



Office of Chase Carey

As many of you are aware, we are engaged in an ongoing negotiation with Time Warner Cable regarding compensation for our channels, particularly Fox Broadcasting. This negotiation involves many Fox-related channels, except the FOX News Channel, FOX Business Network, Big Ten Network, National Geographic Channel, Fox Movie Channel and several of our RSNS, which have different expiration dates on their agreements with Time Warner Cable.

At this time, it looks like we will not reach an agreement and our channels may very well go off the air in Time Warner Cable systems at midnight tomorrow, December 31. We deeply regret that millions of Fox customers will be deprived of our programming, but we need to receive fair compensation from Time Warner Cable to go forward with them. Some may ask why Fox isn't providing an extension while negotiations continue – the fact is that we've been trying since the summer to negotiate a fair deal and that further extensions simply extend the period of time that Time Warner profits from our marquee programming without fairly compensating Fox for it. These customers will have the option to switch to DISH, DIRECTV, or one of the telephone providers to continue to receive Fox programming. I can assure you that we have worked very hard over the past few months to prevent this event. While we are continuing to engage with Time Warner Cable to try to resolve the issues, we will not do a deal that does not value our programming fairly.

We are extremely proud of the quality of our programming. Your hard work has enabled us to bring millions of American viewers the best in news, entertainment, and sports. We have been the number one network for the last five seasons and have just finished this fall at number one for the first time ever. FX, National Geographic, and our regional sports networks continue to be leaders with unique and exciting programs that have enabled these franchises to continue to grow. Our emerging networks like Fox Soccer and National Geographic Wild continue to bring great content to underserved audiences. We must be compensated fairly to be able to build these businesses.

Time Warner Cable has tried to claim that our requests are unreasonable. A great deal of their objections have focused on our compensation requests for Fox Broadcasting. In fact, we have gone the extra mile to reach an agreement. Our requested compensation is about equal to what Time Warner Cable pays TNT, a network with a fraction of the ratings and original programming of Fox, or about a quarter of what they pay ESPN, a network we again dwarf in ratings. Time Warner Cable will claim they cannot afford the rates we are requesting and try to blame us for rate increases to their customers.

Again, the facts are that Time Warner Cable has about a 40% profit margin and is on track to report operating profits of over \$6 billion this year. Our content has been a driving force in not just the growth of their video subscription business, but also their broadband and telephony business, yet their total costs for content are less than their bottom line profits. The reason they need to raise prices to customers is not because they have to, but because they want to protect and grow their enormous margins and profits.

We do not begrudge Time Warner Cable these goals, but we do object to their misleading characterizations of the issues. We are only asking to be treated fairly. Our broadcast business cannot continue to build on the success you have achieved as an ad-supported only network. We are not looking for unfair advantages. We welcome competition in the marketplace and simply expect, in fact will demand, that we be fairly rewarded for our results. We have negotiated in good faith to avoid the interruption to our service and we assure you we will continue to do so. We want to thank you for your support as we stand together for the best interests of our Company and the future of our business.

A handwritten signature in black ink, appearing to be 'JC' or similar initials.