

## Broadcaster Fees, Sports Channels, and Higher Cable Costs

Delivering high quality cable service at reasonable prices is central to TruVista's mission. We continue to invest in our network and technology to bring you more advanced services and to operate more efficiently.

We're deeply troubled by developments in the marketplace for programming that are leading to higher cable rates. The two most significant developments are:

- *Sharply higher retransmission fees demanded by broadcasters.*
- *Major increases in the costs of television rights for sports.*

Both of these developments are national in scope, and beyond our company's control. We know increases in cable costs affect our customers and want to share with you our views on these issues.

### Sharply Higher Retransmission Fees

Under a federal law passed in 1992 called "retransmission consent," we must obtain the permission of most local broadcasters to retransmit their signals on our cable system. For many years, local broadcasters like WSOC, WBTV, WCCB, and WIS, gave us retransmission consent at no additional cost. That began to change about six years ago when some stations began to require us to pay a fee. Initially the fees were modest. Over the past four years, that changed.

We just completed renewing our retransmission contracts with local broadcasters. Fees increased sharply, in some cases rising over **100%**.

Many people argue that cable customers should not have to pay such high fees for channels that broadcasters deliver free over-the-air on valuable spectrum they receive from the government. We agree. Broadcasters argue their costs are going up, and their programming is valuable. Ultimately, to continue to provide you the local ABC, CBS, NBC, and Fox stations, we have to pay higher retransmission fees.

### Major increases in sports costs.

The other development driving up cable costs is the major increases in the costs of television rights for sports. Historically, channels like ESPN and FS South have been the most costly channels we carry. Increasingly, those channels, the major broadcast networks, ABC, CBS, NBC and Fox, and other channels are competing for the rights to televise professional and major college sports, resulting in major increases in the costs of sports rights

For example, this fall ESPN renewed its agreement with the NFL for Monday Night Football. The price - a reported \$15 **billion**. In December, the NFL renewed its agreements with Fox, CBS, and NBC, for a reported \$27 **billion**.

While the NFL leads the leagues in sports rights costs, the costs to televise NBA, MLB, and NHL continue to escalate as well. The same for major college sports. ESPN reportedly pays the SEC \$2.25 **billion** per year for SEC football television rights. CBS and Fox Sports also pay to televise SEC games.

Ultimately, these major increases in sports rights flow through to cable customers, as channels with sports require major increases in fees. We recently concluded negotiations for two of our sports channels and negotiated the best rates we could. But to keep the channels for you, we had to agree to higher rates.

### TruVista will continue its commitment to high quality and reasonable prices.

We hope this information helps explain why cable costs are increasing. At TruVista, we will continue our efforts to deliver high quality cable services at reasonable prices, including the important, but costly, channels that our customers want.