



Robert M. Zitter
Executive Vice President
Technology Operations &
Chief Technology Officer

May 21, 2004

Dear Affiliate,

As you know, the "analog hole" enables consumers to bypass the digital copyright protection measures the industry has established. In an effort to begin closing the "analog hole," commencing **June 1** HBO will implement the Copy Generation Management System for Analog (CGMS-A) in the Vertical Blanking Interval (VBI) of the *HBO Family* feed and in a few titles on HBO-On-Demand (HOD) and Cinemax-On-Demand (MaxOD). Commencing **June 15**, CGMS-A will be included in all HBO programming services, (i.e., HBO, Cinemax, HOD, and MaxOD).

CGMS-A provides copyright protection information for content delivered to consumer electronic equipment capable of making digital recordings so that compliant devices can respect digital encoding rules. The CGMS-A information¹ is conveyed by two bits in Line 21, Field 2 of the VBI (i.e., the same stream as V-Chip data) and will pass transparently with the HBO and Cinemax signals through your system and through the subscriber's set-top box² **analog output** to the **analog input** of the subscriber's consumer electronic equipment. (CGMS-A does not affect or impair analog recording devices.)

We believe that now is the right time to begin including CGMS-A in HBO's programming services. Many consumer electronic devices already are capable of detecting and responding to CGMS-A and this capability is expected to be added to other similar devices in the near future.

As you may know, HDTV STBs are currently unable to pass through CGMS-A data on the analog component output. However, Motorola and Scientific Atlanta will be offering a software download later this year to remedy this problem, which we kindly remind you to be sure to implement².

CGMS-A Copyright Protection Instructions

The CGMS-A copyright protection instructions for protecting HBO and Cinemax content via analog outputs are the same as those that apply to digital outputs:

- (a) "Copy Once" encoding rules apply to the HBO and Cinemax linear network services (including HBO HDTV and Cinemax HDTV); and
- (b) "Copy Never" encoding rules apply to the HBO-On-Demand and Cinemax-On-Demand services.

¹ CGMS-A is a part of the CEA 608-B standard and, along with the V-Chip and other data, was standardized in the 1990s. Component HDTV analog is a part of the newer 805-A standard now being deployed.

² Motorola plans to offer a software download for some advanced STB's composite SD analog VBI processing in a time frame similar to their HD analog component download.

Please share this letter with the appropriate individuals in your organization and systems so that they will be informed of HBO's CGMS-A plans.

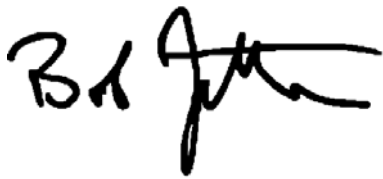
Consumer Questions

Attached is a list of likely consumer questions ("Q & A") about how CGMS-A might affect the behavior of their equipment. We encourage you to provide the Q & A to your CSRs. The Q & A will also be available on the www.hbo.com consumer website.

We believe that the implementation of CGMS-A in the HBO and Cinemax signals is a timely and prudent step to complement the digital copyright protection measures adopted by our industry.

Thank you for your continued support of HBO and Cinemax.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Jones". The signature is stylized with a large, sweeping initial "B" and a long, horizontal flourish extending to the right.