



Jeffrey M. Zimmerman
Senior Vice President and
Deputy General Counsel

March 12, 2013

Via Email and Federal Express

Jan I. Goldsmith, Esq.
San Diego City Attorney
1200 Third Avenue, Suite 1620
San Diego, CA 92101-4178

Re: Matter of City of San Diego and Time Warner Cable

Dear Mr. Goldsmith:

Thank you for your letter and enclosed memorandum of March 7, 2013, concerning the lack of an agreement between Time Warner Cable and Fox Sports for the carriage of Padres games in San Diego. We welcome the opportunity to explain how our goal is to bring Padres games to our customers who want to watch them, but only at a price that makes sense for all of our customers. Toward that end, Time Warner Cable representatives will be happy to attend the City Council hearing on March 14th.

Prior to the hearing, I would like to address the issue you raise in your letter about the FCC's so-called "program carriage" rules, which, in certain circumstances, prevent a cable operator from discriminating against a programmer on the basis of affiliation. While these rules are currently being challenged on First Amendment grounds in two separate cases, including the *Tennis Channel* case cited in your letter (see also *Time Warner Cable Inc. and National Cable & Telecommunications Association v. Federal Communications Association*, Docket #11-4138, U.S. Court of Appeals, Second Circuit), Time Warner Cable is fully cognizant of its existing obligations under these rules, and operates in compliance with them at all times.

You have asked whether Time Warner Cable's recently announced deal with the new Los Angeles Dodgers regional sports network, coupled with its inability to secure carriage of the Padres games, reflects a violation of the letter or spirit of the program carriage rules. It most emphatically does not. Our decision not to pay what Fox is currently asking for Fox Sports San Diego has absolutely nothing to do with who owns the network, as evidenced by the fact that we carry many other Fox networks across the country. Rather, the sole reason we're not carrying Fox Sports San Diego is because of the excessive overall economics being demanded by Fox for carriage of the network to our San Diego customers.

Moreover, it would not make economic sense for us to discriminate against the Padres network on the basis that it is owned by Fox Sports and not by Time Warner Cable. While we do own some local news and sports networks, we are not primarily in the business of content ownership; we make money for our shareholders by selling cable, high speed data and telephone subscriptions. In San Diego, we own no major league baseball network that competes with Fox Sports San Diego, and therefore have no conceivable interest to protect by refusing to carry the Fox network. Furthermore, we operate in an intensely competitive environment, and we are aware that by not carrying the Padres network, we run the risk of losing customers who want to watch the Padres to one of our competitors that does carry the network. If we were provided the opportunity to carry the Padres network at a fair price, refusing to do so would therefore be an irrational business decision.

60 Columbus Circle
New York, NY 10023

Tel (212) 364-8536
Fax (704) 973-6349
jeff.zimmerman@twcable.com



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The recently announced deal with the Dodgers RSN is perfectly consistent with our desire to bring our customers great programming at the best possible price. One thing that we can undoubtedly agree upon with Fox is that sports programming, while very popular, is also incredibly expensive, and its costs only continue to increase. We therefore do everything we can to secure rights to bring our customers sports programming over the long term, at as reasonable a price as we can negotiate. Our deal with the Dodgers RSN allows us to lock-in a long-term price for this new network, thus providing our customers with long-term access and cost certainty for Dodgers games and programming. While our deal with the Dodgers RSN sounds like a lot of money, it represents two and a half decades of the ability to carry the Dodgers at a predictable cost. Fox, on the other hand, looks to raise rates at double digit increases every few years and refuses to offer a long term deal that comes anywhere close to the Dodgers or Lakers deals. It's easy to see which type of deal makes the most sense for our customers – including, by the way, our customers who are not interested in Padres baseball at all, who we must also keep in mind when deciding how much to pay for the games.

Time Warner Cable remains willing to negotiate with Fox for the rights to put the San Diego Padres on our lineup; in fact, we have made a number of proposals designed to reach an agreement. Unfortunately, Fox decided to declare an impasse early on in the negotiations, and has refused to budge since then. We have offered them a reasonable price, but Fox has demanded 300% more than the price we paid for Padres games two years ago. This is unreasonable, and it's the only reason we are not carrying the games; that decision has nothing at all to do with who does or doesn't own the network. If Fox is willing to provide us the Padres games at a fair price, we will carry them; that's the result we want. It's as simple as that.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff", followed by a long horizontal line extending to the right.

Jeff Zimmerman