

# CableFAX Daily™

Monday — March 8, 2010

What the Industry Reads First

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## Farewell to Wall St: RCN Agrees to Sale, Privatization

Investors greedily devoured **RCN** shares Fri after private equity firm **ABRY Partners** agreed to acquire and privatize the overbuilder for approx \$1.2bln, including \$15/share in cash and assumption of debt. The shares gained a staggering 23.6% and closed above the sale price, yet there may be even more appreciation on the horizon as RCN reserves the right to solicit proposals from 3rd parties through Apr 14. "ABRY really chased us a little bit," said RCN pres/CEO *Peter Aquino* of the unsolicited bid. "The cable business is really on steroids... they saw our value was trapped." Management had grown weary of an internal belief that Wall St "painted all our assets with the least common denominator," he said, adding that critical business developments such as **RCN Metro's** recent Ethernet provision deal often went underappreciated by investors. "We can be more savvy in a private environment," said Aquino, who believes plans to split RCN's residential and commercial segments into distinct entities once the deal closes will optimize the operations of each. Added CFO *Mike Sicoli*: "we'll get more flexibility... the idea is that we can take a longer (term) look at our future." While touting RCN's all-digital footprint, Aquino underscored Metro as perhaps RCN's most powerful growth engine. The SMB market currently reps just 5% of the company's total rev, he said, estimating that approx 300K SMBs are either on its fiber network or within feet of connection. Also, RCN is now cash flow positive, so acquisitions in the commercial space may play out going forward, said Aquino. RCN will report 4Q and full-yr results Tues but has canceled the attendant conference call. Execs don't expect any major changes to either management or the overall employee base beyond those surrounding the reorg. Those groups constitute "part of what ABRY's buying," said Aquino. "We're very passionate about our employees and our prospects here." No stranger to the multichannel universe, ABRY either owns or has a stake in **Atlantic Broadband**, **Grande Comm** and **Nexstar Broadcasting**. Provided no other suitor emerges, the deal is expected to close in the year's 2nd half, subject to stockholder and regulatory approvals. In a statement, RCN said it believes regulators will support the transaction as a way to "serve the public interest by making RCN—already a leader in bringing competition to the markets it serves—an even stronger competitor."

**Stay Tuned:** Cablevision and **ABC-Disney** were still talking Fri, but there was no word yet on whether the MSO's 3min

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subs will lose **ABC 7** at 12:01am Sun. Sen *John Kerry's* (D-MA) press office reported Fri that 68 state and federal lawmakers (most, if not all, in the tri-state area) have joined Kerry's call to keep the signal up and keep negotiating. **Verizon FiOS** launched an ad campaign Fri aimed at poaching CVC subs. It's offering \$75 Visa cards to CVC subs who place orders now for triple- or quad-play packages. Asked if FiOS could complete an install before Sun's Oscars telecast, a rep said the company is working "as quickly as possible" and in some instances that may mean same-day or next-day service. Cablevision's latest statement singled out Disney pres/CEO *Bob Iger*, saying "there is one man who is going to decide whether NY gets to see the Oscars." It has said it will leave the **WABC** channel position open and that "the switch" is in Iger's hands. **Free Press** actually agreed with Cablevision for a change, with the consumer group urging both companies to keep ABC content flowing to consumers until the dispute is resolved. "If local content disappears from consumers' television screens, then the market is failing," Free Press' *Ben Scott* said. "If negotiations break down to the point of intractability, the FCC should be able have the ability to step in and facilitate fair arbitration. Transparency in pricing and consumer control over content choices should be the guiding principles going forward to help resolve these disputes."

**Deals:** Lot of scuttle last week after an MMA blog reported that **Versus** would soon be back on **DirectTV**. No truth to that, Versus said, with a spokesperson saying that the net is "not optimistic" that an agreement will be in place in time for the start of the Stanley Cup playoffs next month. DirecTV's statement sounded a little more optimistic than in the past. "We continue to have productive discussions and are hoping to come to a deal soon," a spokesperson said. That's in contrast to previous, more ambiguous statements that it continues to talk to Versus.

**On the Hill:** **Comcast-NBCU** returns to the dunking booth—er, we mean the Hill—for another hearing Thurs. This time **Sen Commerce** will do the grilling. -- **NCTA** joined 24 other organizations, including **Facebook** and **MySpace**, in supporting HR 3630, the Adolescent Web Awareness Education Act, which will develop public education campaigns to promote awareness of online risks and support peer-driven Internet safety initiatives.

**At the Portals:** The **FCC's** National Broadband Plan will recommend that the universal service fund shift funding from phone service in rural areas to broadband. The idea is to eliminate the USF's high-cost fund over the next 10 years with a 3-phase transition. **NCTA** likes the plan. "As NCTA has demonstrated, reducing unnecessary USF high-cost support in specific areas where competitors have entered without government subsidy will enable the Commission to redirect significant funding to areas that still lack any broadband access," pres/CEO *Kyle McSarrow* said. -- **FCC** chmn *Julius Genachowski* will be joined by furry friend *Elmo* Fri to outline the benefits of the National Broadband Plan to children and families. He'll also chat up kid-focused FCC events planned throughout the year.

**Advertising:** The **Natl Advertising Div of the Council of Better Business Bureaus** has recommended that **Time Warner Cable** discontinue certain superior performance and efficacy claims for the company's Internet and HD offerings. A challenge by **AT&T** prompted NAD to examine the claims, which include the claim that simultaneous use of AT&T Internet service and HDTV results in a significant slowdown of Internet service. NAD rejected that position, saying AT&T's terms of service states that "some broadband access lines may be provisioned at less than maximum speed capability but within the range of speed purchased." It also said AT&T's evidence demonstrated no degradation of Internet speeds and that TWC provided no testing to demonstrate that there was any impact. NAD's voluntary recommendations also included TWC discontinuing claims to offer "free HD" service and claims that customers must sign a long-term contract. "In the

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spirit of industry self-regulation and consistent with NAD's recommendations, TWC will revise its advertising to curtail use of the word 'Free' and take NAD's recommendations into consideration in future advertising," TWC said.

**Feb Ratings:** With the Olympic Games perhaps the most logical reason, 29 cable nets delivered YOY declines in Feb prime HH delivery while just 11 achieved gains and 34 were flat. Even with curling a large part of its coverage, **CNBC** appears to have been aided by the Games as it delivered a 67% jump to a 0.5. Sibling net **MSNBC** was flat YOY, but its feature of a US hockey game (5.4/4.98mln) became the month's top cable telecast. Feb winners included **Investigation Discovery** and its 100% growth to 0.6 from 0.3, and **History**, which achieved a 10% uptick to 1.1 owing largely to surging series "Pawn Stars," 2 eps of which hit the telecast top 20. Meanwhile, **USA** received the most love from prime cable viewers in Feb, earning a 2.3/2.20mln to easily win the month after also scoring best in Jan. **WWE** content and "Burn Notice" helped power the victory. A 3-way tie for 2nd included **Disney Channel** (1.7/1.72mln), **Fox News** (1.7/1.66mln) and **TNT** (1.7/1.65mln), with Disney's original movie "StarStruck" notching a top 5 finish among telecasts with a 4.2/4.11mln and TNT's NBA All-Star Game telecast taking 2nd with 4.5/4.48mln. **Nick at Nite** (1.4/1.41mln) completed the network top 5.

**Brag Book:** **Disney XD's** best-ever Feb included 269K total viewers, plus total day among 6-14s (121K), boys 6-14 (79K), 6-11s (98K), boys 6-11 (63K), 9-14s (71K) and boys 9-14 (48K). -- **Lifetime Movie Net's** most-watched Feb ever in total day and prime encompassed myriad demos, including HHs (302K total day, 531K prime), P2+ (442K, 681K), women 18+ (302K, 452K) and 18-49s (159K, 228K). Moreover, the month also became the net's most-watched Feb ever in prime among women 25-54 (194K) and 25-54s (263K). -- **Science Channel** earned its best Feb in prime among HHs (169K), P2+ (220K), 25-54s (105K) and 18-49s (92K). -- **Oxygen** notched a historical best Feb among all key demos, with prime total viewers rising 12% YOY. -- Feb became **E!'s** most-watched and highest-rated month in history among 18-49s, 18-34s, women 18-34 and women 18-49. -- **G4** averaged 112K total viewers to establish a Feb record for the demo.

**Programming:** **Animal Planet** greenlit a new season of "Monsters Inside Me" (summer) and "The Haunted" (fall). -- **ESPN360.com** is poised to feature live coverage of Winter X Games Europe (Mar 10-12) for the 1st time.

**Affiliate Relations:** With **Univision** broadcasting all 64 FIFA World Cup games in HD, it wanted to really "kick off" the year right by sending out a unique gift to distribution partners—personalized, limited-edition pairs of **Adidas** sneakers. We hear they went over well, with almost all 150 execs receiving the gift ordering shoes immediately. My Adidas...

**On the Circuit:** **CTAM** wants cable ops, nets and ad agencies to enter the '10 **Mark Awards** (Oct), which is sponsored this year by **Showtime Nets** and **HBO**, and annually honors consumer and trade marketing excellence. Submission info, the online entry form and additional details are all exclusively at **MarkAwards.com**. -- **Blair Levin**, exec dir of the **FCC's** Omnibus Broadband Initiative, will address the **ACA's** 17th Annual Summit on Apr 20. The Summit takes place in DC, Apr 19-21.

**People:** **Comcast** named **Glenn Lytle** vp, business services in IN. -- **Comedy Central** upped **David Bernath** to evp, program strategy and multiplatform programming. -- **BigBand Networks** appointed **Mike Pohl** non-exec chmn, a move that separates the co's chmn and CEO roles. **Amir Bassan-Eskenazi** will continue as CEO. Also, **Ray Fitzgerald** was upped to vp, worldwide cable sales, and **David Heard** and **Sean Rooney** resigned as COO and svp, worldwide sales. Heard will remain a consultant through Jun and Rooney will remain with the co through Apr 1.

**Business/Finance:** **Collins Stewart** upgraded **DISH** to "buy" from "hold," saying it sees Thurs' **TiVo** ruling (which sent DISH shares down about 5%) as its last major obstacle with a fundamental turnaround well under way. It also increased '10 net add estimates to 336K from 262K and FCF to \$1.1bln from \$951mln. DISH closed up nearly 3% Fri, while **TiVo** gained almost another 6%. -- **The Weather Channel** owner **TWCC Holding** is seeking a \$1.3bln term loan to refinance its bank debt and retire a portion of its bonds, according to **Bloomberg**.

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**CableFAX Week in Review**

Company	Ticker	3/05 Close	1-Week % Chg	YTD %Chg
<b>BROADCASTERS/DBS/MMDS</b>				
BRITISH SKY:	BSY	34.06	2.25%	(5.96%)
DIRECTV:	DTV	34.95	3.25%	4.80%
DISH:	DISH	21.18	6.06%	1.97%
DISNEY:	DIS	33.22	6.34%	3.01%
GE:	GE	16.35	1.81%	8.06%
NEWS CORP:	NWS	16.81	6.73%	5.59%

Company	Ticker	3/05 Close	1-Week % Chg	YTD %Chg
<b>MSOS</b>				
CABLEVISION:	CVC	24.28	0.83%	(5.96%)
COMCAST:	CMCSA	17.43	6.02%	3.38%
COMCAST SPCL:	CMCSK	16.68	7.68%	4.18%
GCI:	GNCMA	5.99	9.11%	(6.11%)
KNOLOGY:	KNOL	12.81	11.88%	17.31%
LIBERTY CAPITAL:	LCAPA	33.19	(1.92%)	38.99%
LIBERTY GLOBAL:	LBTYA	28.27	5.17%	29.15%
LIBERTY INT:	LINTA	13.47	6.99%	24.26%
MEDIACOM:	MCCC	5.10	9.91%	14.09%
RCN:	RCNI	15.15	37.98%	39.63%
SHAW COMM:	SJR	20.14	6.56%	(2.09%)
TIME WARNER CABLE:	TWC	48.29	3.43%	16.67%
VIRGIN MEDIA:	VMED	16.98	4.81%	0.89%
WASH POST:	WPO	448.43	6.69%	2.01%

Company	Ticker	3/05 Close	1-Week % Chg	YTD %Chg
<b>PROGRAMMING</b>				
CBS:	CBS	14.65	12.78%	4.27%
CROWN:	CRWN	1.81	9.04%	24.83%
DISCOVERY:	DISCA	31.55	1.28%	2.87%
GRUPO TELEVISIA:	TV	19.30	4.55%	(7.03%)
HSN:	HSNI	27.90	28.81%	38.19%
INTERACTIVE CORP:	IACI	23.70	5.85%	15.72%
LIBERTY:	L	37.50	2.85%	3.16%
LIBERTY STARZ:	LSTZA	53.45	4.95%	15.82%
LIONSGATE:	LGF	5.54	1.65%	(4.65%)
LODGENET:	LNET	6.90	10.58%	24.77%
NEW FRONTIER:	NOOF	1.86	3.91%	(1.59%)
OUTDOOR:	OUTD	6.20	8.58%	6.90%
PLAYBOY:	PLA	3.44	5.20%	7.50%
RHI:	RHIE	0.33	13.76%	6.42%
SCRIPPS INT:	SNI	40.82	3.13%	(1.64%)
TIME WARNER:	TWX	30.54	5.17%	4.80%
VALUEVISION:	VTV	4.58	6.26%	(4.58%)
VIACOM:	VIA	32.24	2.22%	2.35%
WWE:	WWE	17.95	5.28%	17.09%

Company	Ticker	3/05 Close	1-Week % Chg	YTD %Chg
<b>TECHNOLOGY</b>				
3COM:	COMS	7.72	1.21%	2.97%
ADC:	ADCT	7.00	10.41%	12.72%
ADVANTAGE:	AEY	2.23	0.90%	13.19%
ALCATEL LUCENT:	ALU	3.40	11.84%	2.41%
AMDOCS:	DOX	29.60	1.79%	3.75%
AMPHENOL:	APH	43.91	5.43%	(4.92%)
AOL:	AOL	25.74	3.87%	10.57%
APPLE:	AAPL	218.95	7.00%	3.90%
ARRIS GROUP:	ARRS	11.43	10.76%	0.00%
AVID TECH:	AVID	14.52	7.96%	13.79%
BIGBAND:	BBND	2.98	3.47%	(13.37%)
BLNDER TONGUE:	BDR	1.05	5.00%	(7.89%)

Company	Ticker	3/05 Close	1-Week % Chg	YTD %Chg
BROADCOM:	BRCM	31.15	(0.54%)	(1.02%)
CISCO:	CSCO	25.21	3.62%	5.30%
CLEARWIRE:	CLWR	6.77	6.45%	0.15%
COMMSCOPE:	CTV	27.27	6.98%	2.79%
CONCURRENT:	CCUR	4.78	3.69%	20.71%
CONVERGYS:	CVG	13.05	5.75%	21.40%
CSG SYSTEMS:	CSGS	20.70	2.73%	8.43%
ECHOSTAR:	SATS	20.51	5.29%	1.84%
GOOGLE:	GOOG	564.21	7.10%	(9%)
HARMONIC:	HLIT	6.82	3.96%	7.91%
INTEL:	INTC	20.79	1.27%	1.91%
JDSU:	JDSU	11.42	6.43%	38.42%
LEVEL 3:	LVL	1.56	(1.89%)	1.96%
MICROSOFT:	MSFT	28.59	(0.29%)	(6.21%)
MOTOROLA:	MOT	6.95	2.81%	(10.44%)
OPENTV:	OPTV	1.55	0.65%	13.97%
PHILIPS:	PHG	31.81	8.57%	8.05%
RENTRAK:	RENT	19.00	3.71%	7.53%
SEACHANGE:	SEAC	7.63	7.77%	16.31%
SONY:	SNE	36.34	6.54%	25.31%
SPRINT NEXTEL:	S	3.28	(1.5%)	(10.38%)
THOMAS & BETTS:	TNB	38.26	5.98%	6.90%
TIVO:	TIVO	17.50	84.60%	71.91%
TOLLGRADE:	TLGD	6.74	3.37%	10.31%
UNIVERSAL ELEC:	UEIC	23.15	2.48%	(0.3%)
VONAGE:	VG	1.50	(11.24%)	7.14%
YAHOO:	YHOO	16.06	4.90%	(4.29%)

Company	Ticker	3/05 Close	1-Week % Chg	YTD %Chg
<b>TELCOS</b>				
AT&T:	T	24.99	0.73%	(10.85%)
QWEST:	Q	4.66	2.19%	10.69%
VERIZON:	VZ	29.23	0.72%	(11.77%)

Index	Value	% Chg	YTD %Chg	
<b>MARKET INDICES</b>				
DOW:	DJI	10566.20	2.33%	1.32%
NASDAQ:	IXIC	2326.35	3.94%	2.52%

**WINNERS & LOSERS**

**THIS WEEK'S STOCK PRICE WINNERS**

COMPANY	CLOSE	1-WK CH
1. TIVO:	17.50	84.60%
2. RCN:	15.15	37.98%
3. HSN:	27.90	28.81%
4. RHI:	0.33	13.76%
5. CBS:	14.65	12.78%

**THIS WEEK'S STOCK PRICE LOSERS**

COMPANY	CLOSE	1-WK CH
1. VONAGE:	1.50	(11.24%)
2. LIBERTY CAPITAL:	33.19	(1.92%)
3. LEVEL 3:	1.56	(1.89%)
4. SPRINT NEXTEL:	3.28	(1.5%)
5. BROADCOM:	31.15	(0.54%)



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