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As Verizon Communications Inc. was working to close a \$130 billion deal to take full control of Verizon Wireless, it was another, much smaller acquisition that CEO Lowell McAdam was saying privately would be revolutionary. Soon, his prediction will be put to the test.

The deal Mr. McAdam spoke of was his purchase of OnCue, a unit inside Intel Corp. that was building an Internet video service. In 2013, Mr. McAdam quietly negotiated with Intel executives in Silicon Valley to buy the business for less than \$200 million.

This week, the carrier began showing off what it has done with OnCue and a handful of other acquisitions including its \$4.4 billion buyout of AOL Inc. Verizon launched a mobile video service, called Go90, targeted at teens and 20-somethings. The free, ad-supported service will be available to smartphone users on any carrier at the end of the month. Yet Verizon's service is dramatically scaled back from what OnCue was developing, and even from what Verizon said it planned to do when it struck the deal. In the more than 18 months Verizon has owned it, a number of players have jumped into the market with services that are more like what Intel was poised to launch in early 2014.

Cable and content companies have struggled to adapt to changing viewer habits as more people cut the cable cord in favor of streaming video online. Companies like Dish Network Corp. and Sony Corp. have launched online streaming services. AT&T Inc. paid \$49 billion for DirecTV with plans to bundle traditional video with smartphone plans. Verizon, which has been selling off chunks of its traditional pay-TV business, is taking a different path by focusing almost exclusively on millennials.

The Go90 service can be watched on phones and tablets via an app and will count against a user's data plan. Verizon has deals with 15 of the top 30 cable networks for specific programs rather than 24-hour feeds, which means users will be able to watch some full programs like "The Daily Show." Verizon will offer some NFL games and content from companies targeting young people, such as AwesomenessTV. The app lets users create clips of shows they can share on social media.

The service is likely to put more pressure on an already strained pay-TV industry, which saw cord-cutting accelerate in the most recent quarter, said Richard Greenfield, a media analyst at BTIG. "Free is pretty compelling," he added. But winning over fickle teenagers might be difficult, as many of them have already developed habits watching mobile videos on many competitors like Facebook, Vine, Snapchat and YouTube.



Development of OnCue began around 2011, and it was the pet project of former Intel chief Paul Otellini, who was searching for ways to diversify Intel's business beyond computer chips. By the time Verizon bought it, in January 2014, the service was nearly complete. OnCue would record three prior days' worth of content and store it online so consumers could watch anything on demand. It had deals with most of the major content providers, two people familiar with the matter said, and it had a deal with Amazon to incorporate much of its Web

video library. Users accessed the service via a device that would plug into a television set. It had a sleek remote and search functions similar to what Apple Inc. showed off for Apple TV on Wednesday. "The interface was beautiful; it worked really well," said Mr. Greenfield, who tested OnCue months before Verizon bought it. Verizon was "handed something that was very innovative for the time."

Thousands of employees were testing it in their homes in Oregon, California and Arizona. The service was slated to cost \$50 a month. It needed 2 million sign-ups to break even, one of the people said. The service would have only launched in a handful of markets because it had to negotiate deals with local TV networks, the people said. When Mr. Otellini retired in May 2013, his successor, Brian Krzanich, didn't share the same vision for disrupting the TV industry. Mr. Krzanich wanted Intel to stay focused on its roots.

Verizon executives questioned the business model, too. OnCue's early 2014 launch was canceled. Pop-up stores that had been planned in Chicago, New York City and Los Angeles to promote the service displayed existing Intel products instead. "Based on the way the content deals would be structured, it would be really difficult to have a compelling offer," said Brian Angiolet, a Verizon executive who was one of the architects of Go90. A \$50-a-month service, on top of what consumers paid for broadband, was simply too expensive, he said.

One major challenge to OnCue's business model was that media companies were hoping to charge high "new entrant" prices and trying to stuff more of their content bundles into the service—a problem that every new streaming service is contending with, from Sony to Apple. Shortly after the acquisition, Verizon held focus groups with teenagers and adults under age 34 to study how they watched video. The company recorded people in their living rooms, on the go and in restaurants, Mr. Angiolet said.

The studies confirmed what Verizon felt it already knew: Millennials overwhelmingly use their smartphones to find, watch and share videos. “When we put all that together we said they best way to enter this market is more from a mobile-first orientation,” Mr. Angiolet said, adding that Verizon may incorporate additional OnCue features as part of FiOS television service in the future. For now, “it was more about where do we think the market is going.”

The decision to change direction disappointed many inside OnCue, who felt the carrier was abandoning a product that had great potential. There was also some friction between OnCue’s Santa Clara staff and Verizon’s New Jersey executives, former employees said. “There was definitely a culture clash,” said one former employee. “I think a lot of people were very frustrated.” Alberto Canal, a Verizon spokesman, said the company is “continuously impressed by the former OnCue team’s ability to adjust to the changing market.” – *Wall Street Journal*

TiVo Inc. said its revenue rose 6.8% as the digital video recorder pioneer continued to add subscribers and distribution agreements with cable providers during the quarter ended in July. Revenue increased to \$119.5 million from \$111.9 million a year earlier. Services and technology revenue, a metric closely watched by analysts, climbed 14% to \$99.1 million, above the company’s estimate for \$94 million to \$97 million. Shares rose 1.1% to \$9.20 in recent after-hours trading as earnings, excluding certain items, also beat expectations.

The San Jose, Calif., company has been aiming to spur growth by adding cloud-based media services and an over-the-air recording service, as well as by expanding abroad. Earlier this year, TiVo acquired Warsaw-based Cubiware in a deal to expand its international presence in emerging pay-TV markets. TiVo, which generates “a significant amount of revenue” from patent settlement agreements due to expire starting in 2018, on Tuesday also said it filed a suit against Samsung Electronics Co. Ltd., alleging infringement of four patents related to TiVo’s technology for digital video recorder and mobile devices, including two set to expire in 2018 and the other two in later years.

Chief Executive Tom Rogers, in prepared remarks on Tuesday, said that in the latest quarter TiVo “established new distribution relationships and expanded existing ones, including beginning the rollout within Vodafone Spain’s IPTV footprint and new agreements with WOW!, the ninth-largest cable TV provider in the U.S.”

In the quarter ended July 31, TiVo added a net 281,000 subscriptions in the latest period, amid continued growth of subscriptions generated through third-party vendors, including cable companies. At quarter’s end, TiVo’s total subscriber base expanded more than 6 million, compared with 4.8 million a year earlier and 5.8 million as of April 30.

Overall, TiVo reported a profit of \$8.3 million, down from \$9.3 million a year earlier. On a per-share basis, earnings rose to 9 cents from 8 cents on a decline in shares outstanding. Excluding expenses related to the Cubiware acquisition and convertible notes impacts, TiVo’s earnings increased to \$11.9 million in the latest period. The company expected net income of \$7 million to \$10 million.

For the current quarter, TiVo forecast net income of \$5 million to \$7 million and services and technology revenue of \$100 million to \$103 million. Analysts polled by Thomson Reuters expected net income of \$10.4 million and services and technology revenue of \$98.2 million. The company’s outlook includes \$5 million of increased subscriber acquisition costs in its TiVo-owned segment partly related to a product launch set for the current quarter. – *Wall Street Journal*

A couple weeks ago, a group of Pennsylvania House Democrats posted a surprisingly good (and funny) video of them doing the Whip/Nae Nae to push for more education funding in the still-not-passed state budget. The video was the brainchild of state Rep. **Patty Kim**, of Dauphin County, who said traditional public-relations strategies were not doing the job to raise awareness. Philadelphia state Reps. **Leslie Acosta**, **Brian Sims**, **Donna Bullock** and **Stephen Kinsey** also tear it up with some quality whipping and nae nae'ing.

The video was posted on the House Democrats' YouTube page and made its way around Harrisburg. Which made Pennsylvania Republicans - inferior dancers by nature and nurture - very uncomfortable. So they looked to drum up some controversy. State Rep. **Seth Grove**, of York County, told Fox43 in Harrisburg that he was shocked by the video. Shocked! "Are you kidding me? I couldn't believe someone would do something like that at this time," said Grove, who likely eats his morning Cheerios without milk.

Then the video mysteriously disappeared from YouTube. We looked into it. House Democratic Caucus spokesman **Bill Patton** told us this week the removal had nothing to do with Grove. "The legislators who took part in making the video had a good time with it, and we posted their product on our caucus YouTube channel for a few days," Patton emailed. "Out of an abundance of caution on the question of music rights, we took it off our channel." Shame.

Don't worry though. The video can still be viewed on [WPXI's website](#) - at least for now. – *Philadelphia Daily News*

A resolution honoring the late Pennsylvania Senator Richard Schweiker cleared the Senate late Wednesday, recognizing the passing of a former congressman and Reagan cabinet secretary who grew up in Norristown. [The resolution](#), sponsored by Pennsylvania Senators Bob Casey and Pat Toomey, was unanimously approved. Schweiker, a Republican, served in the Navy during World War II and [went on to represent Pennsylvania](#) as a congressman and a two-term senator. He was later President Ronald Reagan's Secretary of Health and Human Services from 1981-1983. Schweiker died July 31 of complications from an infection. He was 89. – *Philadelphia Inquirer*



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