Broadcast Industry Environment

TresVista

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Broadcast Industry Environment

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Macroeconomic Overview

Highlights

- 2007 has seen major correction in the housing sector, therefore restraining economic growth
  - Slower growth in housing will dampen growth in consumer spending
- Energy prices are expected to remain high in the intermediate future, fostering inflationary pressures
- Nominal GDP growth has been decelerating since 2004
  - Growth in 2006 was 6.5% compared to only 4.9% expected in 2007
  - GDP is expected to grow at a CAGR of 4.8% from 2007 through 2012
- The current – account deficit is unlikely to shrink in the near term, although it may fall as a percent of GDP
- The US dollar is at 10 year lows versus major global currencies and is expected to remain weak
- For 2007, the National Retail Federation forecasted the smallest increase in holiday retail sales since 2002, citing increasing anxiety related to the strength of consumer spending in the wake of the turbulence in the credit markets, a continued housing slump, and an uncertain job market
- On September 18, 2007, the Federal Reserve announced a rate cut of 50 basis points, 25 basis points more than expected
  - This may help stop the spreading of the credit crunch in the economy and encourage increased business investment

Discretionary spending by middle – income shoppers has been hit by the stumbling housing market. Rising prices for food and gasoline are hurting lower – income consumers.

Source: Congressional Budget Office.

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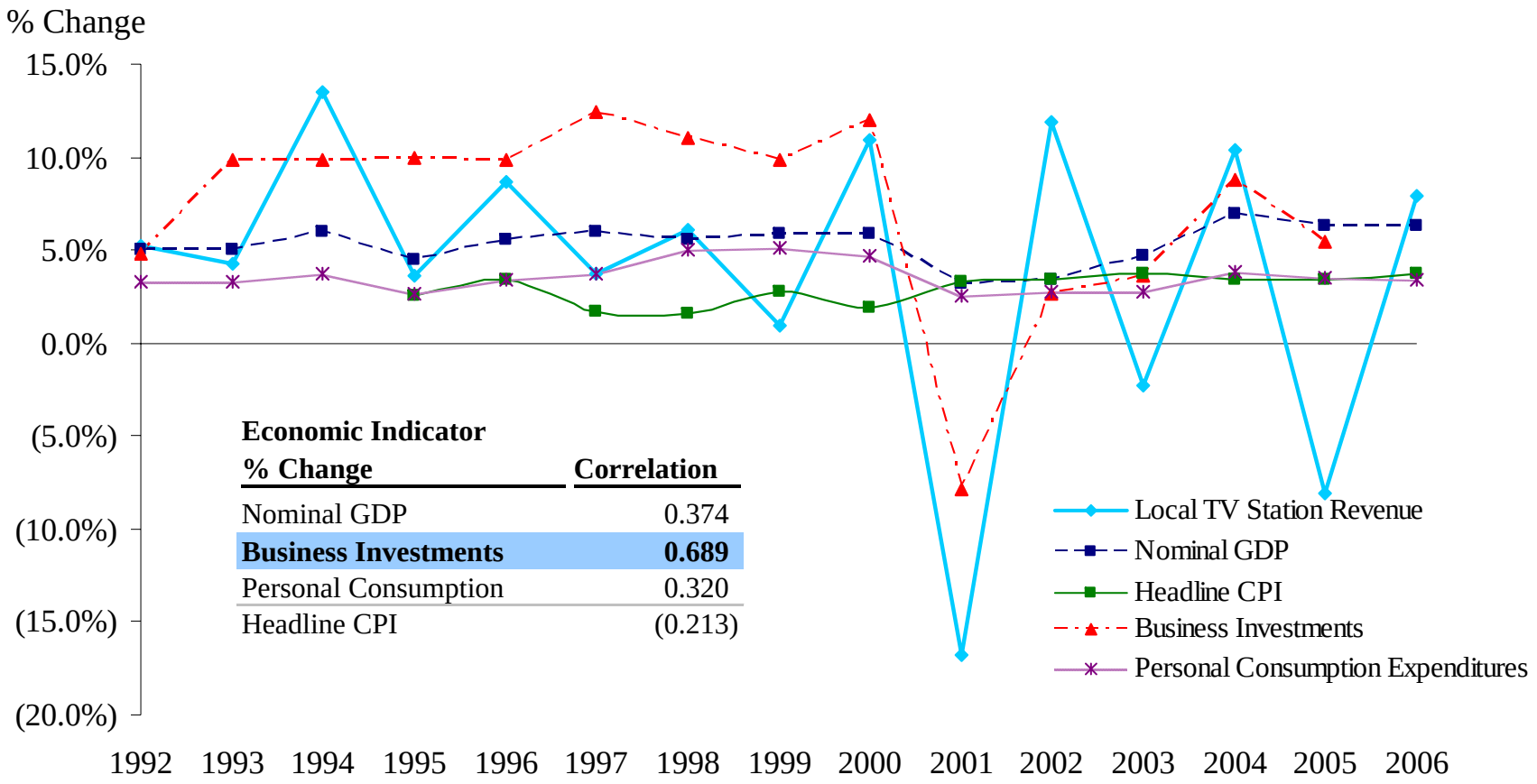
Broadcast TV's Correlation with Economic Indicators



Economic Indicator % Change	Correlation
Nominal GDP	0.374
Business Investments	**0.689**
Personal Consumption	0.320
Headline CPI	(0.213)

Growth in local TV station revenues has not been highly correlated with the growth of many of the major economic indicators with the exception of business investments

Sources: Veronis Suhler Stevenson, PQ Media, Congressional Budget Office, Bureau of Economic Analysis, Kagan, "TV Station Deals & Finance Databook" 2006 Edition.
Note: Business Investments includes fixed non - residential investments.

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Top 15 USA Economic Sectors Ranked by 5 Year Spending Growth

Economic Sector	2005 $ (Billions)	2000-2005 CAGR	Rank	2010 $ (Billions)	2005-2010 CAGR	Rank
Agriculture, Forestry, and Fishing	$115	4.0%	11	$178	9.2%	1
Mining	206	12.1%	1	308	8.4%	2
Federal	477	5.6%	5	658	7.0%	3
Media / Entertainment [(1)]	**897**	**4.7%**	**8**	**1,236**	**6.6%**	**4**
Finance, Insurance, and Real Estate	2,480	6.0%	3	3,344	6.6%	5
Construction	572	6.4%	2	756	6.5%	6
Electric, Gas, and Sanitary Services	230	4.8%	7	315	6.5%	7
Services	3,030	5.9%	4	4,145	6.3%	8
State and Local	1,019	5.2%	6	1,365	6.3%	9
Retail Trade	798	4.7%	9	1,045	5.9%	10
Wholesale Trade	706	4.5%	10	922	5.5%	11
Telephone and Telegraph	236	3.3%	13	295	5.0%	12
Transportation	349	3.8%	12	442	4.9%	13
Nondurable Goods	536	1.8%	14	646	3.9%	14
Durable Goods	837	0.1%	15	903	1.8%	15
Nominal GDP	**12,456**	**4.9%**		**16,073**	**5.2%**	
Advertising [(1)]	**198**	**1.7%**		**259**	**5.5%**	

Media / Entertainment has become one of the fastest growing segments of the economy

Sources: Veronis Suhler Stevenson, PQ Media, Bureau of Economic Analysis, Congressional Budget Office.
Note: Dollar amounts reflect the final sale of goods and services to consumers and businesses in each of the sectors.
(1) Advertising is a sub-segment of Media / Entertainment.

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Advertising Trends by Top Advertisers

Top 10 Parent Companies	Ad Spending 1H06	Ad Spending 1H07	% Change 2005 - 2006	% Change 1H06 - 1H07
Procter & Gamble Co.	$1,680.0	$1,657.0	1.1%	(1.4%)
General Motors Corp.	1,319.0	954.0	(16.0%)	(27.7%)
AT&T Inc.	1,050.0	914.0	44.4%	(12.9%)
Ford Motor Co.	853.0	871.0	10.2%	2.1%
Johnson & Johnson	774.0	720.0	(20.4%)	(7.0%)
Verizon Communications Inc.	714.0	733.0	16.2%	2.7%
Time Warner Inc.	702.0	650.0	(6.0%)	(7.4%)
Toyota Motor Corp.	662.0	628.0	14.2%	(5.2%)
Kraft Foods Inc.	606.0	608.0	NA	0.4%
Cerberus Cptl. Mgt. (Chrysler)	615.0	588.0	(6.1%)	(4.4%)

First half total advertising spending by the top 10 companies is down by 7.3% from last year

Source: Nielsen Monitor Plus.

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Advertising Trends by Industry

2005 vs. 2006

Product Category	Ad Spending 2005	2006	% Change
Automotives	$14,100.8	$13,903.4	(1.4%)
Pharmaceuticals	4,825.0	5,544.0	14.9%
Local Auto Dealer	5,048.4	4,871.7	(3.5%)
Department Stores	4,046.0	4,211.9	4.1%
Quick Service Restaurants	3,911.4	4,114.8	5.2%
Motion Picture	3,746.2	3,862.3	3.1%
Wireless Telephone	3,012.0	3,328.3	10.5%
Direct Response Products	2,029.9	2,232.9	10.0%
Credit Card Services	1,979.2	1,842.7	(6.9%)
Furniture Stores	1,566.2	1,672.7	6.8%

1H06 vs. 1H07

Product Category	Ad Spending 1H06	1H07	% Change
Automotives	$6,469.0	$5,798.0	(10.4%)
Pharmaceuticals	2,453.0	2,730.0	11.3%
Local Auto Dealer	2,391.0	2,265.0	(5.3%)
Department Stores	1,712.0	1,584.0	(7.5%)
Quick Service Restaurants	2,043.0	1,998.0	(2.2%)
Motion Picture	1,802.0	1,817.0	0.8%
Wireless Telephone	1,709.0	1,808.0	5.8%
Direct Response Products	1,041.0	1,117.0	7.3%
Restaurant	881.0	868.0	(1.5%)
Furniture Stores	798.0	798.0	0.0%

Auto dealerships and automotives still remain among the largest advertisers despite having the largest declines in advertising spending

Source: Nielsen Monitor Plus.

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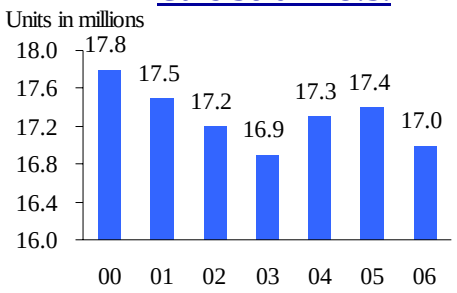
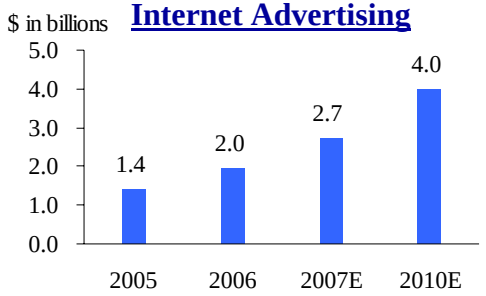
US Auto Industry

- The Auto Industry is the largest advertiser in the world
- The Auto Industry's spending on broadcast TV has been in decline:
  - Troubled climate for the U.S. auto industry
  - Expected to continue in 2007 and 2008
  - Increased focus on Return on Investment (ROI) rather than Cost per Thousand (CPM)
- In last 6 years, General Motors has reduced spending on 30-second network spots by nearly 50% and increased spending on the Internet and cable
  - GM has reduced its 2007 advertising budget by over 30% of its 2005 budget and has announced it will increase Internet – based marketing at the expense of traditional advertising
- In spring 2005, Audi promoted its A3 model hatchback on 286 blogs through approximately 70 million online ads

Cars Sold in U.S.



Automotive Internet Advertising



Automakers to account for 15% of US online advertising spend in 2007. Online advertising is expected to be the second largest medium for automotive advertisers behind broadcast TV by 2010.

Sources: Ward's Automotive Report, eMarketer, New York Times, BizReport, Borrell Associates.

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2008 Presidential Campaign Political Advertising

- Political advertising in the US is a multi – billion dollar industry
  - It is estimated that candidates and parties may spend as much as $3 billion for the 2008 elections
- Broadcast television will be the main beneficiary of political advertising in 2008 despite increased spending on radio and the Internet as compared to previous years
- 2008 could be a record breaking year for advertising as both parties have wide – open fields for their nomination and more than 2 dozen states are attempting to move their primary dates forward
  - Local TV ad spending started early for the 2008 elections when compared to 2000 and 2004 elections
  - Broadcasters in states with early primary elections are expected to do well (California, New York, Iowa, New Hampshire, South Carolina, Nevada, and Florida)

Number of Television and Local Radio Ads (Through June 10, 2007)

Candidate	TV Total	Nat'l Cable	Local Radio	Local TV	IA	NH	VT	SC	FL	GA	MI	DC	CA
Mitt Romney (R)	4,549	297	378	4,252	2,036	788	572	386	319	96	55	-	-
Bill Richardson (R)	2,232	-	-	2,232	1,931	301	-	-	-	-	-	-	-
Chris Dodd (D)	1,664	4	-	1,660	1,280	380	-	-	-	-	-	-	-
John Edwards (D)	68	-	-	68	45	-	-	-	-	-	-	23	-
Duncan Huner (R)	34	-	-	34	-	-	-	22	-	-	-	-	12
Rudolph Giuliani (R)	-	-	642	-	-	-	-	-	-	-	-	-	-
Total	**8,547**	**301**	**1,020**	**8,246**	**5,292**	**1,469**	**572**	**408**	**319**	**96**	**55**	**23**	**12**

Local television continues to be the most significant medium of political advertising

Sources: Nielsen, MarketWatch.

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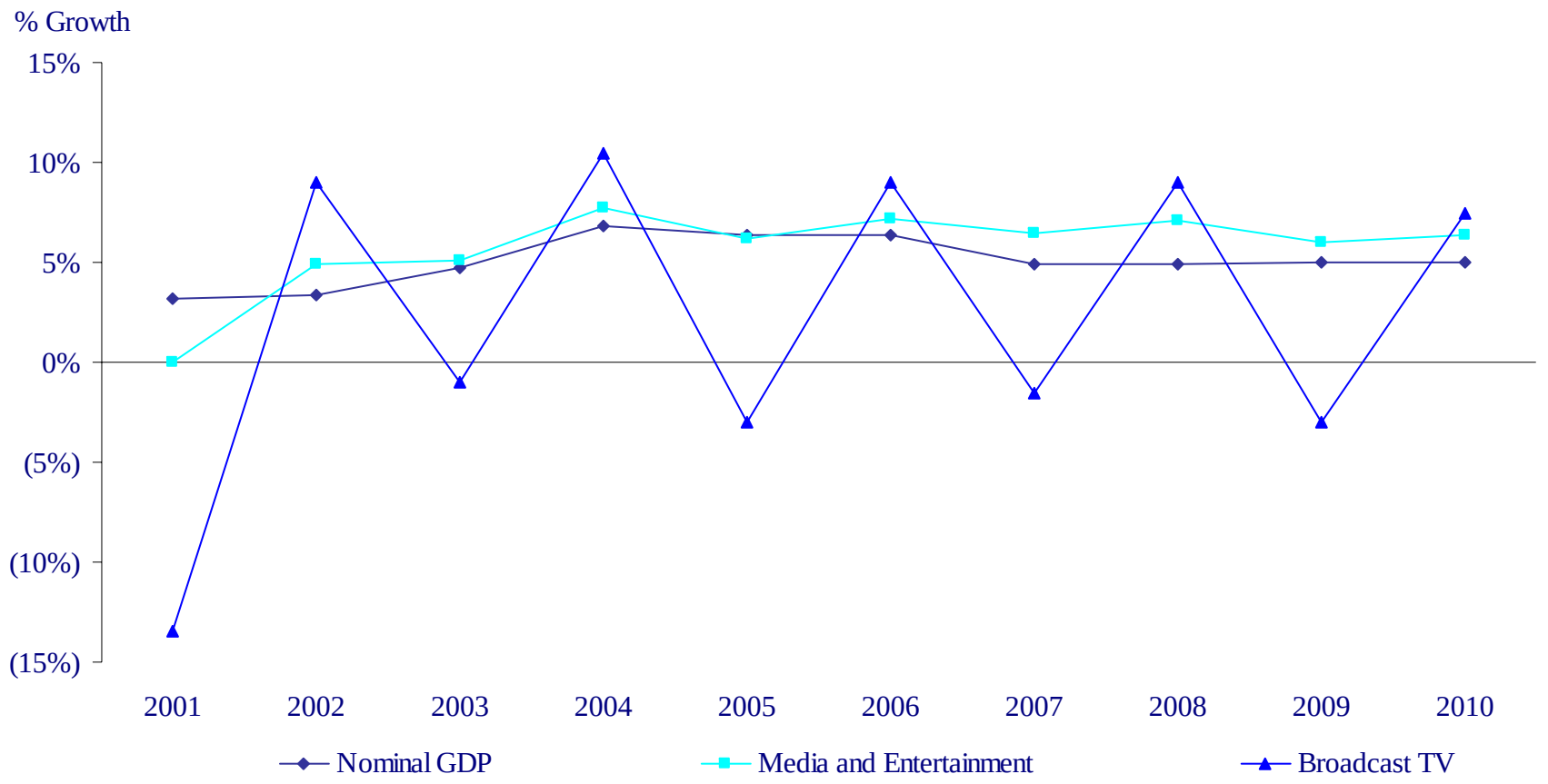
Broadcast is a cyclical industry



Broadcast growth in excess of GDP growth in even years is shrinking

Sources: Veronis Suhler Stevenson, PQ Media.
Note: Media industry spending includes: advertising spending, marketing services spending, consumer end – user spending, and institutional end - user spending.

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Segmentation of the Media and Entertainment Industry

Media and Entertainment	Representative Sub - Segment	2005 Revenues $ billion	2005 Revenues % Share	2000 - 2005 CAGR	2010 Revenues $ billion	2010 Revenues % Share	2005 - 2010 CAGR
Advertising	TV and radio broadcasting, newspapers, magazines, internet, yellow pages, outdoor	$197.6	22.0%	1.7%	$258.6	20.9%	5.5%
Marketing Services	Direct marketing, public relations, event sponsorship, all promotional spending	$309.9	34.6%	5.4%	$455.7	36.9%	8.0%
Consumer End - User	Cable and satellite TV, home video, box office, consumer publications (circulations), video games	$185.9	20.7%	6.4%	$714.3	18.7%	4.5%
Institutional End - User	Business information publishing, B2B magazine circulation, trade shows, educational and training media, TV programming	$203.5	22.7%	5.5%	$231.2	23.5%	7.4%
Total Media / Entertainment		**$896.9**		**4.7%**	**$1,236.0**		**6.6%**
Broadcast Television		**$42.8**		**0.2%**	**$50.9**		**4.1%**
Nominal GDP		**$12,455.8**		**4.9%**	**$16,072.6**		**5.2%**

The Media Industry consists of a broad mix of sub-segments, each with unique attributes

Sources: Veronis Suhler Stevenson, PQ Media, Bureau of Economic Analysis.

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2. Competitive Landscape

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Competitive Landscape

Highlights

- Broadcast television is confronting various threats:
  - Losing advertising market share to cable, satellite TV, and the Internet
  - Decline in younger viewers
  - Audience fragmentation
  - Decrease in advertising revenues
- Advertisers are shifting spending from traditional media to new media:
  - In an effort to engage consumers
  - Target audiences
  - Improve ROI
- Online mobile advertising is expected to be the fastest growing sector
- Newspapers are expected to have negative advertising growth rate
- Broadcast TV networks are making an effort to win back viewers and advertisers by:
  - Investing in scripted shows with potential to be successful, in political campaigns, and sports events
  - Developing richer content for their websites
  - Offering new digital services such as podcasts over the Internet

Despite proliferation of media, TV remains the leading media in terms of reach

Sources: Arbitron, Edison Media Research, Veronis Suhler Stevenson, PQ Media.

Broadcast Industry Environment

Competitive Landscape

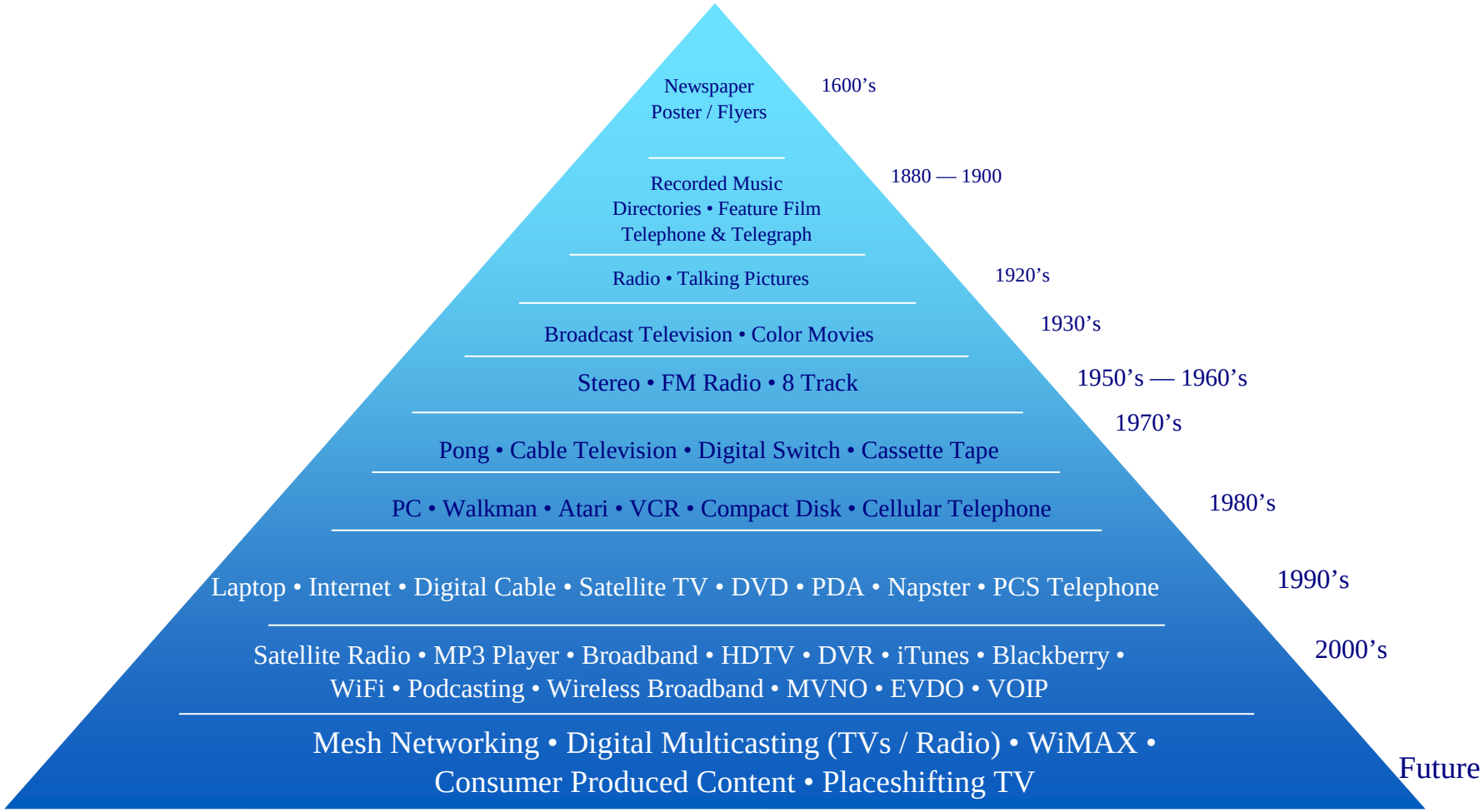
Evolution of Television Industry

Year	Event
1933	First weekly television broadcast - W9XK from State University of Iowa
1934	Federal Communications Act passed creating the FCC
1935 - 39	NBC, CBS and ABC launch TV initiatives (leveraging existing radio businesses)
1941	FCC awards first 2 broadcast licenses to NBC and CBS in New York
1948	Cable TV launched as alternative delivery to rural locations in Pennsylvania
1952	FCC authorizes UHF expanding beyond channels 2 - 13
1960	Color TVs commercially available
1962	First satellite TV transmission
1972	HBO launches first pay TV service for cable
1979	Cable penetration reaches 15 million households
1986	Fox network launched
1990	Satellite TV reaches 3 million homes
1995	UPN and WB launch as networks
2006	CBS and Time Warner announce CW network - merging UPN and WB networks
2006	Fox launches My Network TV

Broadcast Industry Environment

Competitive Landscape

Evolution of Media and Entertainment Industry



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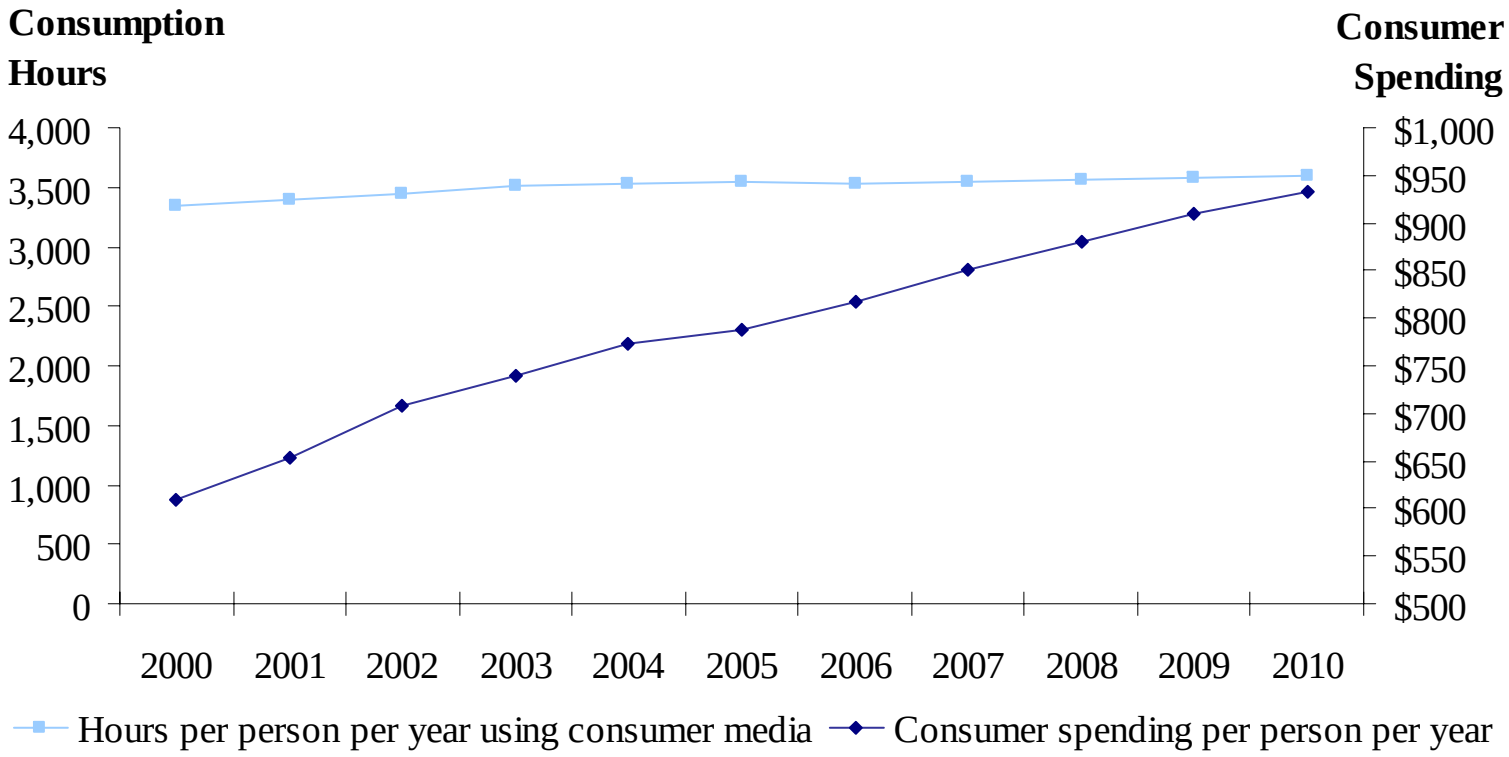
Competitive Landscape

Historical Media Consumption and Spending Trends, 2000 - 2010



Despite fairly flat consumption, spending is expected to grow at a 3.5% CAGR through 2010

Source: Veronis Suhler Stevenson.

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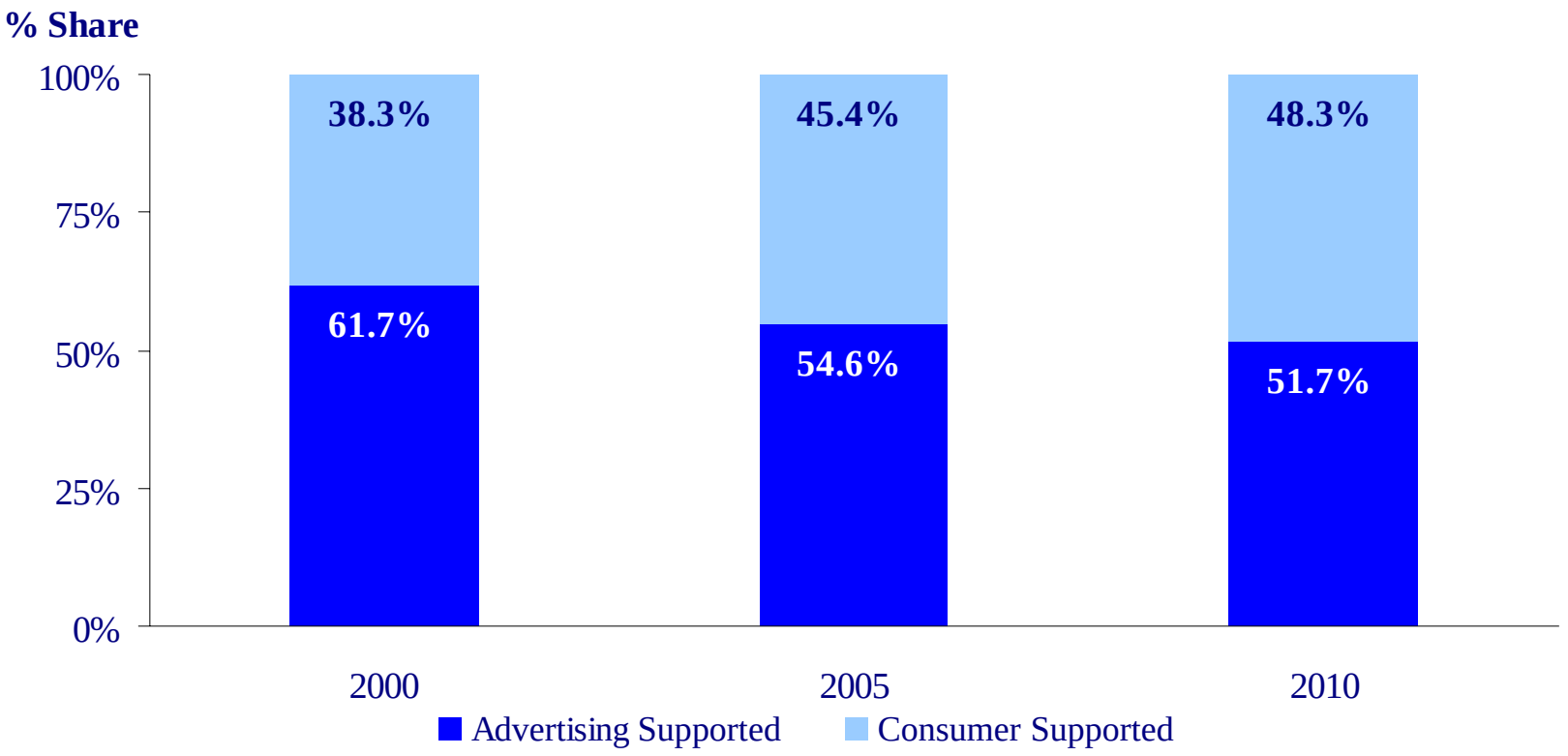
Broadcast Industry Environment

Competitive Landscape

Advertising Supported Media vs. Consumer Supported Media



Shift in market share away from advertising supported media driven primarily by less time spent with broadcast TV, daily newspapers, and consumer magazines

Sources: Veronis Suhler Stevenson, PQ Media.
Notes: Consumer supported media includes cable television, box office, home video, recorded music, video consumer internet, and consumer books.
Advertising supported media includes broadcast television, broadcast and satellite radio, daily newspapers, consumer magazines.

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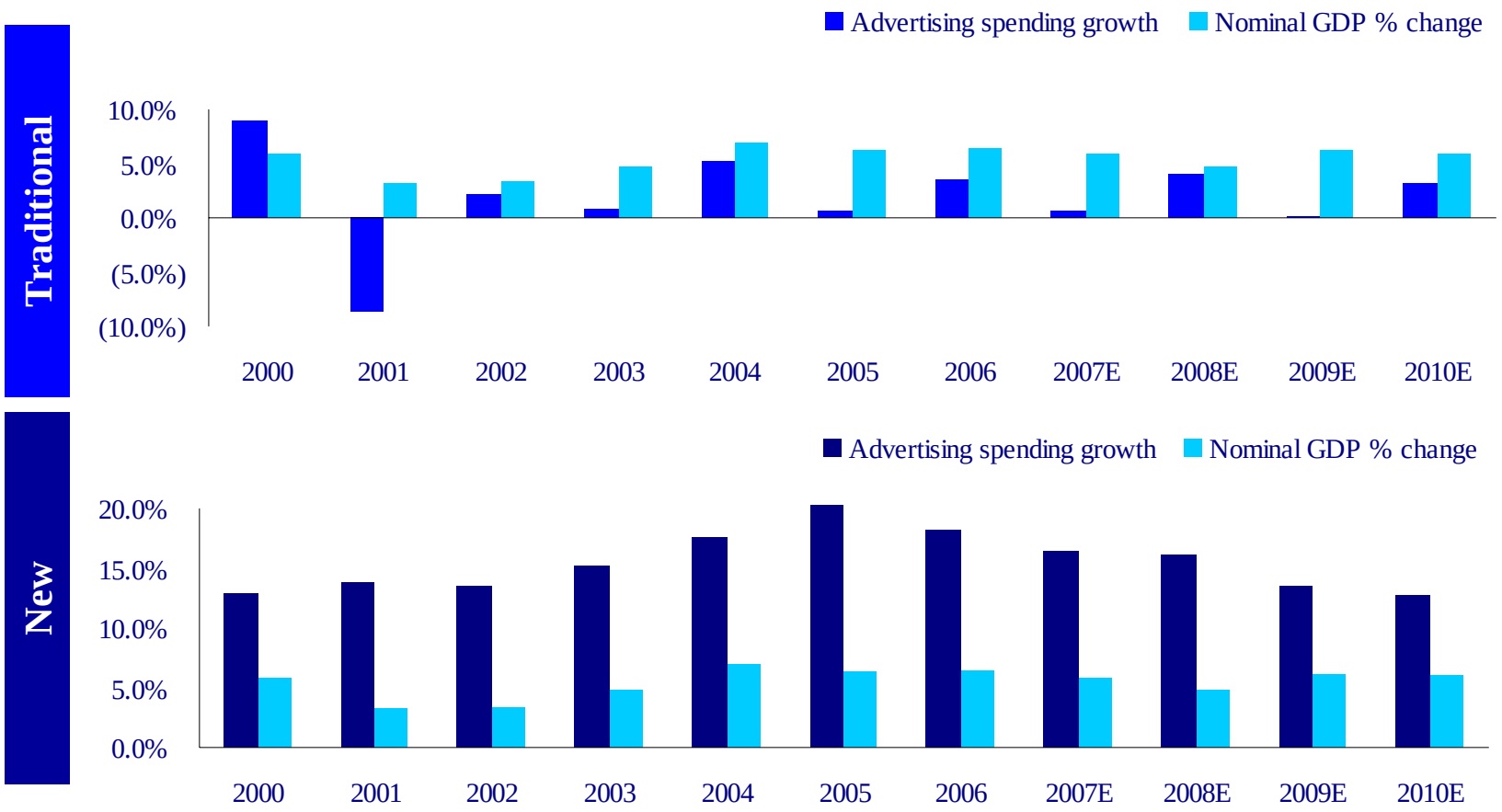
Competitive Landscape

Traditional vs. New Media Growth Dynamics



Growth characteristics of new media businesses far exceed those of the U.S. GDP and traditional media. These characteristics peaked in 2005 and are expected to slow through 2010

Sources: Veronis Suhler Stevenson, PQ Media.
Notes: Traditional media segments include: broadcast television, broadcast radio, newspapers and consumer magazine publishing.
New media segments include: cable and satellite television, satellite radio, online, movie screen and videogame advertising.

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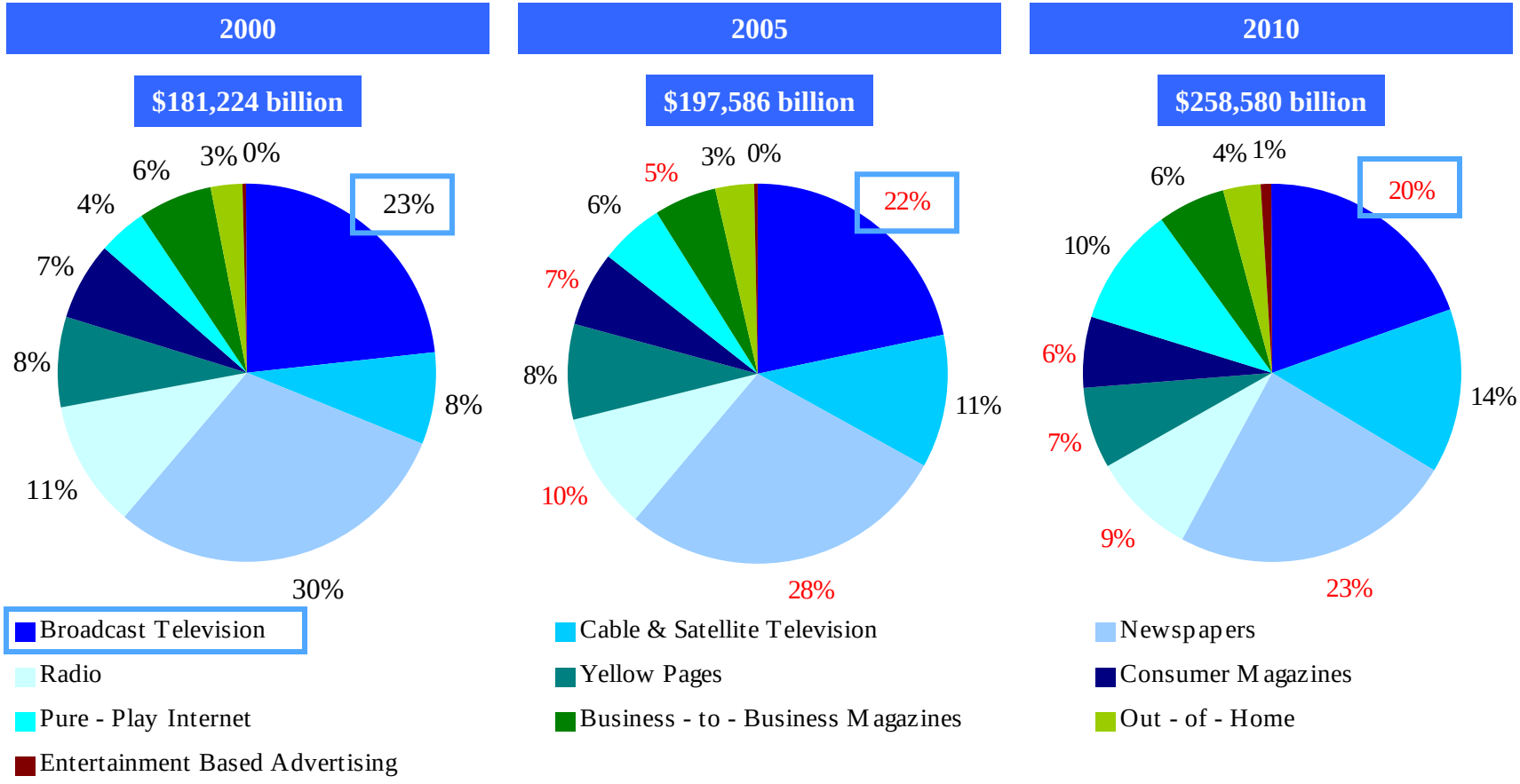
Advertising Spending



The Internet will continue to gain market share, mostly at the expense of newspapers

Sources: Veronis Suhler Stevenson, PQ Media, Yankee Group.

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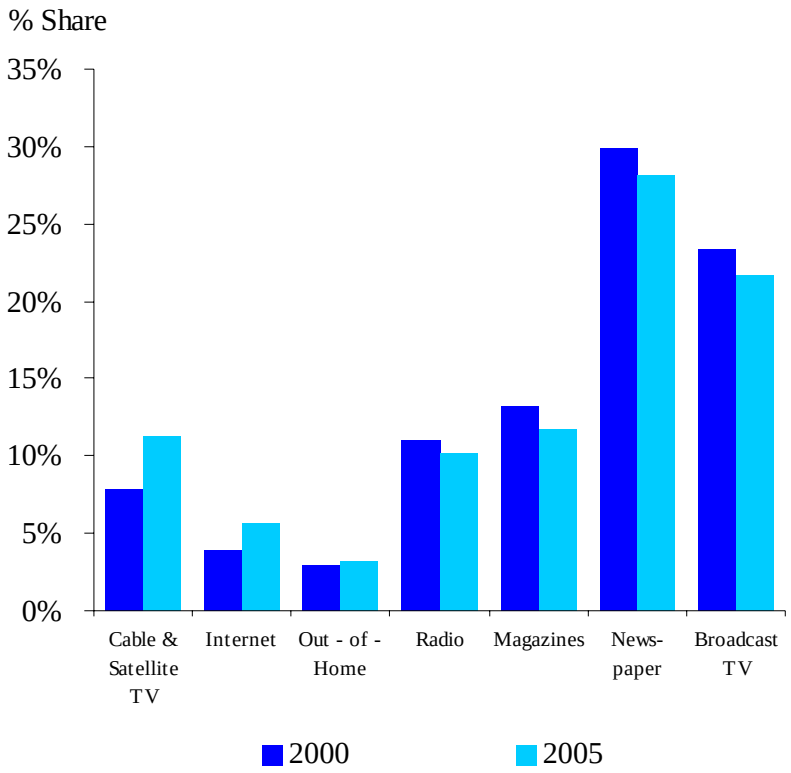
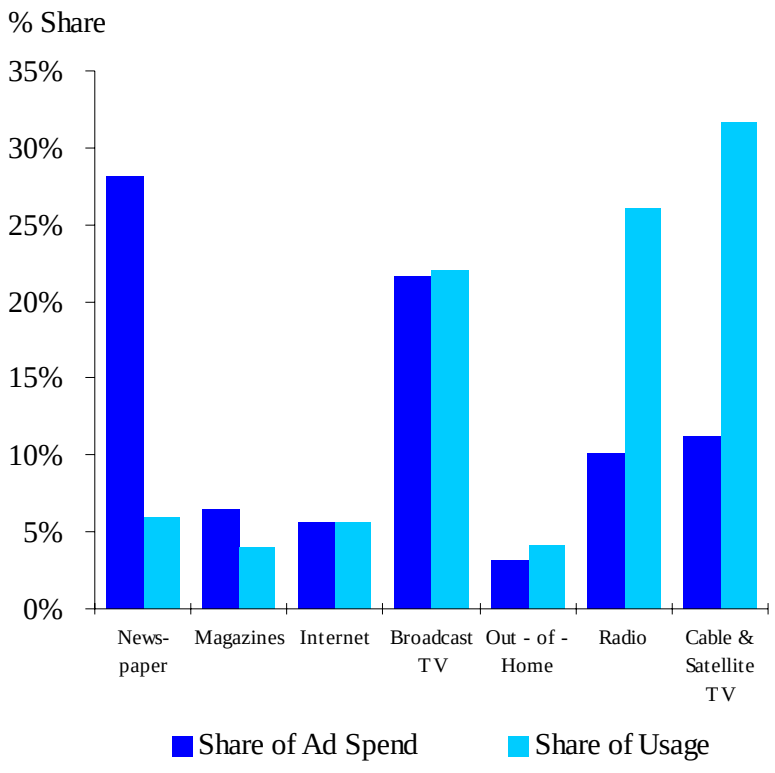
Advertising Share Trends



Spending vs. Usage Ratios



Ad spending tracks media usage over time

Sources: Veronis Suhler Stevenson, PQ Media, Yankee Group.

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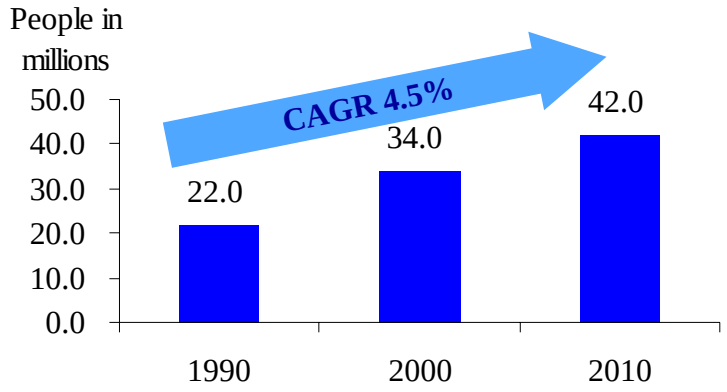
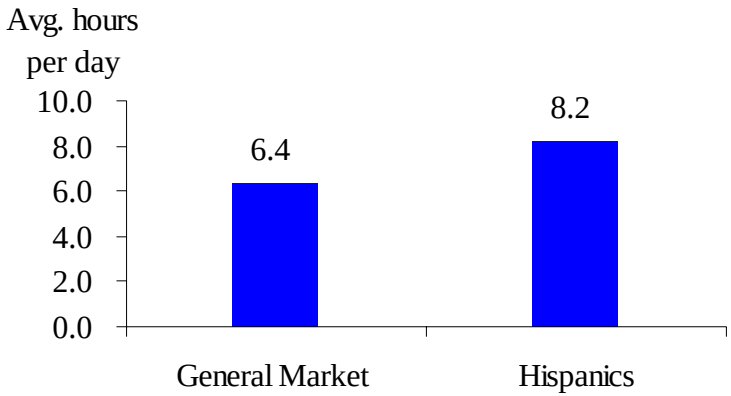
Competitive Landscape

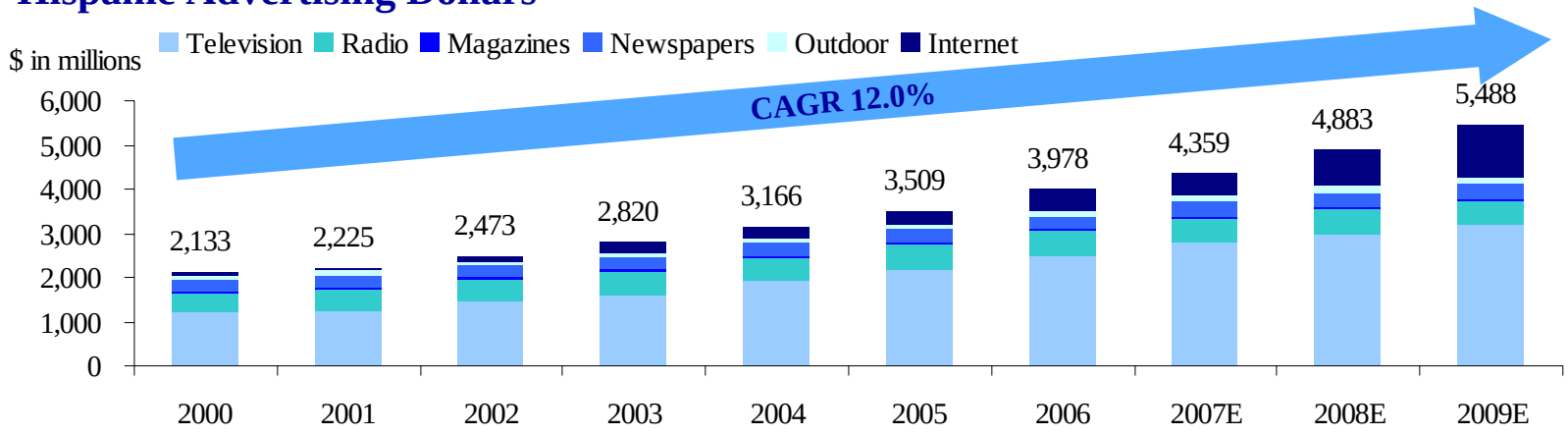
Hispanic Population Growth



Media Consumption Trends



Hispanic Advertising Dollars



Advertising spend for Hispanic media has grown at a faster rate than the overall advertising market and has created a high growth niche within television broadcasting

Sources: Kagan Research, Thomas Weisel Partners.

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3. Regulatory Backdrop

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Broadcast Industry Environment

Regulatory Backdrop

Recent Developments

- On September 12, the FCC voted unanimously to:
  1. Extend the program access rules for 5 years
     - Cable operators do not have the ability to favor affiliated cable programmers by denying programming to competitors, such as satellite companies
  2. Toughen its program access – complaint process
     - Subjects of program – access complaints are required to turn over documents directly to the opposing party without FCC mediation
  3. Mandate cable operators to make "must – carry" TV stations' digital signals viewable to all customers, analog and digital, after February 17, 2009, switch to all digital broadcasting
     - Cable operators must carry a broadcaster's HD signals in HD, and in at least as high a resolution as they carry other programming, which is to ensure that cable operators do not favor their own HD programming over that of broadcasters
     - To ensure that all "must – carry" TV stations are viewable by all subscribers after the switch to all – digital broadcasting, cable operators will be required, in addition to carrying digital signals, convert digital signals to analog either at the headend or converter boxes, for their analog cable customers
- Broadcasters had pushed the commission to require cable systems to carry "all bits" that a broadcaster delivers but the commission only required that cable not "materially degrade" the broadcast signal

In the past the FCC has supported broadcasters against threats to the viability of free – to – view broadcast television, which has been argued is a worthy public good

Sources: Broadcasting & Cable, "FCC Adopts Dual - Carriage, Program - Access Items", September 12, 2007.

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Regulatory Backdrop

Recent Developments (continued)

- White – Space Spectrum
  - Industry is awaiting a decision by the FCC over the unlicensed use of spectrum adjacent to that controlled by TV broadcasters to offer wireless broadband service
  - Microsoft and other high – tech companies want to use the spectrum called 'white – space' to provide a wireless broadband connection to the Internet
  - The other option available to the FCC is to auction off the 'white – space' spectrum
- Digital Conversion Publicity
  - FCC is proposing a rulemaking to hold broadcast and cable industries to benchmarks for DTV education camps
  - This rulemaking requires broadcasters, multi – channel video programming distributors, retailers, and manufacturers to publicize the digital transition
  - The broadcasters could be asked to air public – service announcements
  - Cable operators could be asked to insert bill stuffers about the transition and subscriber viewing options
  - The NAB has urged "the Commission to refrain from imposing specific on – air education requirements"
  - Broadcasters say they plan to voluntarily keep the FCC posted on their DTV education initiatives and work with the Commission to measure the success of such campaigns
- Video News Releases
  - The FCC is pressuring broadcasters and cable companies to limit the use of video news releases without disclosing the source, nature, and the sponsorship of the release
  - The center for Media and Democracy and Free Press have filed complaints with FCC about the 111 TV stations and cable providers running news releases without identification
  - FCC proposes to fine Comcast $4,000 for running a video news release without disclosing the provider

Sources: Advertising Age report dated September 25, 2007. CNNMoney.com report dated September 25, 2007. Broadcasting and Cable

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Regulatory Backdrop

Digital Must Carry

- Digital must carry, also called "dual must – carry" is the requirement that cable companies carry both the analog and digital transmissions of local stations
  - This has been opposed by numerous television networks, who might be pushed off digital cable, should this happen
  - Promoted by TV stations and the National Association of Broadcasters, who would benefit by passing the HDTV or multichannel DTV signals through to their cable viewers
- In September, 2007, the Commission approved a regulation that requires cable systems to carry both analog and digital signals if the cable system uses both types of transmission
  - Small cable operators were allowed to request a waiver
  - The regulation will end 3 years after the digital TV transition date, and applies only to stations not opting for retransmission consent

Broadcasters will benefit from cable operators "dual must – carry" requirements

Broadcast Industry Environment

Regulatory Backdrop

Retransmission Consent

- Retransmission Consent gives broadcasters the option to demand payment for their programming
- Broadcasters either demand:
  - Free carriage (Must Carry)
  - Payment for Carriage (Retransmission Consent)
- Increased competition in distribution (cable, satellite, and telecommunications companies) has given broadcasters the opportunity to use 'Retransmission Consent' to demand cash payments from distributors unlike the past, when the cable companies were the only distributors in a market
- The regulation may result in higher programming cost that distributors will pass to the subscribers
- If a broadcaster elects 'Retransmission Consent', there is no obligation for the cable system to carry the signal
- 'Retransmission Consent' has often been chosen over must – carry by the major commercial television networks and PBS
- Under the present rules, a new agreement is negotiated every 3 years, and stations must choose must – carry or 'Retransmission Consent' for each cable system they wish their signal to be carried on

An increasing number of major network affiliates have withheld their content from the MSOs, forcing favorable retransmission agreements

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Regulatory Backdrop

Ownership Limits

- FCC's local TV ownership rule provides that an entity may own TV stations in the same Designate Market Area (DMA):
  - If at least 1 of the stations in the combination is not ranked among the top 4 stations
  - If there are at least 5 owners of commercial TV stations in the DMA
- An entity can own 3 TV stations in markets with 18 or more TV stations
- Some of the major markets to be affected:
  - New York,
  - Los Angeles
  - Philadelphia
  - Boston
  - San Francisco
- All full power commercial and non – commercial TV within the DMA will be counted

Newspaper – broadcast cross ownership rules have 3 tiers

- 3 TV stations or less – No Cross Ownership
- 4 to 8 stations or less – Partial cluster can be assembled
  - A newspaper owner could own 1 TV station
  - Duopolies between TV stations permitted
  - A newspaper could own 50% of the number of radio stations that a pure play radio operator would be able to assemble in a given market
- 9 or more TV stations – Limits come off
- A newspaper owner can own an amount of TV and radio stations equal to those of any other media player

Local stations remain unconsolidated relative to cable and satellite operators

Broadcast Industry Environment

Regulatory Backdrop

Low Power Television ("LPTV")

- LPTV service presents a less expensive and more flexible means of delivering programming tailored to the interests of viewers in small localized areas than traditional full service / power TV stations
- There is no limit on the number of LPTV stations that may be owned by any one entity
- Current broadcast licensees, cable operators, and newspapers may own LPTV stations
- LPTV stations are operated by diverse groups and organizations – high schools and colleges, churches and religious groups, local governments, large and small businesses, and individual citizens
- Modes of operation and programming vary widely: satellite – delivered programming services, syndicated programs, movies, and a wide range of locally – produced programs
- LPTV is subject to a minimum of program – related regulations. There are no prescribed amounts of non – entertainment programming or local programming, no limits on commercials, and no minimum hours of operation
- Class – A stations are still low – power, but are protected from interference and from having to move, should a full – service station requests that channel
- LPTV does not benefit from must – carry rights and must negotiate retransmission consent, and often pay the cable operators a fee for carriage

New broadcasters are using low – power signals as a cheap way of entering markets and using compelling content to gain cable carriage

4. Impact of Technological Innovation

Broadcast Industry Environment

Impact of Technological Innovation

Highlights

- The introduction of new technologies are affecting the way viewers consume their television content
- Broadcast TV companies are pursuing initiatives in the online arena
  - Traditional media accounts for 40% of online advertising
- Opportunity for new streams of revenue from other media products also exist:
  - Podcasts of current programs
  - Video – On – Demand
  - Interactive television
- Broadcast TV companies are experimenting with the length and format of commercial spots
- Broadcast networks are increasing product placements and sponsorships
- Usage of Digital Video Recorders (DVRs) has grown rapidly although they are not expected to significantly affect broadcast TV advertisements in the near term
- Video – On – Demand is not as heavily used by the mass audience as it is by households with income greater than $100,000

New technologies have forced advertisers to think of new approaches to capture the audiences' attention and have made broadcasters look for secondary streams of revenue

Source: Veronis Suhler Stevenson.

Broadcast Industry Environment

Impact of Technological Innovation

Proliferation of On – Demand Devices / Media

Media Devices	2005	2006
Satellite TV	25%	25%
Portable DVD Player	19%	24%
HDTV	10%	19%
TiVo / DVR	**6%**	**18%**
Video on Demand (Watched Last Month)	10%	14%
Portable MP3 Player Other than iPod	10%	14%
iPod	6%	11%
Handheld Wireless E-mail device such as Blackberry	3%	4%

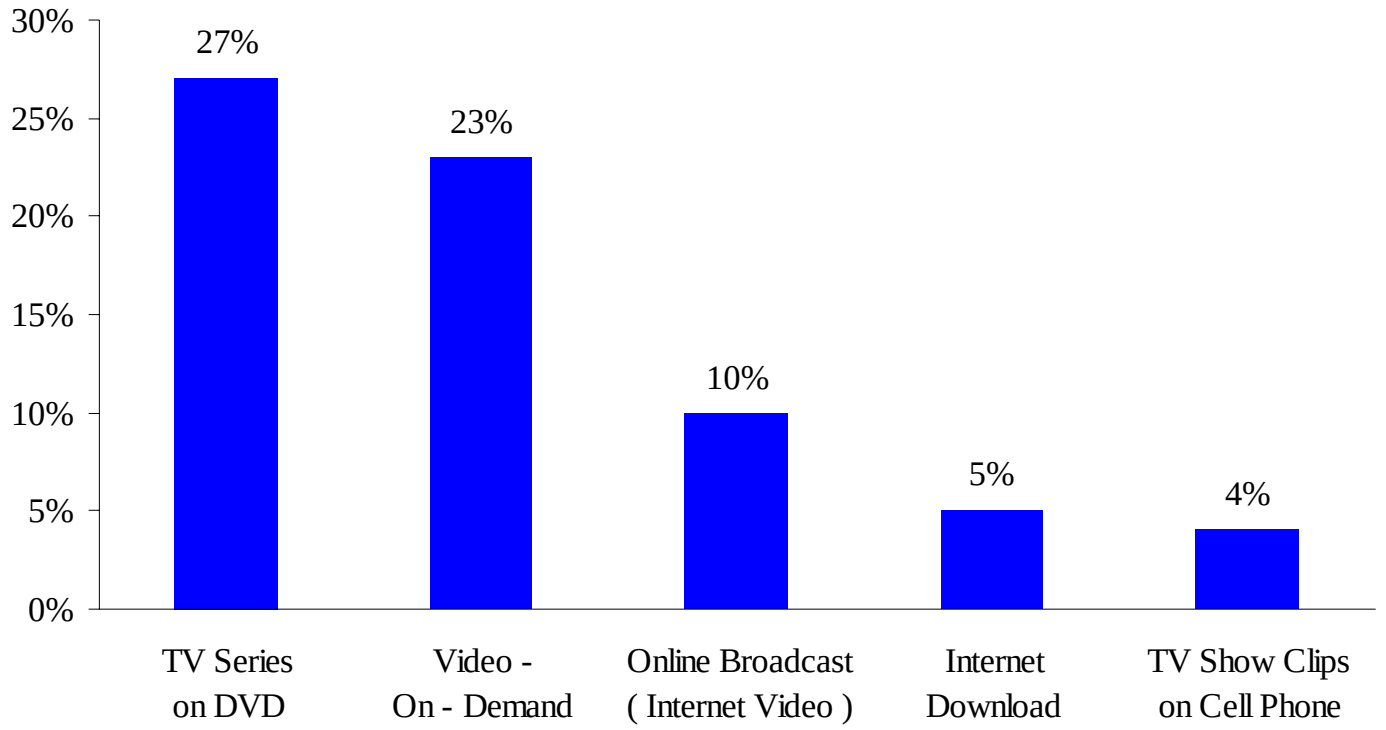
The use of DVR devices has grown rapidly.
Usage by the end of 2007 is expected to exceed 25% of US homes

Sources: Arbitron, Edison Media Research.

Broadcast Industry Environment

Impact of Technological Innovation

% of Population Who Have Viewed TV Programs From…



Viewers have more media consumption options than ever before

Sources: Arbitron, Edison Media Research.

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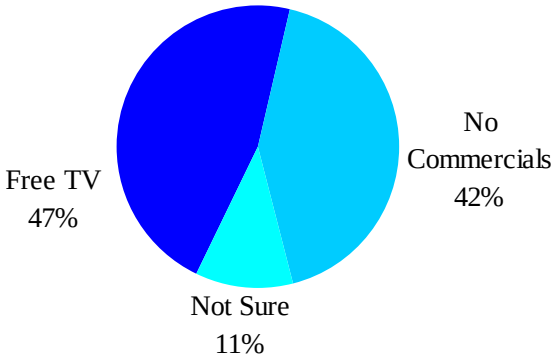
Broadcast Industry Environment

Impact of Technological Innovation

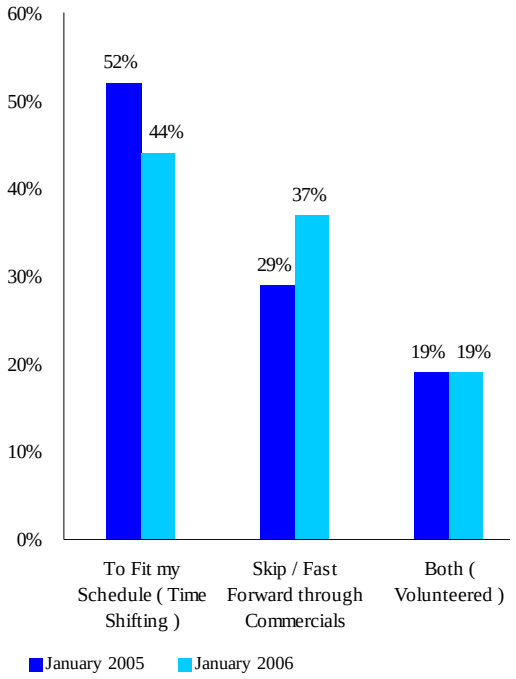
The Consumers Opinion on New Technologies

"Do you prefer to pay a fee for VOD Content or Watch Ads to get access to free programs?"



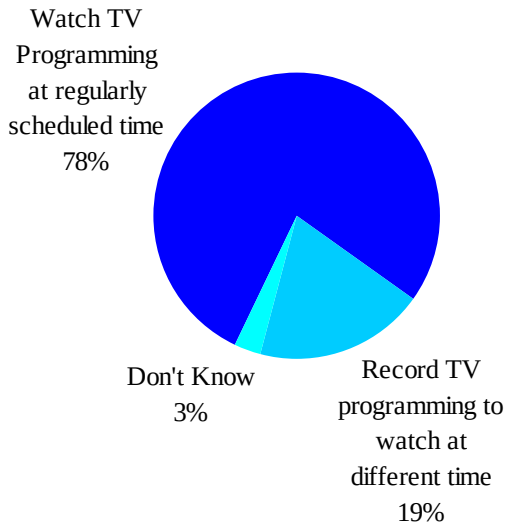
There remains a strong base of viewers who prefer free TV over purchase on - demand content

"Which ONE reason is more important to you in choosing to RECORD TV programming?"



Users increasingly report commercial skipping as a motivation to record….

"Which ONE way of watching TV do you prefer?"



…although only 1 in every 5 Americans records TV to watch it at a later time

Sources: Arbitron, Edison Media Research.

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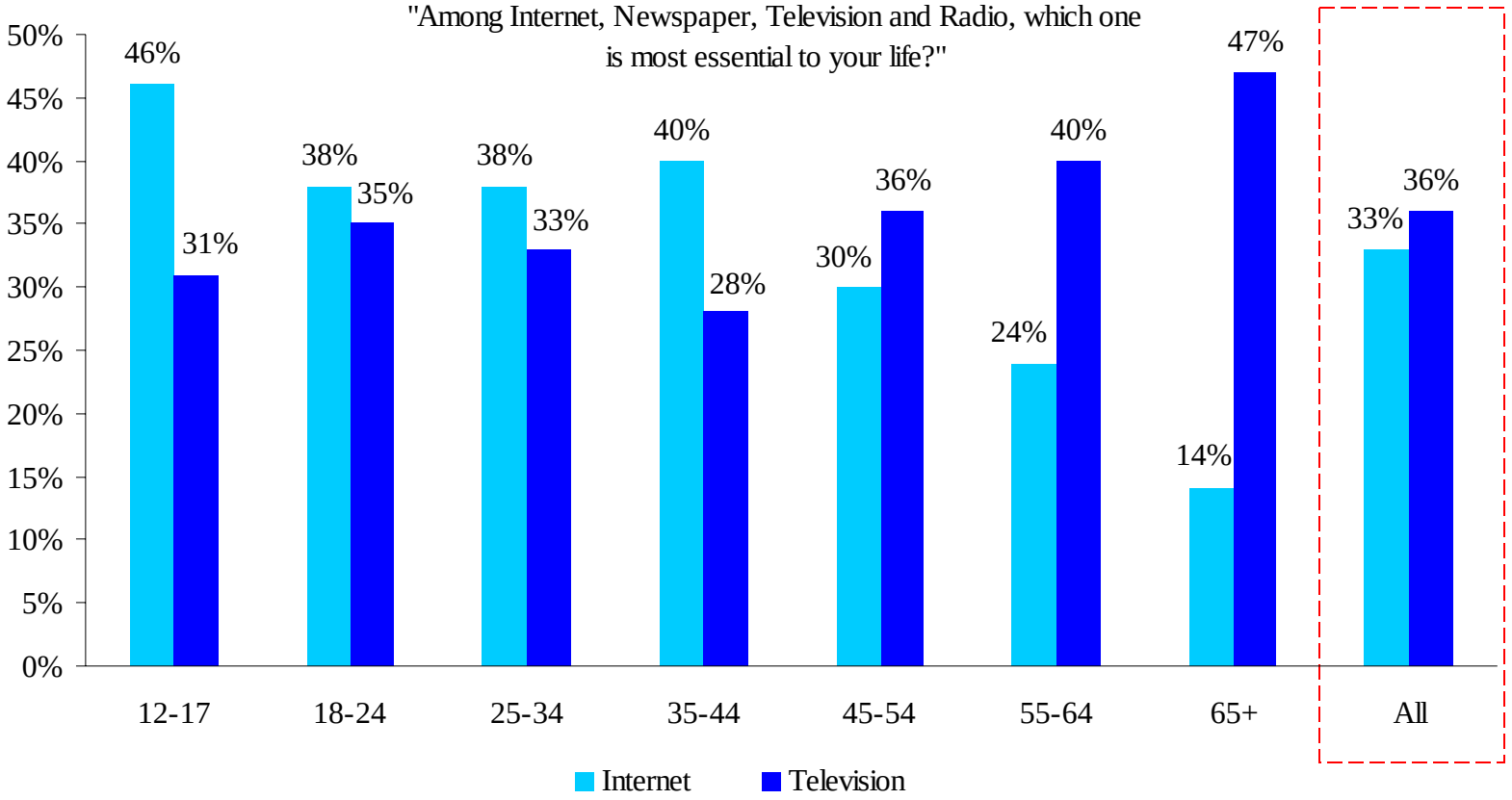
Broadcast Industry Environment

Impact of Technological Innovation

Consumer Perception of Television vs. Internet



Although TV is still seen as the most essential form of media consumption overall, the younger generations are becoming more and more dependant on the Internet

Sources: Arbitron, Edison Media Research.

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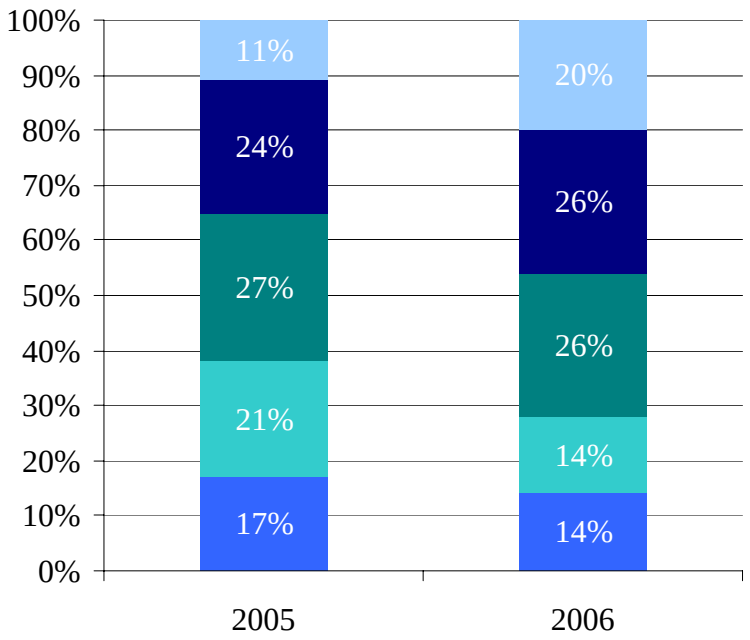
Broadcast Industry Environment

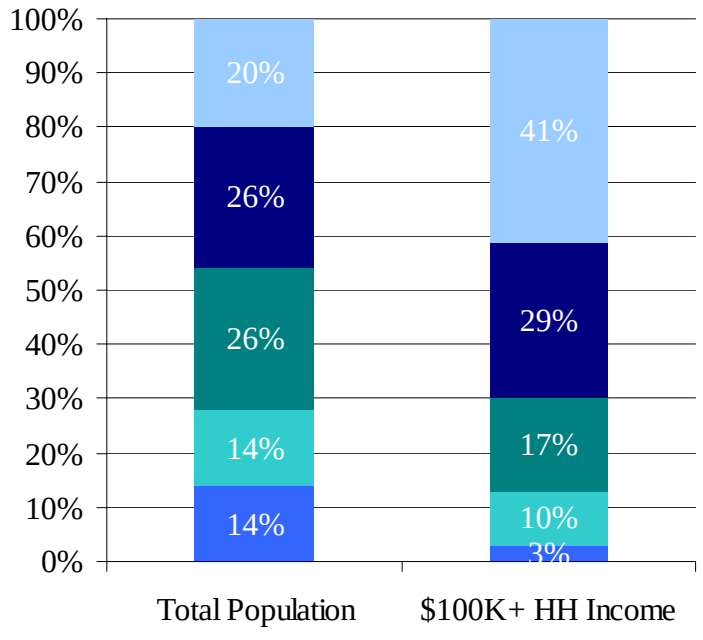
Impact of Technological Innovation

On – Demand Media Consumers Segmented by Usage

Growth Trends



User Demographics



None Very Light Light Medium Heavy

Affluent households use On – Demand more heavily than the general population, while overall Heavy users have almost doubled in 2006

Sources: Arbitron, Edison Media Research.

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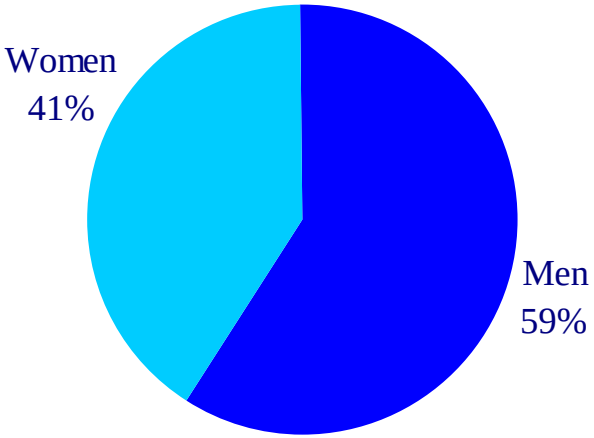
Broadcast Industry Environment

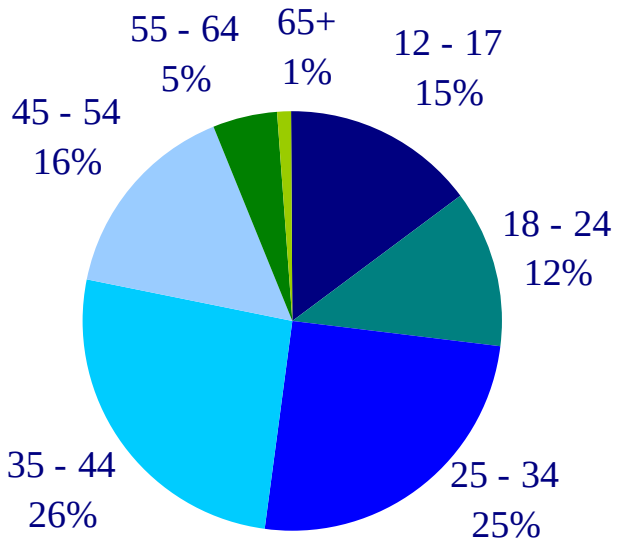
Impact of Technological Innovation

On – Demand Media Consumers Segmented by Gender and Age

Gender



Age



Heavy On – Demand users are more likely to be male within the 25 – 44 age group, who are an attractive demographic to advertisers

Sources: Arbitron, Edison Media Research.

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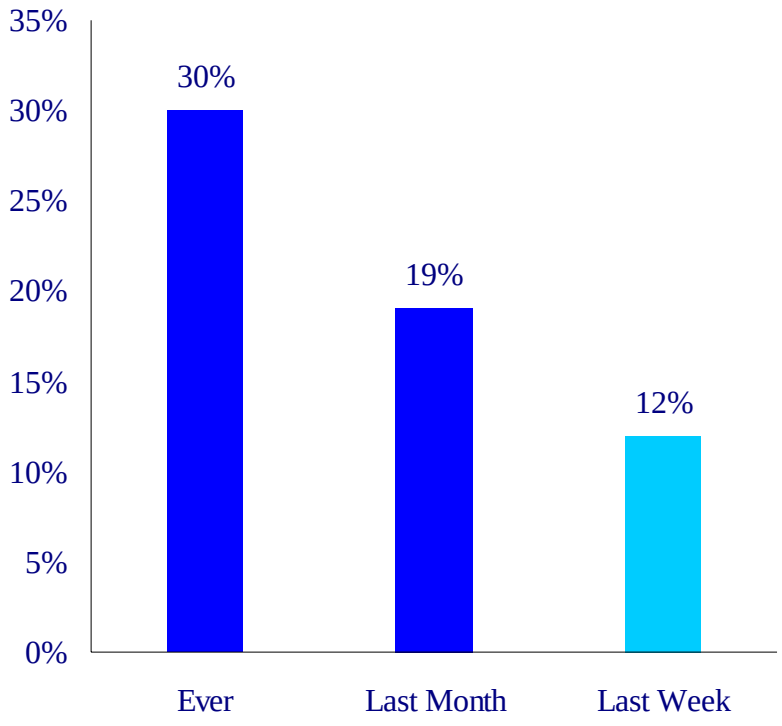
Broadcast Industry Environment

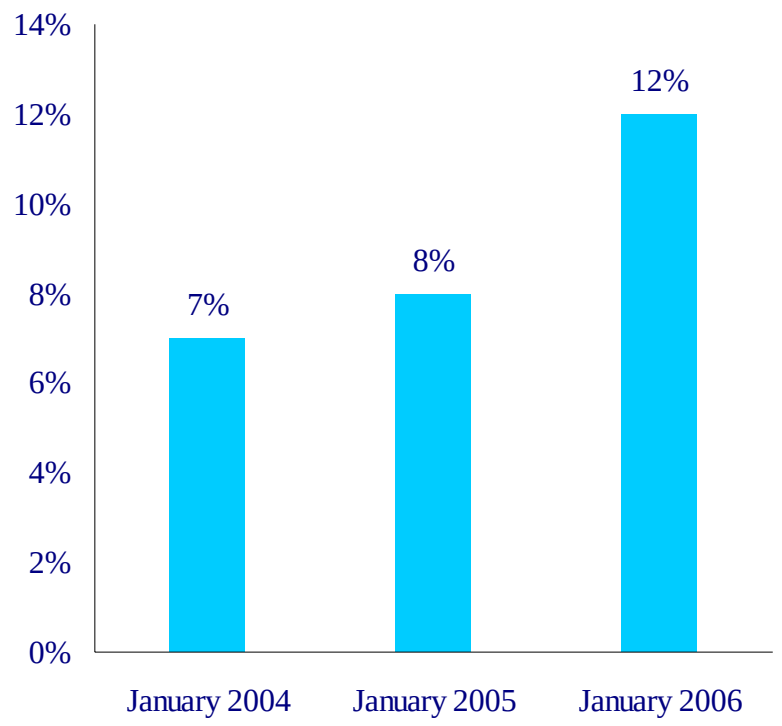
Impact of Technological Innovation

Internet Video

% Who have Viewed Internet Video



% Who have Viewed Internet Video in Last Week



Internet video is expected to grow at a rapid pace given the growing popularity of websites providing user - generated content

Sources: Arbitron, Edison Media Research.

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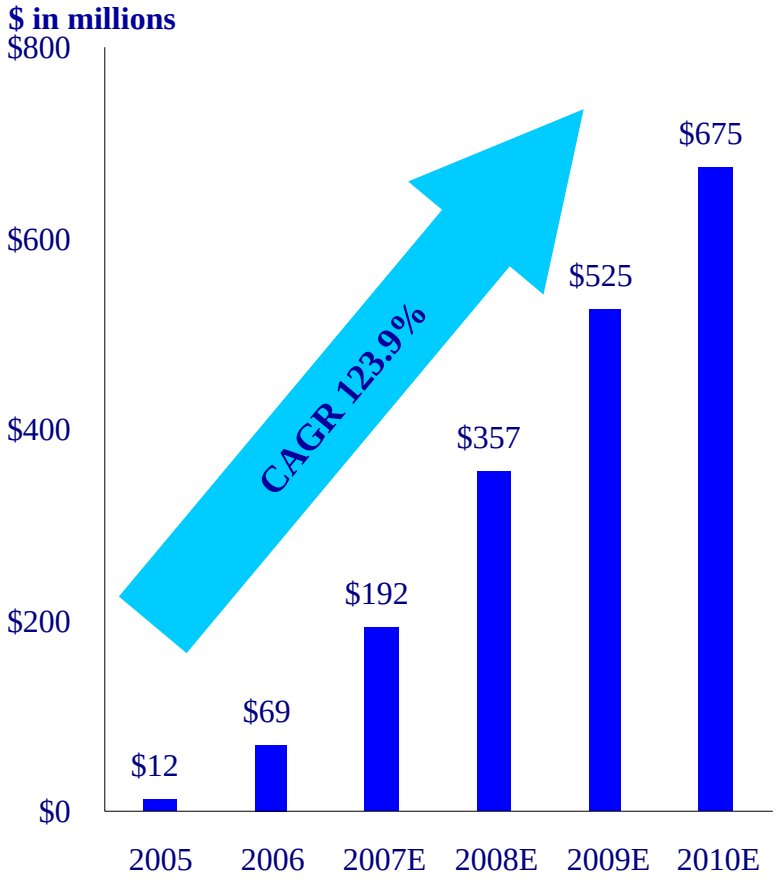
Broadcast Industry Environment

Impact of Technological Innovation

Spending on Downloads of TV Programs



Online Ad. Spend at TV Station Websites

Broadcasters can recoup local advertising dollars by attracting traffic to their websites

Sources: Veronis Suhler Stevenson, PQ Media, Yankee Group, iTunes, Nexis Lexis, Harris Nesbitt, IAB, Television Bureau of Advertising.

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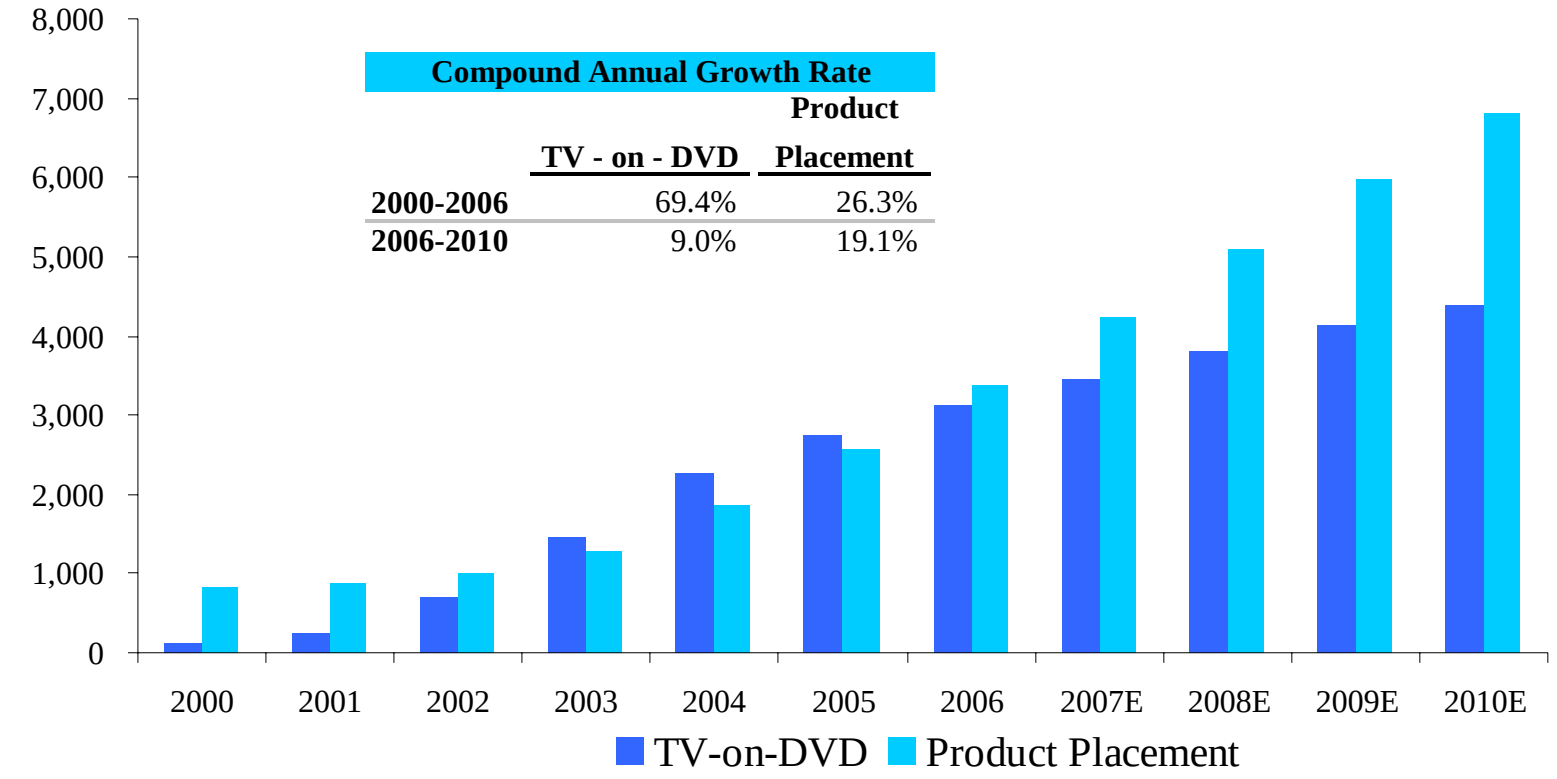
Broadcast Industry Environment

Impact of Technological Innovation

Increase in Non - Spot Revenue Streams

$ in millions



Compound Annual Growth Rate

	TV - on - DVD	Product Placement
2000-2006	69.4%	26.3%
2006-2010	9.0%	19.1%

Broadcasters may have the opportunity to share ancillary revenue streams with networks

Sources: Veronis Suhler Stevenson, PQ Media, Adams Media Research, TV Week.

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Broadcast Industry Environment

Impact of Technological Innovation

Impact of Additional Channels

Number of Channels Received	Average Number of Channels Received	Average Number of Channels Viewed	Percent of Channels Viewed
11 - 20	15.7	5.0	31.8%
21 - 30	24.8	6.9	27.8%
31 - 40	34.8	9.2	26.4%
41 - 50	45.2	11.8	26.1%
51 - 60	56.1	15.5	27.6%
61 - 70	66.7	15.3	22.9%
71 - 80	75.2	15.8	21.0%
81 - 90	84.2	16.4	19.5%
91 - 100	95.5	15.3	16.0%
101 - 110	105.6	15.8	15.0%
111 - 120	115.5	18.1	15.7%
120+	157.3	19.4	12.3%

Additional channels have a diminishing marginal return for the viewer

Sources: Veronis Suhler Stevenson, PQ Media, Nielsen Media Research, Television Bureau of Advertising.

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Broadcast Industry Environment

Impact of Technological Innovation

Interactive TV

- Interactive TV allows viewers to interact with television programs as they view it, allowing exchange of information between the sender and the receiver
- Forms of Interactive TV:
  - Video – on – Demand
  - Interaction with TV shows
  - Use of remote controls through personal video recorders (PVR) allowing for pauses, instant replays and automatic recording
- Interactive TV can be used for distant learning, voting, and telebanking
- Interactive TV allows advertisements to move beyond brand awareness towards consideration and purchase
  - Viewers can watch advertisements, go for free trials, or make purchases

WiMax

- WiMax – Worldwide Interoperability for Microwave Access - is a telecommunication technology aimed at providing wireless data over long distances in a variety of ways, from point – to – point links to full mobile cellular type access
- Allows a user to browse the Internet on a laptop computer without physically connecting the laptop to a router/switch port
- Provides a wireless alternative to cable and DSL broadband access
- May lower pricing and bring broadband access to economically unavailable places

Sources: Interactive Advertising Bureau, Herald Tribune.

Broadcast Industry Environment

Impact of Technological Innovation

Mesh Networking

- Mesh networking is a way to route data, voice and instructions between nodes
  - A node is a device that is connected as part of a computer network (a node may be a computer, personal digital assistant, cell phone, router, switch, or hub)
- It allows for continuous connections and reconfiguration around broken or blocked paths by “hopping” from node to node until the destination is reached
- A mesh network sends short signals through a series of small antennas that blanket a geographic area
- These short range networks are fast and do not experience the jamming problems of long – range towers, letting more people on the Internet

Digital Multicasting

- Digital television allows broadcasters to split their digital television signal into multiple streams called Multicasting
- Multicasting enhances program options for the viewers and encourages broadcasters to create more local content
- Multicasting can be a big ticket competitor to cable and satellite companies because of its local content
- A viewer may receive four or more channels from each local station – all free of charge from an over – the – air television broadcaster

Sources: Wikipedia, www.multicasting.com.

Broadcast Industry Environment

Impact of Technological Innovation

Placeshifting TV

- Placeshifting TV is a TV streamed to another machine via the Internet in real – time and can be stored on the receiving device
- It will bring up issues of copyrights and digital rights
- Placeshifting can play havoc with the affiliates by impairing local advertisers and syndicates whose content comes with timing exclusivity agreements
- It can help broadcast TV regain audience attention from the computer, particularly at the office, although risks eroding the notion of localism
- Competitors:
  - The Slingbox ($250)
  - Sony's "LocationFree TV" ($350)
  - TiVo to Go – only works with TiVo Series 2 but at no additional hardware or service fees
  - The process to stream any video signal from a home PC over the Internet has been available for some time with free downloads available, but they require a deeper technical understanding

User Generated Content

- User generated content has grown rapidly as a form of consumer media
  - There were over 70 million blogs as of April 2007, growing from 35 million in less than a year
  - MySpace, Facebook, YouTube, Wikipedia and Craigslist are all amongst the top 10 most popular sites
- In a survey of media executives, more than half of the respondents identified the rapid growth of user – generated content, which includes amateur digital videos, podcasts, mobile phone photography, wikis and social – media blogs – as one of the top three challenges they face today

New technology that has potential to impact the industry is being continuously introduced

Sources: The Hollywood Reporter, www.howstuffworks.com, www.slingbox.com, www.technocrati.com, www.alexa.com, Accenture.

5. Broadcast Television SWOT Analysis

Broadcast Industry Environment

Broadcast Television SWOT Analysis

Strengths

- Leading media in terms of audience reach
- Barriers to entry remain
- Margin expansion possible with duopolies

Weaknesses

- Audience fragmentation due to increased competition
- Content increasingly important relative to distribution
- A branding media rather than a call – to – action media that has a measurable ROI
- Modest growth and increasing reliance on political revenues

Opportunities

- Increasing acceptance of retransmission fees
- Internet broadcast / Mobile TV – ability to monetize local content
- Ability to capture share of networks' ancillary revenue streams
- Revenue potential of digital spectrum
- Must – carry of multiple digital signals
- Interactive TV

Threats

- Inability to increase CPMs to off – set audience erosion
- Risk of new technologies
- Networks' ability to monetize content outside of local stations
- Reliance on specific industries (automotive)