initiative USA
Guy McCarter, Green Room Entertainment
Craig Moffett, Sanford Bernstein
Mitch Oscar, MPG
Mark Owens, Vanguard Entertainment
Beth Rockwood, Discovery Channel
Marci Ryvicker, Wells Fargo Securities
Jon Stimmel, Unilever
Steve Sturm, Toyota
Spencer Wang, Credit Suisse
Alan Wurtzel, NBCU
Linda Yaccarino, Turner Entertainment
John Zamoiski, NMA Entertainment & Marketing
Pam Zucker, MediaVest

*Subject to change

Forum Snapshot

When: October 6, 2009
8 a.m. - 5 p.m.

Where: Concierge Conference Center, NYC

Questions: Contact Saun Sayamongkhun at ssayamongkhun@accessintel.com or (301) 354-1610.

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BUSINESS & FINANCE

total viewers (+19%). Not surprisingly, these viewership vaults helped ESPN again win prime last week, with a 3.4/3.35m. **USA** took 2nd (2.5/2.51m), followed by **Fox News** (2.1/2.00m), **Disney** (1.9/1.91m) and **Nick at Nite** (1.3/1.33m).

Obit: Fox Cable vp, advanced services *Will Flannery* passed away suddenly Fri. He was 38. Survivors include his wife *Kristin Torgen Flannery* and daughters *Sarah* and *Norah*. In lieu of flowers, donations to be held in trust for Flannery's daughters may be made to the "Sarah and Norah Flannery Scholarship Fund," c/o *Ken Teshima, Teshima & Assoc*, 2215 West 190th St, Torrance, CA 90504. Flannery was responsible for the day-to-day distribution activities of advanced television services (including HD, interactivity and VOD) for Fox's 36 nets.

People: **Sundance Channel** tapped former **Syfy** exec *Shari Weisenberg* as svp, marketing. She fills the post vacated by *Sarah Barnett* in Apr when she assumed the role as net evp/gm. -- **Cablevision** appointed *P. Kevin Smith* svp/chief security officer.

Business/Finance: Rumored to be mulling an outright bid for **Sprint**, **Deutsche Telekom** may be more likely preparing to pay big bucks for access to **Clearwire's** wireless spectrum, **Bloomberg** reports. The purchase would give Deutsche's **T-Mobile USA** an important avenue to 4G and infuse Clearwire with the money it needs for network expansion.

CableFAX Daily Stockwatch

Company	09/23 Close	1-Day Ch	Company	09/23 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	36.05	0.32	AMPHENOL:	38.50	(0.63)
DIRECTV:	26.66	(0.62)	APPLE:	185.50	1.02
DISH:	18.43	(0.57)	ARRIS GROUP:	12.53	(1.16)
DISNEY:	28.08	(0.3)	AVID TECH:	14.82	(0.09)
GE:	17.00	(0.01)	BIGBAND:	4.14	0.04
NEWS CORP:	14.04	(0.4)	BLNDER TONGUE:	1.15	(0.03)
MSOS					
CABLEVISION:	24.18	(0.89)	BROADCOM:	30.61	(0.16)
COMCAST:	16.84	(0.37)	CISCO:	22.80	(0.61)
COMCAST SPCL:	16.15	(0.42)	CLEARWIRE:	8.71	(0.26)
GCI:	6.93	0.05	COMMSCOPE:	31.78	(1.07)
KNOLLOGY:	8.30	0.12	CONCURRENT:	4.76	(0.19)
LIBERTY CAPITAL:	21.08	(0.49)	CONVERGYS:	11.26	0.04
LIBERTY ENT:	30.17	(0.68)	CSG SYSTEMS:	15.75	0.02
LIBERTY GLOBAL:	23.83	(0.63)	ECHOSTAR:	18.69	(0.47)
LIBERTY INT:	11.01	(0.33)	GOOGLE:	498.46	(0.6)
MEDIACOM:	5.38	(0.29)	HARMONIC:	6.85	0.03
RCN:	9.60	0.01	INTEL:	19.88	0.35
SHAW COMM:	17.95	(0.15)	JDSU:	7.55	(0.35)
TIME WARNER CABLE:	42.08	(0.25)	LEVEL 3:	1.41	(0.05)
VIRGIN MEDIA:	12.98	(0.12)	MICROSOFT:	25.71	(0.06)
WASH POST:	454.40	(7.2)	MOTOROLA:	8.49	(0.23)
PROGRAMMING					
CBS:	12.09	(0.56)	OPENTV:	1.38	(0.02)
CROWN:	2.02	(0.04)	PHILIPS:	25.13	(0.32)
DISCOVERY:	28.86	(0.69)	RENTRAK:	17.82	(0.27)
EW SCRIPPS:	7.32	(0.42)	SEACHANGE:	7.39	(0.09)
GRUPO TELEVISA:	18.27	(0.42)	SONY:	28.15	(0.22)
HSN:	14.37	0.29	SPRINT NEXTEL:	4.14	(0.15)
INTERACTIVE CORP:	20.84	0.35	THOMAS & BETTS:	28.91	(0.22)
LIBERTY:	34.28	(0.4)	TIVO:	10.62	0.07
LODGENET:	6.37	0.08	TOLLGRADE:	5.91	0.43
NEW FRONTIER:	2.18	(0.01)	UNIVERSAL ELEC:	20.59	0.22
OUTDOOR:	6.99	0.03	VONAGE:	1.40	(0.04)
PLAYBOY:	3.01	0.08	YAHOO:	17.21	0.35
RHI:	3.27	(0.01)	TELCOS		
SCRIPPS INT:	37.11	(0.3)	AT&T:	27.13	0.63
TIME WARNER:	29.38	(0.76)	QWEST:	3.59	0.06
VALUEVISION:	3.69	(0.22)	VERIZON:	29.88	0.37
VIACOM:	28.86	(0.62)	MARKET INDICES		
WWE:	14.09	(0.22)	DOW:	9748.55	(81.32)
TECHNOLOGY					
3COM:	4.78	0.01	NASDAQ:	2131.42	(14.88)
ADC:	8.26	(0.41)			
ADVANTAGE:	2.15	0.09			
ALCATEL LUCENT:	4.46	(0.05)			
AMDOCS:	26.95	(0.12)			

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