



**FLEISCHMAN
AND
HARDING LLP**

July 6, 2009

MEMORANDUM TO CLIENTS

Re: Form 1240 Quarterly Inflation Factor – First Quarter 2009

The FCC has released the First Quarter 2009 Inflation Adjustment Factor for cable operators using FCC Form 1240. The Inflation Factor for the First Quarter of 2009 is **2.76 percent** (a sharp increase over the Fourth Quarter 2008 Inflation Factor, which was only .55 percent). Please consult the attached Public Notice to ascertain how this Factor was calculated and how it should be used in conjunction with FCC Form 1240.

If you have any questions regarding the foregoing, feel free to contact us.

FLEISCHMAN AND HARDING LLP

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PUBLIC NOTICE

FEDERAL COMMUNICATIONS COMMISSION
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WASHINGTON, D.C. 20554

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Internet: <http://www.fcc.gov>
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DA 09-1500
July 2, 2009

MEDIA BUREAU ACTION

FIRST QUARTER 2009 INFLATION ADJUSTMENT FIGURES FOR CABLE OPERATORS USING FCC FORM 1240 NOW AVAILABLE

As described in the instructions for FCC Form 1240, cable operators may adjust the non-external cost portion of their rates for inflation based on quarterly figures released by the Federal Communications Commission. The First Quarter 2009 inflation factor for operators using FCC Form 1240 is 2.76%.

The adjustment factor of 2.76% is a measure of the annualized change in prices occurring over the period from January 1, 2009 to March 31, 2009. All adjustments are based on changes in the Gross National Product Price Index (GNP-PI) published by the United States Department of Commerce, Bureau of Economic Analysis (BEA). The Media Bureau obtained the chain-type price indices from the BEA news release dated June 25, 2009 (BEA 09-29) at Table 6 (Addenda: Gross National Product).

The inflation adjustment factor is calculated by dividing the GNP-PI for the First Quarter of 2009 (124.129) by the GNP-PI for the Fourth Quarter of 2008 (123.286). The result of this calculation is converted from a quarterly change measurement factor to an annual change measurement factor by raising it to the fourth power.

Operators calculating the Inflation Factor for a True-Up Period which includes some portion of the First Quarter of 2009 should enter the inflation factor on the appropriate lines of Worksheet 1 of FCC Form 1240 as "0.0276." Operators using this factor for calculating the Projected Period Inflation Segment of FCC Form 1240 should enter this number on Line C3 (January 1996 version), or Line C5 (July 1996 version) as "1.0276."

To date, the Commission has released fifty-five quarterly inflation factors for use with FCC Form 1240. The following table lists these factors beginning in 2002:¹

Year	Quarter	Dates Covered	Inflation Factor
2002	First	Jan. 1, 2002 – Mar. 31, 2002	1.21%
2002	Second	Apr. 1, 2002 – June 30, 2002	1.24%
2002	Third	Jul. 1, 2002 – Sep. 30, 2002	1.02%
2002	Fourth	Oct. 1, 2002 – Dec. 31, 2002	1.78%
2003	First	Jan. 1, 2003 – Mar. 31, 2003	2.39%
2003	Second	Apr. 1, 2003 – Jun. 30, 2003	1.00%
2003	Third	Jul. 1, 2003 – Sep. 30, 2003	1.66%
2003	Fourth	Oct. 1, 2003 – Dec. 31, 2003	1.50%
2004	First	Jan. 1, 2004 – Mar. 31, 2004	2.84%
2004	Second	Apr. 1, 2004 – Jun. 30, 2004	3.23%
2004	Third	Jul. 1, 2004 – Sep. 30, 2004	1.43%
2004	Fourth	Oct. 1, 2004 – Dec. 31, 2004	2.26%
2005	First	Jan. 1, 2005 – Mar. 31, 2005	2.89%
2005	Second	Apr. 1, 2005 – Jun. 30, 2005	2.57%
2005	Third	Jul. 1, 2005 – Sep. 30, 2005	3.31%
2005	Fourth	Oct. 1, 2005 - Dec. 31, 2005	3.47%
2006	First	Jan. 1, 2006 - Mar. 31, 2006	3.12%
2006	Second	Apr. 1, 2006 - Jun. 30, 2006	3.31%
2006	Third	July 1, 2006 – Sep. 30, 2006	1.89%
2006	Fourth	Oct. 1, 2006 – Dec. 31, 2006	1.67%
2007	First	Jan. 1, 2007 – Mar. 31, 2007	4.17%
2007	Second	Apr. 1, 2007 – Jun. 30, 2007	2.65%
2007	Third	Jul. 1, 2007 – Sep. 30, 2007	1.03%
2007	Fourth	Oct. 1, 2007 – Dec. 31, 2007	2.45%
2008	First	Jan. 1, 2008 – Mar. 31, 2008	2.68%
2008	Second	Apr. 1, 2008 – Jun. 30, 2008	1.11%
2008	Third	Jul. 1, 2008 – Sep. 30, 2008	3.92%
2008	Fourth	Oct. 1, 2008 – Dec. 31, 2008	0.55%
2009	First	Jan. 1, 2009 – Mar. 31, 2009	2.76%

The Commission releases a new quarterly inflation factor for operators using FCC Form 1240 four times each year. The inflation factor for a given quarter is usually released between three and four months after the end of the quarter, depending on the schedule of the Department of Commerce. The release of a new factor is posted on the Commission's Internet site at: <http://www.fcc.gov/mb/csinflat.html>.

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¹ For pre-2002 inflation figures see DA 06-1987 (rel. October 5, 2006), available at <http://www.fcc.gov/mb/csinflat.html>.