

CableFAX Daily™

Thursday — October 26, 2006

What the Industry Reads First

Volume 17 / No. 208

Post Viacom: Freston's 'Bad Day' Turns Into Tribute

Anyone expecting a barb attack at *Sumner Redstone* during Wed's **Center For Communications'** NY award lunch honoring deposed **Viacom** CEO *Tom Freston* was rudely disappointed. There was only one direct Redstone hit all ceremony, and it didn't come from Freston, who was making one of his first industry appearances since being dismissed by Redstone last month. It was **News Corp** COO *Peter Chernin*, who showed off a fake Freston-created **MySpace.com** page with a picture of Redstone muttering "F@*# MySpace." Viacom-owned MTV without Freston, Chernin said, "now stands for (*Les*) *Moonves* Takes Viacom." Most zingers touched either on Freston's **MTV Networks** track record or the \$59mln severance package he'll get post-exit. "He started MTV with a system in Jersey, and he's leaving with enough cash, if you believe the reports, to buy all of Jersey," said **BET** CEO *Debra Lee*. "Don't worry, Tom—your peak earning years are ahead," added MTVN CEO *Judy McGrath*. "Think how rich the next time you'll be when you get swung." **Comedy Central** personality *Stephen Colbert* praised Freston for providing edgy MTV content throughout his career there. "What's awful in America is fantastic for foreign countries," Colbert quipped. "When the Taliban practice stunts from 'Jackass,' we're all safer." At the end, Freston appeared as someone at peace with himself and ready to take on new opportunities. "It's a great time to be a free agent in digital's new world order. I'm taking my time," he said after a standing ovation. "Nothing will change the good feelings at Viacom over what we did." He also showed off his post-job pursuits, from starting a "La-Z-Boy" page on MySpace with a roster of former Viacom execs, to creating a viral music video that has him lip-synching around his apartment to pop song "Bad Day." Lee and a **Hallmark Channel**-created tape spotlighted Freston's diversity commitment at the ceremony, which was slated well before Freston's ousting. Beyond race and gender, "diversity is creativity," she said. "Viacom will be that way forever, and that will be Tom's legacy." Among the cable/media elite watching Freston take the ribbing and keep on ticking: *Rupert Murdoch, Les Moonves, Christie Hefner, Doug Herzog, Henry Schleiff, Viacom founder Ralph Baruch and Russell Simmons.* — *Simon Applebaum*

Spat: A US District Court in Iowa denied **Mediacom's** motion for a preliminary injunction to let the MSO keep carrying 22 **Sinclair** TV stations beyond Nov 30. Mediacom has already filed an appeal to the US Court of Appeals for the 8th Circuit. Sinclair has threatened to cut off the stations by Dec 1 if Mediacom won't meet its carriage fee demands (**Cfax**, 9/29), claiming such a cutoff would affect 800,000 subs. *Barry Faber*, Sinclair's vp and gen counsel, lauded the decision, saying Mediacom's motion was "an ill-conceived attempt" to influence negotiations. In a recent SEC filing, Mediacom said Sinclair "is seeking compensation that we believe to be in excess of what is appropriate." In denying Mediacom's request, the judge wrote "the Court concludes that for purposes of the present motion, Mediacom is unlikely to succeed on the merits of its antitrust claim because it is unlikely Mediacom can establish a tying arrangement in the first place, or establish an illegal per se tying arrangement."

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Deals: Steve Weed's WaveDivision will buy Starstream's cable systems, located in CA's Placer and Humboldt counties. The deal's expected to close Jan 1. Daniels & Assoc acted as financial advisers to Starstream.

At the Portals: No big surprise here. Cox, Charter, Insight, Advance/Newhouse and Cablevision told the FCC this week that AT&T's proposed merger conditions are inadequate because they don't address interconnection. -- NCTA spoke out Wed against the "Missoula Plan," an intercarrier compensation plan offered up to the FCC by Bells and ILECs. "Virtually every component of the plan... is designed to favor incumbents over competitors," NCTA told the FCC. Some 26 organizations, including Comcast, Alltel, Cox, RCN and Time Warner Telecom, are detractors, reports sister pub Telecom Web. AT&T, BellSouth, Global Crossing, Level 3 and some 350 ILEC supporters proposed the plan.

In the States: Insight introduced "InsightDigital 2.0," its enhanced digital cable service, in Louisville and Covington, KY; Columbus, OH; and Rockford and Macomb, IL. A footprint-wide rollout is expected by next month. The improved service includes new digital nets and expanded on demand content. -- Time Warner Cable launched AmericanLife TV in its Dallas market. -- Bresnan will deploy softswitch, media gateway and app server products from MetaSwitch in early '07 for business telephone services. -- Bright House now holds more than 300K digital phone subs within its 6 markets.

Ratings: Nielsen and News Corp inked an 8-year pact for 49 News Corp TV entities, including Fox News, National Geographic Channel and DirecTV. The deal consolidates more than 150 individual agreements between the companies and signifies a burying of the hatchet over News Corp's objections to Nielsen's Local People Meters. News was critical of the meters' accuracy in measuring certain demos, particularly minorities. Under the deal, News committed to invest \$50mln in programs to enhance the response rates. -- This week's ESPN "MNF" telecast featuring the NY Giants-Dallas Cowboys rivalry earned a 12.8 HH rating/11.81mln HH delivery, setting the mark for cable's largest audience ever. The previous record holder was a NAFTA debate between Al Gore and Ross Perot airing in '93 on CNN's "Larry King Live." NFL tilts on ESPN have earned a 10+ rating for 6 consecutive weeks.

Programming: RHI Ent and ION Media inked a deal to broadcast RHI's library of films and mini-series. The deal calls for RHI to exclusively supply ION's Fri, Sat and Sun night programming (7-11pm) for an initial 2-year period, beginning July 1. It also provides for the US broadcast premiere of at least six new RHI productions each year. -- TV Guide Channel announced a special marathon airing of Fox's new drama "Standoff." Four 1-hour eps of the series will air Sun (3pm), preceding a new ep (Tues) on Fox.

Mobile: CSTV and VeriSign announced the launch of "CSTV 2 Go," a mobile initiative offering customizable college sports alerts and the chance to purchase ringtones and wallpapers for roughly 100 US schools. All of the available content may be accessed at www.cstv.com/wireless. -- The Weather Channel Interactive announced the availability for select Verizon Wireless handsets of its "Flash Lite" weather information app. The subscription service offers detailed forecasts, animated radar and satellite maps and severe weather alerts.

Online: TBS and MySpace are not joking about the "Stand Up or Sit Down Comedy Challenge," an online competition that invites aspiring comics to submit video samples at mspace.com/standuporsitdown. MySpace users may vote beginning this week for the 5 finalists, who will then perform in a 1-hour special to be hosted by George Lopez, slated to air Nov 17 (10pm) on TBS. -- Espn.com announced a free offering next season of "ESPN Fantasy Baseball," a custom-



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-- **Comedy Central** announced a pair of new irreverent broadband series.

"Baxter & McGuire" (Nov 6) chronicles close pals who are also testicles and "Good God" (Thurs) is an action comedy about God's workplace.

Advertising: **CNN** is stumping for its ad packages surrounding "America Votes '06," election coverage including special reports with *Lou Dobbs*, expanded coverage of "The Situation Room" with *Wolf Blitzer* and *Paula Zahn* and 3 straight evenings of news and analysis surrounding mid-term election night. Current sponsors include **AARP** and **Norfolk Southern**.

VOD: Through its new relationship with **Movielink**, **Akimbo** offers VOD movies from studios including **Paramount**, **Universal** and **Warner Bros** through its "RCA Akimbo Player."

People: **Time Warner Cable** announced Step 2 in its reorg of the corporate marketing dept that saw the merging of separate marketing entities for Road Runner, Digital Phone and corporate marketing into a single dept. TW has now created 2 teams—one focused on strategy and intelligence, the other on sales channels & market development. *Michael Diamond* was elevated to svp, marketing strategy and intelligence (he most recently led the MSO's project mgmt office for the Adelphia-Comcast transaction). A trio of execs—*Lauren LoFrisco*, *Pam Murrin* and *Mark Sakalosy*—were upped to group vps.

CableFAX Daily Stockwatch

Company	10/25 Close	1-Day Ch	Company	10/25 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	41.45	(0.01)	AVID TECH:	38.50	0.32
DIRECTV:	21.48	0.14	BLNDER TONGUE:	1.31	0.02
DISNEY:	31.20	(0.18)	BROADCOM:	28.46	1.46
ECHOSTAR:	35.10	0.05	C-COR:	9.60	(0.1)
GE:	35.61	0.19	CISCO:	24.29	(0.05)
HEARST-ARGYLE:	23.40	(0.09)	COMMSCOPE:	35.08	0.58
ION MEDIA:	0.80	0.04	CONCURRENT:	1.72	0.00
NEWS CORP:	21.76	0.03	CONVERGYS:	20.95	0.19
TRIBUNE:	33.01	0.09	CSG SYSTEMS:	27.09	(0.44)
MSOS					
CABLEVISION:	27.60	(0.15)	GEMSTAR TVG:	3.30	0.00
CHARTER:	1.89	(0.05)	GOOGLE:	486.60	13.29
COMCAST:	38.76	(0.25)	HARMONIC:	7.06	(0.06)
COMCAST SPCL:	38.68	(0.25)	JDSU:	15.06	(0.69)
GCI:	12.79	0.01	LEVEL 3:	5.39	(0.27)
KNOLOGY:	10.31	(0.64)	LUCENT:	2.50	0.01
LIBERTY CAPITAL:	86.14	(0.18)	MICROSOFT:	28.31	0.03
LIBERTY GLOBAL:	25.25	(0.31)	MOTOROLA:	23.56	0.20
LIBERTY INTERACTIVE:	22.00	0.49	NDS:	45.44	0.25
MEDIACOM:	7.76	0.02	NORTEL:	2.23	(0.04)
NTL:	26.95	1.05	OPENTV:	2.72	(0.03)
ROGERS COMM:	56.43	1.80	PHILIPS:	35.75	0.58
SHAW COMM:	30.50	0.59	RENTRAK:	13.10	0.35
TIME WARNER:	19.83	0.02	SEACHANGE:	8.39	(0.02)
WASH POST:	740.72	4.22	SONY:	40.76	0.28
PROGRAMMING					
CBS:	28.61	0.27	SPRINT NEXTEL:	17.72	0.65
CROWN:	3.99	(0.06)	THOMAS & BETTS:	51.93	(0.56)
DISCOVERY:	14.77	(0.05)	TIVO:	6.41	0.01
EW SCRIPPS:	49.17	0.42	TOLLGRADE:	9.00	(0.02)
GRUPO TELEVISA:	24.45	0.44	UNIVERSAL ELEC:	21.59	0.49
INTERACTIVE CORP:	30.03	0.07	VONAGE:	7.32	(0.07)
LODGENET:	19.18	0.23	VYYO:	3.78	(0.21)
NEW FRONTIER:	8.95	(0.17)	WEBB SYS:	0.06	0.00
OUTDOOR:	13.52	0.27	WORLDGATE:	1.30	(0.04)
PLAYBOY:	10.56	0.06	YAHOO:	24.49	0.96
UNIVISION:	35.05	(0.03)	TELCOS		
VALUEVISION:	12.50	0.08	AT&T:	34.33	(0.4)
VIACOM:	38.60	(0.21)	BELLSOUTH:	45.11	(0.51)
WWE:	16.82	0.00	QWEST:	8.61	0.30
TECHNOLOGY					
3COM:	4.65	(0.07)	VERIZON:	38.30	0.30
ADC:	14.50	(0.25)	MARKET INDICES		
ADDVANTAGE:	4.13	0.02	DOW:	12134.68	6.80
AMDOCS:	39.56	(0.34)	NASDAQ:	2356.59	11.75
AMPHENOL:	68.75	0.63			
ARRIS GROUP:	12.88	0.27			

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Think about that for a minute...

Breaking Point

I think we've reached a breaking point in the telecommunications policy world. There's growing consensus that the laws now on the books simply cannot respond fast enough to the changing path telecommunications is taking, and there's a reluctant admission that none of us really knows where that path is going to lead.

To see how tenuous things are, look at the current spate of lawsuits compared to the new business models swirling around in our world. The two contrast sharply. On the one side, for instance, is the suit against Echostar regarding the carriage of broadcast signals. EchoStar lost, and now they will have to shut down service to around 800,000 customers who currently get distant network stations in what Echostar considered "white areas"—the areas between the receivable local affiliates.



Steve Effros

At the same time, the networks are moving toward an Internet distribution model that allows anyone, anywhere to see their most coveted product for free. Of course, ads surround the popular series programming, but then again... there are ads on the programs that folks get over the air, or by cable, or by satellite. So why does it make any difference to the networks how exactly the consumer gets to see the shows (and the ads)?

I suspect that in the future, people will conclude that it doesn't really matter so long as we can measure who is watching what. All the current convoluted copyright law restrictions, distant signal designations, "white area" constructs and the like will eventually fall by the wayside as we acknowledge that the real issue is who gets what piece of the pie. If we can measure who is being successful at delivering the product and allocate the "rewards" accordingly, then all these convoluted

legal boundaries that have been constructed can be scrapped.

The same logic goes for copyright payments for "compulsory licenses" when in fact those licenses only have relevance to the signals cable operators or satellite carriers don't negotiate private "retransmission consent" agreements for. In other words, the signals they don't necessarily want to carry in the first place. I won't go into another one of my rants here about "must carry," but let's face it: In the world of Internet carriage and an almost overwhelming flood of information, entertainment, data availability, etc., it would be anachronistic for the government to argue in court again that those rules are necessary to protect "diversity." If anything today, our problem is one of how to discriminate intelligently to control the flow of material available to us, not the other way around.

The advent of movie and program distribution via the Internet, either on a paid basis or a free, ad supported basis (or both, as I suspect will ultimately be the case) proves that all those other rules either guaranteeing or limiting distribution by other deliverers such as cable or satellite no longer have meaning. If a programmer wants to distribute based on mass advertising (not on exclusivity, which is another option), then anyone who can distribute should be allowed to do so. The programmer succeeds so long as there is some way to count and be paid for ad fulfillment. If any law is needed in the future it would be that; no mass distribution without counting those who take it. Simple, clean and unobtrusive.

I'll give other examples in future columns of where we can vastly simplify the laws with which we're currently encumbered. Please share your ideas with me, too.

Steve

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CableFAX Leaders Retreat

4th Annual Off-The-Record Gathering for Cable's Leaders
November 1-3, 2006 - Ritz-Carlton South Beach, Miami

Confirmed Attendees (as of 10/19/06):

- Atlantic Broadband – CEO, President & COO
- Audible Magic – Business Development
- Balfour Associates Inc. – Chairman
- Bend Cable Communications LLC - President & CEO
- Bresnan Communications, Inc – EVP Operations
- Buford Media Group, LLC – CEO, President & COO
- C-SPAN – VP Affiliate Relations
- Cequel III -Suddenlink – President & CEO, SVP Programming
- Comcast Cable – EVP
- Cox Communications – SVP Marketing
- Effros Communications – President
- Fleischman & Walsh LLP – Partner
- Fox Cable Networks – SVP Affiliate Marketing, SVP Sales
- Harron Communications – Chairman /CEO & President /COO
- HSN/IAC – EVP Affiliate Relations
- ION Media Networks – President, Cable Distribution
- Insight – CEO, VP Programming
- IMA-Int'l Media Advisors – Principal
- Mediacom – SVP Programming & Human Resources
- Media Business Corp. – Sr. VP, Product Marketing
- Millennium Digital Media – SVP, Programming & Product Development
- NCTC – President & CEO, SVP Programming
- NCTA – President & CEO
- NBC Universal Cable – SVP Marketing
- New Frontier Media – President, VP New Business
- New Wave Communications – President
- NFL Network – SVP
- October Strategies, Inc. – Partner
- SCTE – President & CEO
- The Tennis Channel – SVP Distribution, VP Distribution
- Time Warner Cable – EVP of Programming
- Wave Broadband – CEO
- WindBreak Cable – President & CEO

Schedule of Events

- Wednesday, November 1st**
 12:00pm – 3:00pm - Registration
 3:00pm – 5:00pm - Industry Leaders Forum with Kyle McSarrow – President & CEO, NCTA
 7:00pm – 10:00pm - Dinner at Vizcaya
- Thursday, November 2nd**
 8:00am – 11:30am - Industry Leaders Forum Breakfast
 12:00pm – 4:30pm - Golf, Spa, Tennis or Everglades
 7:00pm – 10:00pm - Dinner
- Friday, November 3rd**
 8:00am – 11:00am - Industry Leaders Forum Breakfast With Michael Willner – CEO, Insight

Sponsorship and Attendance Information

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