

# Netflix, Inc. pays \$1 billion for rights

The company will now be streaming Paramount, MGM and Lionsgate movies

By Michael Liedtke and Ryan Nakashima  
ASSOCIATED PRESS WRITERS

LOS ANGELES — Netflix Inc. will pay nearly \$1 billion during the next five years for the online streaming rights to movies from Paramount, Lionsgate and MGM in a deal that could help convert even more people to the idea of getting their entertainment piped over high-speed Internet connections.

The agreement announced Tuesday marks another breakthrough in Netflix's bid to stock its online streaming library with more compelling material, so it can keep its subscription service relevant as on-demand video systems supplant its core business of renting DVDs through the mail. The online streaming push also helps the company reduce its postage bill for mailing DVDs.

The deal also makes the three studios' joint pay TV venture, Epix, immediately profitable.

Streaming movies provide more instant gratification than renting DVDs through the mail or from a store because the video can be delivered within 30 seconds over a high-speed connection. The video isn't stored on the computer hard drives owned by subscribers; it's

just shown on a connected device, such as video game consoles. The concept has become more popular as more households have gotten high-speed Internet access and Netflix has obtained the streaming rights to more recent movies and TV shows.

Analysts believe the influx of newer movies available for Internet streaming will enable Netflix to maintain its rapid growth of the past two years, lifting its earnings even higher despite the hefty licensing fees. That expectation helped lift Netflix shares \$8.11, or nearly 7 percent, to close at \$125.01.

Netflix's stock price has quadrupled during the last two years as the number of the company's subscribers has nearly doubled to 15 million. Meanwhile, traditional video stores have been closing, a trend reflected by the collapse of Movie Gallery Inc. and the struggles of Blockbuster Inc., whose shares are worth so little now that they were recently delisted from the New York Stock Exchange.

Epix, a pay TV channel launched last October by Viacom Inc.'s Paramount, Metro-Goldwyn-Mayer Inc. and Lions Gate Entertainment Corp., holds subscription pay TV rights to new

releases and movies from its partners' libraries. The pay TV rights typically start about a year after a movie's theatrical release. Netflix is getting the rights to stream movies 90 days after they appear on Epix, which is offered through subscription TV providers such as Dish Network Corp. and Cox Communications Inc.

The first crop of movies to be released in Netflix's streaming library on Sept. 1 include "G.I. Joe: The Rise of Cobra," "The Pink Panther 2" "The Curious Case of Benjamin Button" and all of "The Godfather" movies. Over the next few months, "Iron Man 2" and "Star Trek" will also be available for streaming.

The movies will be available for streaming on Netflix for 16 or 17 months, after which the rights will shift to basic cable channels.

Netflix now has movie streaming rights that cover about 46 percent of new releases at the U.S. box office, said Ted Sarandos, Netflix's chief content officer. He says that's comparable to what Time Warner Inc.'s HBO gets for its pay TV channel.

"We are giving people more and more reason to stream instead of waiting to get their DVDs through the mail," Sarandos said.

Just over 60 percent of Netflix's



Marcio Jose Sanchez/Associated Press

Netflix has gained popularity the past years, reaching large audiences.

subscribers streamed at least 15 minutes of video in the April-June period, up from 36 percent at the end of last year.

Mark Greenberg, the president of Epix, told The Associated Press that the channel had discussed a digital distribution deal with many potential partners including the online video site Hulu, Amazon.com Inc., and Google Inc.'s YouTube, but the Netflix deal made the most sense because it had healthy subscriber revenues.

"We're putting our bet on Netflix. They've done a great job and they're a great brand," Greenberg said.

Mailing DVDs remains Netflix's bread and butter, so the Internet isn't in immediate danger of choking from Netflix' expanded online streaming. Still, it represents the company's growth engine. Netflix management believes the streaming service is the main reason Netflix has added more than 6.5 million subscribers in the past two years.

# Levi Johnston to star in reality show, run for mayor

By Becky Bohrer  
ASSOCIATED PRESS WRITER

JUNEAU, Alaska — From Playgirl to ... politico?

That's right: Levi Johnston's manager, Tank Jones, is confirming a report that Johnston is planning to run for city office in his hometown of Wasilla, Alaska, as part of a reality TV show.

Wasilla is where Sarah Palin got her start in politics, moving up from City Council to mayor before winning election as Alaska's governor in 2006.

Palin rose to stardom in 2008 when she was chosen to be the vice-president nominee for the Republicans.

Johnston, 20, is the father of Palin's grandson, Tripp, and the recently off-again flame to her

daughter Bristol, who recently began an ad campaign in promoting abstinence for unmarried teens.

Jones said Johnston is serious about a run, either for mayor or City Council.

"Let me put it to you like this: If you live in a town and things are happening in that town, and you're displeased with it, what do you do? You try to change those things," Jones said.

He declined to give specifics on what Johnston wants to change but insisted the run is real.

"This is not a spoof. This is not a joke," Jones said.

According to the Wasilla city clerk, the next mayoral election is in 2011. The candidate filing period for council elections this October closed July 30.



Chris Pizzello/Associated Press

Levi Johnston arrives on the red carpet at the Teen Choice Awards.

Johnston isn't listed among those candidates.

Wasilla's outspoken current mayor, Verne Rupright, was at a meeting Monday and didn't immediately return a call seeking com-

ment. Johnston has seemingly come to embrace the spotlight since first being thrust into it in 2008.

Amid Palin's bid for vice president alongside Senator John

McCain, Johnston and Bristol were unwed teenagers expecting a child together.

Since then, he's gone on to pose for Playgirl and appear with Kathy Griffin on her reality show.

On Sunday, he walked the red carpet at the Teen Choice Awards with singer Britanni Senser, with whom he agreed to shoot a music video.

Asked whether he believed people would take Johnston's run for office seriously, with TV cameras rolling, Jones said: "People questioned Jesus Christ, so I definitely don't care about these mere mortals questioning Levi Johnston."

"People can question whatever they want. I mean, he's going to keep on doing his thing," he said. "He was going to do this, even if this wasn't a reality show."

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