

# Cablefax Daily™

Thursday — October 9, 2014

What the Industry Reads First

Volume 24 / No. 196

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## Merger Beat: Shareholder Votes, Wireline Competition & Contracts

As expected, **Comcast** shareholders Wed overwhelmingly approved the stock issuance for the company's \$45bln acquisition of **Time Warner Cable**. More than 99% of shareholders voting supported the proposal. TWC shareholders get their turn to vote Thurs, with another easy approval expected. Then what? "We look for Comcast to step up share repurchases significantly following the votes. We forecast \$2.75bln in total share repurchases at Comcast in 4Q vs. an estimated \$750mln in 3Q (similar to the pace in the first half)," **UBS** analysts told clients. "This is partly to compensate for the suspension of TWC's repurchase program. On a daily basis, this equates to an average value of shares to be bought back of ~\$48M vs. the current run rate of ~\$12M." While the **FCC's** informal merger clock is currently stopped, the agency is still seeking info. This week, it reached out to **Verizon, AT&T, CenturyLink** and other commercial wireline competitors against which Comcast, TWC and **Charter** compete, asking for subscriber data, data cap usage, details of DSL-based Internet access service, and if there are plans to increase the speed. In the meantime, companies continue to visit with FCC staff to talk through their concerns with the merger. Last week, **Via-media** pres/CEO *Mark Lieberman* met with commish *Mignon Clyburn*, reiterating the firm's concern that Comcast could have too much control over the cable ad industry and that the deal could harm competition in the spot cable ad market. *Charles Herring*, pres of **Herring Networks** (which owns **AWE** and **One America News Net**) also met with Clyburn and staffers. Among other things, he discussed Herring's desire that the Commission consider **Bright House** sub numbers in its calculations should Comcast negotiate its programming agreements post-merger (TWC currently handles them). Herring believes consumers would have more diverse programming offerings if Comcast didn't negotiate agreements on behalf of Bright House (or **GreatLand** or Charter) post-merger, according to an ex parte. In other merger-related news, the FCC Media Bureau has adopted procedures to keep programming and retrans contract info in the Comcast-Time Warner Cable and **AT&T-DirectTV** proceedings, but to more strictly limit access to certain competitively sensitive info. The move comes after several companies, including **Disney, Sinclair** and **Univision**, told the agency that normal protections may not be adequate for what they feel are highly confidential documents. The Bureau said it wants to keep the contracts in the merger reviews, describing programming terms

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as “highly relevant.” However, the Bureau added some additional protections in the order, such as: emphasizing that highly confidential info will only be available to outside reps not involved in competitive decision making; requiring outside counsel and consultants to re-certify that they’re eligible to access highly confidential info, allow companies to object if they identify ineligible parties; prohibiting photocopying of contracts and requiring certification, under penalty of perjury, that the highly confidential materials were destroyed or returned at the end of the proceeding. “These procedures do not create a ‘new normal.’ But here... the new procedures are the best way to protect the public interest,” said an FCC blog post.

**AT&T Fined for Cramming:** For AT&T, whose merger with DirecTV is pending FCC and DOJ approval, now is probably not the best time to tick off regulators. The telco was fined \$105mIn due to unauthorized 3rd-party subscriptions and premium text messaging services. As part of the company’s settlement with the FCC, it will no longer offer commercial 3rd-party premium SMS charges, adopt processes to obtain express informed consent from customers prior to allowing 3rd-party charges on their phone bills, revise billing practices and offer free service for customers to block all 3rd-party charges.

**Cable Center Hall of Fame '15:** Congrats to the 2015 Cable Center Hall of Fame Class, which will be recognized during NCTA’s Internet and Television Expo (formerly the Cable Show) May 5-7 in Chicago. The honorees are ESPN sportscaster Chris Berman, former MTV Nets Intl chmn/CEO Bill Roedy, Patriot Media chmn Steve Simmons, retired TCI COO JC Sparkman, Comcast evp, CTO Tony Werner and NCTA svp Eleanor Winter. Since 1998, 108 men and women have been inducted into the Cable Hall of Fame.

**Update on Comm Act Update:** House Commerce chmn Fred Upton (R-MI) and tech subcmte head Greg Walden (R-OR) initiated a process to review and eventually update the Communications Act 10 months ago. As part of the ongoing outreach, committee staff recently started “bipartisan listening sessions with segments of the communications and technology industry and other stakeholder groups,” Walden wrote in a blog post Wed. The goal is to dive deeper into specific topics. “We are interested in pursuing pro-innovation policies that reflect our evolving economy. It is important to have a firm grip on how our laws impact consumers, job creators, and the market as a whole, and hear directly what ideas are worth pursuing as well as identifying potential landmines to avoid,” Walden said. Through the end of the year, committee staff will continue gathering information via listening sessions, white papers, staff and member outreach, as well as direct contact with constituents.

**Pac-12 Gets on Campus:** Pac-12 Networks is teaming with authentication service provider Synacor to offer a-la-carte programming on a few conference campuses including UCLA, Arizona State, and University of Washington. The offer allows students to access programming across platforms upon authentication and through each school’s existing student identification system. The service was first tested and launched at ASU and is being rolled out to other Pac-12 universities in the next few months. Synacor will integrate each campus with Pac-12 Now, the net’s TVE app.

**CableLabs Talks Internet of Things:** The Internet of Things, the interconnection of computing devices within the Internet infrastructure, poses some special challenges for cable, Clarke Stevens, principal architect at CableLabs wrote in a blog post this week. Among these is an unusually high dependence on cooperation: “Any attempt to ‘corner the market’ by cutting out a competing protocol or class of devices might actually reduce the value of your own services and products.” Several consortia have been formed to address the challenges and provide common tools for stakeholders. CableLabs is working towards a cable operator solution that will allow MSOs to bridge the gap in interoperability left by the various standards and alliances, Stevens said. Initially, the solution will involve integration between a few data models and development of a proof-of-concept demonstration. Stevens believes cable, as a primary provider of consumer Internet services, can help define the Internet of Things in the home environment as the ops already have a presence in the home with equipment and customer service.

**Weather Everywhere:** WeatherNation TV launched an app on the Xbox 360 platform, providing live streaming of national, regional and local weather news for free to Xbox Live members. The app also provides interactive radar, satellite and local weather maps, among other things.

**Programming:** A&E has this series about a family in Louisiana that’s grown their business into a multi-million dollar

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wildlife sporting empire, and there's a kooky uncle. Nope, we don't mean the beards of "Duck Dynasty," but A&E's new series "Country Buck\$," which is about the *Busbice* family and the **Wildgame Innovations** hunting gear business (debuts Nov 19, 10pm and 10:30pm). -- **Lifetime** ordered "Seeds of Yesterday," the last of 3 movies based on *VC Andrews'* novel series that began with "Flowers in the Attic." The film will air next year. -- **TLC** said "I do" to 2 bridal series that aired this summer. Slated to debut in spring, "Bride By Design" and "Curvy Brides" have been picked up for an additional 10 and 12 more eps, respectively.

**People:** *Claudia Teran*, **Fox Network Group's** evp, deputy gen counsel, will add responsibility for global business and legal affairs at **Fox Sports** to her portfolio. She'll now hold the additional title of gen counsel, Fox Sports. -- **INSP** promoted *Samantha Adorno* to vp, digital marketing.

**On the Circuit:** **CTAM** announced its 2014 TAMI Award recipients, who will be recognized during CTAM Think event on Wed in NYC. The recipients, including execs from both programmers and MSOs, include **Time Warner Cable** svp *Stephanie Anderson*, *Tom McMillin*, evp/COO of **Suddenlink**, *Jonathan Freeland*, vp of video marketing at **Cox**, and *Tammy Franklin*, evp of digital at **Scripps**.

## CableFAX Daily Stockwatch

Company	10/08 Close	1-Day Ch	Company	10/08 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	87.70	0.34	CONVERGYS:	18.06	0.61
DISH:	64.22	0.51	CSG SYSTEMS:	26.49	0.49
ENTRAVISION:	4.53	0.16	ECHOSTAR:	45.60	(0.18)
GRAY TELEVISION:	7.88	0.17	GOOGLE:	572.50	8.76
MEDIA GENERAL:	13.55	(0.05)	HARMONIC:	6.20	0.12
NEXSTAR:	39.69	0.30	INTEL:	34.27	0.80
SINCLAIR:	25.89	0.73	INTERACTIVE CORP:	63.42	1.72
<b>MSOS</b>					
CABLEVISION:	18.07	0.76	JDSU:	12.80	0.17
CHARTER:	154.25	2.59	LEVEL 3:	42.74	(0.63)
COMCAST:	54.77	1.55	MICROSOFT:	46.78	1.25
COMCAST SPCL:	54.44	1.43	NIELSEN:	43.01	1.26
GCI:	11.21	0.32	RENTRAK:	64.51	0.62
GRAHAM HOLDING:	707.75	7.06	SEACHANGE:	7.09	0.12
LIBERTY GLOBAL:	43.22	0.79	SONY:	17.79	0.42
SHAW COMM:	24.90	0.25	SPRINT NEXTEL:	6.07	0.03
TIME WARNER CABLE:	147.28	4.52	TIVO:	12.88	0.30
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	34.11	0.46	UNIVERSAL ELEC:	48.51	0.78
AMC NETWORKS:	56.44	0.53	VONAGE:	3.28	0.06
CBS:	52.59	0.43	YAHOO:	41.08	0.15
CROWN:	3.12	(0.03)	<b>TELCOS</b>		
DISCOVERY:	37.16	0.96	AT&T:	35.15	0.28
DISNEY:	88.11	1.00	CENTURYLINK:	40.82	0.74
GRUPO TELEVISA:	35.00	0.88	TDS:	23.63	0.13
HSN:	62.24	0.99	VERIZON:	49.87	0.74
LIONSGATE:	32.20	0.28	<b>MARKET INDICES</b>		
MSG:	64.60	0.72	DOW:	16994.22	274.83
SCRIPPS INT:	77.40	0.79	NASDAQ:	4468.59	83.39
STARZ:	32.75	0.41	S&P 500:	1968.89	33.79
TIME WARNER:	73.99	0.62			
VALUEVISION:	5.11	0.25			
VIACOM:	74.61	0.69			
WWE:	14.30	0.39			
<b>TECHNOLOGY</b>					
ADVANTAGE:	2.34	(0.01)			
AMDOCS:	45.89	0.54			
AMPHENOL:	99.81	2.07			
AOL:	44.09	0.75			
APPLE:	100.80	2.05			
ARRIS GROUP:	26.53	(0.1)			
AVID TECH:	9.80	(0.05)			
BLNDER TONGUE:	1.21	UNCH			
BROADCOM:	39.14	0.80			
CISCO:	24.66	0.03			
COMMSCOPE:	24.83	0.11			
CONCURRENT:	7.33	0.06			



## Call for Entries

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December 12, 2014

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## Think about that for a minute...

### An Embarrassment of Riches

Commentary by Steve Effros

When I started thinking about this column, I intended to focus on what I consider the embarrassing compensation levels being provided some of the CEOs involved in this industry. The numbers are staggering. The head of one major broadcaster got over \$65 million last year, and the CEOs of several major cable programmers got more than \$30 million a piece. I know these guys are smart, and I know they appear to be doing a good job for their companies, but this is absurd. These companies, not coincidentally, are all sellers of video programs, using the leverage of things like “retransmission consent,” a government-granted special privilege, or have made major deals with the only remaining “must have” live programming, sports, which has been given government-granted special privileges to establish the monopolies they currently enjoy without fear of the anti-trust laws.

To be sure, there are a few (actually, only two) cable CEOs on the “Top 200” list, but they are way down the line compared to some who have managed to politically maneuver their way to top of the bureaucratic heap that is most major corporations. It’s just downright embarrassing.

But then the news was flooded with the latest deals these guys have cut with the sports teams to maintain their positions. How did they do it? By negotiating deals with the NBA that amount to close to \$2.4 billion (yes, that’s with a “b”) a year for ESPN/Disney and Turner, and \$1.5 billion a year for DirecTV. These numbers are staggering. Who do you think is going to pay for all that excess?

Of course you and I know the answer to that: consumers. But if you listen to the “consumer groups” or the government watchdog agencies you’d never know it. They are still totally focused on reinforcing power to regulate



against the possibility that an ISP could get “too big” and maybe either favor its own products (no evidence that has happened, but heck, let’s regulate based on what we fear may happen...) or, heaven forbid, get big enough to have some leverage in negotiations with the foxes who have already made off with the fattest chickens and have them penned up with new 10-year long contracts!

Haven’t the self-proclaimed protectors of the public interest noticed what’s going on? Have they missed the fact that while they are wringing their hands about figuring out new regulatory models to deal with assuring that the “little guys” will still be able to grow and compete, the very, very big guys—the ones paying their CEOs absurd salaries—have tied up all the acknowledged most valuable live programming assets for the next decade, regardless of whether you regulate broadband under “Title II” or anything else? Haven’t they noticed that the Googles, Apples and Amazons of the world are orders of magnitude bigger, with increasing leverage, than the folks they are focusing on?

And meanwhile, the “value” of that live sports programming, which has now been locked up for years to come, stems in part from governmental special treatment in the first place! So maybe these CEOs have earned their bucks. They have managed to assure their continued control of the most valuable live video product and at the same time helped keep the government and the “public interest” folks distracted with relative minutiae. And the public will pay for all those ridiculous salaries and bloated government-subsidized sports packages while the regulators fret over where the “next Google” will come from. Pretty slick, and embarrassing.

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*(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)*

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