

# SNL MEDIA & COMMUNICATIONS DAILY

Monday, September 25, 2006

## Daily Download

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### Economic slowdown weighs on stocks

by *Amy Gleason*

Most media and communications stocks, along with the broader markets, declined Friday, Sept. 22, with fresh worries of an economic slowdown.

On Thursday, stocks slumped following a much weaker-than-expected reading from the Philadelphia Federal Reserve's September manufacturing index, giving investors reason to backpedal on Friday.

The NASDAQ Composite Index lost 19 points to close at 2,218.82; the Dow Jones Industrial Average gave up 25 points to close at 11,508.10.

Despite an overall depression in media and communications stocks, a handful of companies saw share increases amid M&A speculation and deals, analyst upgrades and regulatory approvals for transactions.

Tribune Co. shares surged 6.05% to \$3.99 on Friday in heavy

*continued on page 2*

### FCC commissioners offer to help, not hinder, radio broadcasters

by *Dave Hendrick*

Before an audience hungry for answers on issues ranging from ownership rules to network neutrality, FCC commissioners Jonathan Adelstein and Robert McDowell offered much guidance but few specifics.

Speaking at the National Association of Broadcasters annual radio convention on Sept. 21 in Dallas, the commissioners generally assured the crowd that they would try not to put any undue burdens on an industry already facing an unprecedented level of competition for its audience.

At a time when the FCC is in the process of declaring its final set of rules regarding HD radio, a format that many broadcasters view as one of their best hopes to compete against the likes of satellite radio and iPods, the commissioners addressed the issue of competition. The commissioners did not disclose a timetable for issuing the rules but agreed that, when finally declared, the rules would be crafted with a mind toward not hampering the platform.

*continued on page 2*

### Tribune board: Exploring ways to create shareholder value, overhauling Chandler partnerships

by *Amy Gleason*

Tribune Co.'s board of directors is looking for more ways to create shareholder value.

According to a Sept. 21 news release, the company's board established an independent special committee to oversee management's exploration of alternatives for creating additional shareholder value.

The board expects the process to conclude by the end of 2006.

In addition to creating the special committee, which includes Enrique Hernandez Jr., Betsy Holden, Robert Morrison, William Osborn, J. Christopher Reyes, Dudley Taft and Miles White, the company restructured two partnerships with the Chandler family that were inherited six years ago in its acquisition of Times Mirror.

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### Telecom: An industry of change

by *Dave Hendrick*

The communications industry is currently characterized by a competitive tension between cable and telecommunications providers that is unlikely to dissipate in the near future as both sectors fight for dominance in the ever-changing technological landscape.

SNL Financial on Sept. 23 launched news coverage of 158 communications companies, including 132 public companies and 26 private companies or subsidiaries.

"Overall we're in a transitional mode," Craig Clausen, senior vice president of New Paradigm Resources Group, said in an exclusive interview with SNL Financial on Sept. 15, noting that prior to the "nuclear winter" accompanying the dot-com bust, telecom was largely "voice-centric."

"Now it's much more communications-centric — that is, everything from data to voice to video, you name it, it's all involved," added Clausen. "Voice is essentially assuming its rightful or proper place within that spectrum of services."

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## News Stories

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## Daily Download *continued*

trading volume of more than 6.7 million shares, compared to the average daily volume of roughly 2.2 million shares.

Tribune Co.'s board of directors established an independent special committee to oversee management's exploration of alternatives for creating additional shareholder value and restructured two partnerships with the Chandler family, the company's largest shareholder.

Many analysts felt Tribune's move cleared the way for a sale of the company.

"Media speculation immediately went for the jugular, saying that the company was going to split up and would vaporize at some point," Steven Barlow, an analyst with Prudential Equity Group, said in a Sept. 22 research report.

Barlow, however, disagrees with the speculation and believes the intention of the board is to "sell additional assets that do not fit the core," such as some of the company's smaller newspapers in its portfolio.

Barlow maintained his "overweight" rating and \$45 price target.

AG Edwards analyst Michael Kupinski reiterated his "buy" rating on the company.

In a Sept. 22 research report, Kupinski said, "Given the short time frame, we believe that the company is opening the door for a sale which could include a leveraged buyout, a separation of its television and newspaper business, a break up of the company into many pieces, or an accelerated sale of more assets."

The analyst believes possible buyers would pay "healthy multiples" to acquire the company, but he noted that there is the possibility that no action could occur.

"A sale might not take place, but given the details of the situation we believe that a sale is highly likely," Kupinski added. "We have expected the newspaper industry to consolidate down to four or five major players, so like the sale of Knight Ridder, this news does not come as a surprise."

Kupinski said in a leveraged buyout scenario, Tribune shareholders could receive \$40 to \$45 per share, while in the event of a break-up of the company shareholders could get closer to \$52 per share.

Lions Gate Entertainment Corp. shares hit a new 52-week high on Friday as a Cowen & Co. analyst upgraded the company to "outperform" from "neutral."

Lions Gate shares rose 3.78% to \$10.44 with more than triple average daily volume. Earlier in the session, the stock hit a new high of \$10.48.

According to an AP report, analyst Lowell Singer upgraded Lions Gate because the company's film spending is expected to moderate to \$414 million from \$458 million spent in fiscal 2006. Further, for fiscal 2007, the company is well on its way to achieving its guidance of domestic box office revenue of \$250 million to \$300 million, the AP reported.

Singer expects Lions Gate to beat its box office revenue outlook.

## FCC commissioners *continued*

"I think it hopefully is imminent," Adelstein said of the announcement of final rules. "We've had agreement for quite some time on the technical rules, and I think the [in-band on-channel] technology and HD radio [are] really critical to get moving forward as quickly as possible."

In telecom news, industry consolidation continues to get the green light.

The AP reported on Sept. 22 that FCC Chairman Kevin Martin is recommending unconditional approval of AT&T Inc.'s \$67 billion purchase of BellSouth Corp.

Sources familiar with the matter told the AP that Martin circulated the recommendation late Thursday, meaning a formal vote regarding the merger will likely occur at the agency's Oct. 12 meeting.

In July, BellSouth and AT&T shareholders approved the merger agreement.

Under the terms of the merger agreement, BellSouth shareholders will receive 1.325 shares of AT&T common stock for each common share of BellSouth. Based on AT&T's closing stock price on March 3, this exchange ratio equals \$37.09 per BellSouth common share.

AT&T shares rose 1.92% to close at \$32.90; BellSouth shares closed up 1.89% to \$43.23.

In addition, a deal between US LEC Corp. and privately held Paetec Corp. received antitrust approval from the Federal Trade Commission.

The companies received early termination of the Hart-Scott-Rodino waiting period for their proposed merger.

On Aug. 14, US LEC and Paetec announced that their boards of directors unanimously approved a definitive merger agreement under which Paetec and US LEC will become wholly owned subsidiaries of a new publicly owned holding company called PAETEC Holding Corp.

The combined company, based on US LEC's stock closing on Aug. 11, will be worth approximately \$1.3 billion.

US LEC shares closed up 0.96% to \$5.28.

Moreover, Talk America Holdings Inc. agreed to be acquired by Cavalier Telephone & TV for \$8.10 per share, or \$251 million.

Talk America shares swelled 24.81% to \$8.20 on Friday.

The combined company is expected to have combined 2006 revenue of \$760 million.

The companies expect the deal to close in December.

### COMPANIES REFERENCED IN THIS ARTICLE:

<b>AT&amp;T Inc.</b>	<b>T</b>
<b>BellSouth Corp.</b>	<b>BLS</b>
<b>Close: \$43.23 +0.80 (+1.9%)</b>	<b>Vol: 6,389,100 (90% of Avg.)</b>
<b>Lions Gate Entertainment Corp.</b>	<b>LGF</b>
<b>Close: \$10.44 +0.38 (+3.8%)</b>	<b>Vol: 2,662,700 (274% of Avg.)</b>
<b>Talk America Holdings Inc.</b>	<b>TALK</b>
<b>Close: \$8.20 +1.63 (+24.8%)</b>	<b>Vol: 2,283,719 (840% of Avg.)</b>
<b>Tribune Co.</b>	<b>TRB</b>
<b>US LEC Corp.</b>	<b>CLEC</b>
<b>Close: \$5.28 +0.05 (+1.0%)</b>	<b>Vol: 84,976 (101% of Avg.)</b>

Adelstein said "public interest obligations" were the primary issues holding up the announcement of new rules. McDowell, who has held his post since June, largely concurred but was less inclined to wait on public interest issues.

"You're facing competition like you never have before," McDowell

## FCC commissioners *continued*

said. "With something as nascent as IBOC technology and multicasting, I think we can defer a decision on public interest obligations until the technology gains a foothold."

Both commissioners said the intense competition radio faces from largely unregulated sectors influenced the way they viewed their obligations to broadcasters.

"We want to make sure we give you all the tools in the toolbox to compete," McDowell said.

On what's emerged as one of the commission's most closely followed debates, the commissioners said deliberations on ownership rules continued apace.

Noting the public "revolt" and subsequent federal court ruling invalidating the regulation changes following the FCC's first try at loosening ownership restrictions, Adelstein said the commission was attempting to be far more deliberate in crafting its new set of guidelines.

"This will probably be the most sensational of the items we cover during my term at the commission," McDowell said, calling the issue "very important to the American economy."

As for a timetable on that issue, McDowell demurred, saying he could not "speak directly to the schedule, because that's up to the chairman."

While network neutrality issues typically pit network provid-

ers such as AT&T Inc. and Verizon Communications Inc. against Internet giants such as Google Inc. and Yahoo! Inc., the radio industry also expressed concern about how the issue could affect its increasingly important Web presence.

"In terms of the radio industry specifically, I think the big issue is whether or not application providers, for example people who have content like radio broadcasters, have to pay for the use of the network to reach customers," Adelstein said.

The network neutrality issue remains stalled as part of the telecommunications bill currently in the U.S. Senate.

On matters of indecency, a hot topic among fine-wary broadcasters, the two offered limited guidance.

While noting that Congress urged the commission to step up enforcement of indecency violations, McDowell said the standards of indecency remained relatively unchanged from historical standards.

"This is an area that's fraught with difficulty for us, and it's sort of a balancing act," Adelstein said, adding that he was "pretty confused himself" as to the issue of what constitutes indecency. "We can't tell you in advance what you can and can't do because that would be tantamount to censorship."

"So you basically have 40% of the FCC right here saying, 'I don't know,'" McDowell said in summation.

## Tribune board *continued from page 1*

The Chandler family is Tribune's largest shareholder and holds three seats on the company's board.

In a unanimous vote, with Chandler family representatives abstaining due to their interests in the partnerships, Tribune's board approved the terms of the transaction.

"The restructuring of these partnerships frees the Company to move quickly to pursue strategic alternatives to further enhance shareholder value," said Tribune Chairman and CEO Dennis FitzSimons. "Under these terms, all shareholders benefit."

The Chandler partnerships currently own all of Tribune's preferred stock, 51.3 million shares of Tribune common stock, real estate used by the *Los Angeles Times*, *Newsday*, *Baltimore Sun* and *The Hartford Courant* and various other investments.

Under the terms of the restructuring, Tribune will receive distributions of all of the Tribune preferred stock and approximately 39.5 million shares of the Tribune common stock held by the partnerships and will retain a 5% interest in the partnerships. The Chandler Trusts will retain a 95% interest in the partnerships.

Further, Tribune will receive the right to acquire the real estate owned by the partnerships in January 2008 for \$175 million.

As part of the transaction agreement, the two partnerships will distribute within 30 days the 11.8 million shares of Tribune common stock remaining in the partnerships to the Chandler Trusts. This will increase the Chandler Trusts' holdings of Tribune common stock to approximately 48.7 million shares from approximately 36.9 million.

The Chandler Trusts agreed to vote these additional 11.8 million

shares in the same proportion as all other shares are voted on any matter requiring a shareholder vote for a period of 12 months from the date of this distribution.

As a result of the distributions, the number of shares of Tribune common stock outstanding will increase by 1.6 million. Tribune said its EPS will not be affected by the restructuring because the impact of the increase in shares outstanding will be offset by the elimination of the preferred stock dividends.

The company expects to record a one-time gain of approximately \$45 million as a result of the transaction.

In other business, the Tribune board of directors approved the sale of WLVI-TV (channel 56), Boston, to Sunbeam Television Corp. for \$113.7 million. The transaction will close upon regulatory approval.

The sale of WLVI is part of Tribune's performance improvement plan announced May 30. The plan includes at least \$500 million in asset sales and approximately \$420 million have been identified so far.

On Aug. 7, Tribune completed the sale of WATL-TV in Atlanta for \$180 million in cash. In July, Tribune sold 2.8 million shares of Time Warner Inc. common stock for net proceeds of approximately \$46 million. In June, the company announced the sale of WCWN-TV in Albany for \$17 million.

### COMPANY REFERENCED IN THIS ARTICLE:

**Tribune Co.**

**Close: \$33.99 +1.94 (+6.1%)**

**TRB**

**Vol: 6,830,800 (344% of Avg.)**

**Telecom** *continued from page 1***Cable versus telcos**

The broad dissemination of high-speed Internet services proved to be the catalyst in the battle between cable and phone companies to become the customer's broadband provider of choice.

While most Americans continue to receive high-speed Internet from cable companies such as Comcast Corp. and Time Warner Inc., the telcos are working feverishly to close the gap, luring customers with price cuts, bundled services and, in some cases, super high-speed fiber-optic lines.

Recent figures indicate the telcos' efforts are paying dividends as well.

According to a Sept. 14 report in *Cable Digital News*, U.S. phone companies added roughly 1.2 million broadband customers in the second quarter, compared to approximately 1.1 million customers added by the largest multiple-systems operators.

The telcos have whittled down the cable advantage in the broadband arena, now accounting for about 44% of high-speed Internet customers in the United States, compared to cable's 56%.

"Right now, they're catching up," Clausen said of the telcos. "It's going to settle down to being a pretty close race. It will be nip and tuck where one takes the lead for awhile, and the other comes on strong." While Clausen said he was not sure what the "technological roadblock" in the future would be, he suspected whichever sector deployed fiber lines would have "the upper hand."

While the telcos may be gaining broadband customers, cable companies have been making significant inroads into the telcos' voice businesses.

On Sept. 20, Comcast announced that it has added more than 1 million Comcast Digital Voice customers in less than two years.

Sanford C. Bernstein analyst Craig Moffett said in a Sept. 20 research report that the milestone was reached at the end of August, implying a run rate of 31,500 subscribers per week, ahead of his target of 30,000.

In his quarterly Voice over IP report, Moffett noted that overall, VoIP adoption continued to accelerate in the second quarter, with cable and stand-alone VoIP subscribers growing 61% year over year to more than 6.5 million subscribers from 2.5 million subscribers in the year-ago period.

Moffett noted that the vast majority of the sector's growth was driven by the multiple-systems operators' successes in attracting customers to their so-called "triple-play" bundles. At the end of the quarter, cable multiple-systems operators controlled more than two-thirds of VoIP subscribers.

H. Paris Burstyn, the director of communications enterprise research at Yankee Group, a Boston-based research and consulting firm, told SNL on Sept. 18 that the offering of a broader suite of services is shifting the cable and telco landscapes considerably.

He believes that over time, as consumer applications increase in complexity, the fight between cable and telcos will be one focused on solution plays. "So you're going to see cable companies and phone companies fight for customer control that is more 'sticky' and less about transport and more about, 'What can you do for me?'"

**Telcos go video**

While cable providers have enjoyed an advantage over telcos through the bundled service offerings of Internet, voice and television, the RBOCs have mounted what some have termed a "defensive" effort aimed largely at maintaining their customer base.

"If you try to dissect the market and look at where these companies are coming from, the telcos are coming from their loss of local lines and trying to get as many DSL subscribers as they can and using satellite partners [The DIRECTV Group Inc.] and [Echostar Communications Corp.] as that bridge of the gap, so they can offer triple-play as part of their bundles," Bruce McGregor, senior analyst of digital home services at research and consulting firm Current Analysis, said in a Sept. 15 interview with SNL.

While AT&T Inc. and Verizon Communications Inc. each have proprietary video networks that one day may become part of a widespread network, neither provides video service in wide release.

"It's taking them some time to get [video] implemented because they have to kind of start from scratch with that and make connections with the cable channels out there and forge their own network, which the cable companies already have established," McGregor said. "And when you look at the telcos getting into video, what is the value-add to their service?"

McGregor noted that there's "a lot of parity in the video market," with video packages from companies such as Verizon, Comcast or a satellite provider being "pretty much equal."

In addition to trying to get video services to pass as many homes as possible, McGregor said, the telcos will have to find some sort of content to distinguish themselves from the pack, much like DIRECTV did with its package of National Football League games.

While some states have granted statewide video franchises to the telcos, cable franchising laws have slowed the broad dissemination of services like Verizon's FiOS TV and AT&T's broadband TV service, something the broad telecommunications bill currently languishing in Congress sought to address. While the telcos lobbied heavily for the measure, their enthusiasm for the rule changes waned as it appeared increasingly likely some sort of "net neutrality" measure would be included in the bill.

"The net neutrality issue is a spoiler," Brian Washburn, principal analyst of business network services at Current Analysis, said in a Sept. 15 interview with SNL, adding that the RBOCs now seemed under the impression that the benefits of telecom reform are not worth the price of net neutrality.

"Essentially Verizon kind of said, 'This is just not worth it.' If they have stopped lobbying, that means AT&T Inc. is the sole source trying to push it through," Washburn added.

**Urge to merge**

Should the telecom bill be revived, it would represent the latest slackening of industry regulations. The regulatory environment of recent years is credited in large part with making the increasingly consolidated sector into what it is today.

"Under [FCC commissioners] Michael Powell and Kevin Martin, we've had this whole series of telecom deregulation and sort of a loosening of the reins of the big incumbents that has let the AT&Ts and Verizons of the world to kind of continue on their pace to reabsorb some of the big players out there to become these mega-telcos," Washburn said.

Many smaller and midtier players increasingly appear to be consolidating as well, in part to contend with their massive rivals.

"It seems like there's hardly a day that goes by when it seems like you don't hear about some sort of rumor coming through the rumor mill about either someone being sold to somebody, somebody looking to acquire someone or some carrier raising a war chest," Washburn said. "There's been a lot of activity and lots of specula-

## Telecom *continued*

tion as everyone tries to build up and consolidate into something big enough to compete with the AT&Ts and Verizons out there.”

Size alone is unlikely to insulate companies from the pressure of a rapidly evolving industry, though.

“No one obviously has that perfect crystal ball to say where it’s going and how it’s going to affect the incumbents,” Clausen said. “The ones who do survive during this transitional period are the ones who do successfully anticipate and respond to competition and anticipate and respond to end users’ needs, be they business or residential.”

## News Stories

### Communications

**Cablevision Systems Corp.** **CVC**  
**Close: \$22.59 -0.40 (-1.7%)** **Vol: 2,201,600 (108% of Avg.)**

Fitch Ratings on Sept. 21 affirmed the B+ issuer default rating assigned to Cablevision Systems Corp. and its wholly owned subsidiary CSC Holdings Inc. The rating outlook is negative.

According to a news release, Fitch’s action follows the filing of amended financial statements with the SEC and the concurrent delivery of financial information by Cablevision to its lender group and bond holders.

Cablevision indicates that the delivery of the financial information will cure noncompliance with a financial information covenant contained within CSC Holdings credit facility and bond indentures.

Fitch originally placed the ratings of the company and its subsidiary on Sept. 11, after CSC Holdings’ disclosure that it received a notice of default from the bank acting as administrative agent under its credit agreement in connection with violation of the financial information covenant contained within the credit facility.

Fitch’s ratings and negative outlook reflect the ratings agency’s ongoing concern related to the company’s financial policy and the potential for the company to continue to place greater priority on returning capital to shareholders at the expense of bond holders.

Further, the rating outlook considers the possibility that Cablevision

### COMPANIES REFERENCED IN THIS ARTICLE:

<b>AT&amp;T Inc.</b>	<b>T</b>
<b>Close: \$32.90 +0.62 (+1.9%)</b>	<b>Vol: 21,917,800 (144% of Avg.)</b>
<b>Comcast Corp.</b>	<b>CMCSA</b>
<b>Close: \$35.12 -0.08 (-0.2%)</b>	<b>Vol: 8,660,249 (80% of Avg.)</b>
<b>Echostar Communications Corp.</b>	<b>DISH</b>
<b>Close: \$31.64 +0.03 (+0.1%)</b>	<b>Vol: 713,320</b>
<b>The DIRECTV Group Inc.</b>	<b>DTV</b>
<b>Close: \$18.99 +0.08 (+0.4%)</b>	<b>Vol: 2,592,500 (75% of Avg.)</b>
<b>Time Warner Inc.</b>	<b>TWX</b>
<b>Close: \$17.73 +0.24 (+1.4%)</b>	<b>Vol: 21,309,900 (90% of Avg.)</b>
<b>Verizon Communications Inc.</b>	<b>VZ</b>
<b>Close: \$37.10 +0.20 (+0.5%)</b>	<b>Vol: 13,640,100 (124% of Avg.)</b>

management will use distributions from the restricted group to fund other investments.

Fitch expects that the negative outlook will remain in place until the “company’s credit profile has sufficient financial flexibility relative to the rating category to potentially accommodate such management decisions in a credit neutral manner.”

**Citizens Communications Co.** **CZN**  
**Close: \$13.85 (No change)** **Vol: 1,828,800 (97% of Avg.)**

Citizens Communications Co. said Sept. 22 that it will build a wireless data network at SUNY Orange, a community college in Middletown, N.Y.

According to a news release, the company plans to deliver high-speed Internet access to the college’s campus during the fourth quarter of 2006.

Citizens Communications, operating under the brand name of Frontier Communications, currently provides the SUNY Orange campus with fixed-line access to the Internet.

In addition, the company said Frontier entered into an agreement with Elko County, Nev., to provide wireless data broadband access.

**Global Crossing Ltd.** **GLBC**  
**Close: \$19.59 +0.24 (+1.2%)** **Vol: 360,945 (158% of Avg.)**

Global Crossing Ltd. opened a new point-of-presence facility in Monterrey, Mexico, to provide carrier and enterprise customers

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## News Stories *continued*

with direct access to the company's multiprotocol label switching IP-based network.

The network delivers global IP solutions to more than 600 cities in 60 countries.

According to a Sept. 22 news release, the new facility is already up and running.

"Mexico continues to be a key market within our global strategy, and we're pleased to expand our IP infrastructure in response to growing customer demand," said John Legere, Global Crossing's CEO. "Customers increasingly require bandwidth-intensive applications that require a highly advanced network, and this is exactly what Global Crossing's network was built for."

### InterMetro Communications Inc.

InterMetro Communications Inc., provider of a private, national Voice over IP network, is set to make its public debut on the American Stock Exchange next week.

According to a Sept. 22 Associated Press report, the Simi Valley, Calif.-based company expects to generate proceeds of approximately \$16.7 million, offering approximately 2.2 million shares in a price range of \$8 to \$10. Including full exercise of the underwriters' overallotment option, the estimated proceeds will total roughly \$19.4 million.

The company plans to use the money to grow internally and to make acquisitions, as well as for general purposes such as investing in its network infrastructure and adding to its sales and marketing force, the AP reported.

InterMetro said it faces intense competition from companies such as AT&T Inc., Sprint Nextel Corp. and Qwest Communications International Inc. The company said it expects the competition to increase "because there are currently no significant barriers to entry into our market."

The lead underwriters for the offering include Ladenburg Thalmann & Co. and Wunderlich Securities.

## Media & Entertainment

### Houghton Mifflin Co.

Great Source, a division of Houghton Mifflin Co., launched iwrite, a Web site that provides educators, students and parents with writing resources.

According to a Sept. 22 news release, the site provides educators with tutorials, templates and mini-lessons for all major forms of writing: narrative, expository, persuasive, research report and response to literature.

For students in grades 5 to 12, iwrite offers step-by-step instruction on a variety of writing assignments, interactive video tutorials and a handbook that provides lessons on editing, punctuation, grammar and mechanics of writing.

### Premiere Publishing Group Inc.

Donald Trump has no interest in Time Warner Inc. properties.

Trump made the comment at a going-public celebration for *Trump Magazine*, published by Sobe Life LLC, a subsidiary of Premiere Publishing Group Inc.

In a Sept. 22 news release, Trump said he had no "real interest in Time Warner properties" unless the company is interested in selling *Golf* magazine.

### Tribune Co.

**Close: \$33.99 +1.94 (+6.1%)**

**Vol: 6,830,800 (344% of Avg.)**

**TRB**

Fitch Ratings and Standards & Poor's Ratings Services each lowered their respective ratings on Tribune Co. following the company's announcement that it would be considering various alternatives for "creating additional value for shareholders."

In addition, Moody's changed its rating outlook to negative from stable following the announcement.

In a news release, Fitch said it lowered Tribune's issuer default rating to BB+ from BBB- and placed the company's ratings on rating watch negative. S&P downgraded Tribune's long- and short-term corporate credit ratings to BB+ from BBB- and to B from A-3, respectively. S&P also placed the ratings on CreditWatch with negative implications.

"Today's rating action is consistent with Fitch's guidance to the market that Tribune had 'very limited room at its prior rating for financial policy revisions, meaningful operational shortfalls or other materially negative strategy changes,'" the ratings agency said. "In Fitch's view, this announcement marks the second departure by management from stated financial policies in just over a year."

Fitch said the rating watch negative reflects its belief there is a high probability that the company's announcement of exploring alternatives will result in a financial strategy that is detrimental to bondholders.

A resolution of the negative watch would include Fitch's evaluation of Tribune's ultimate financial strategy.

S&P said it plans to review its ratings on Tribune once definitive plans are announced and the company's operating and financial objectives are evaluated.

Moody's affirmed the current Ba1 corporate family and senior unsecured ratings and the Ba2 senior subordinate ratings for Tribune.

In a news release, however, Moody's explained that its negative rating outlook reflects its concern that the outcome of Tribune's strategic evaluation could "involve incremental borrowings or dispositions of significant cash-generating assets that would increase leverage or reduce the cash flows available to support bondholders."

Moody's will also monitor the company's announcement and consider additional actions once Tribune's strategic evaluation becomes more certain.

## New Media

### Expedia Inc.

**Close: \$15.71 -0.06 (-0.4%)**

**Vol: 1,294,055 (52% of Avg.)**

**EXPE**

Expedia Inc. appointed Paul Brown as president of Expedia North America, overseeing Expedia.com, Expedia.ca, Worldwide Travel Exchange, Destination Services and the Expedia business operations group.

Brown will also continue to lead Expedia's partner services group.

Prior to joining the company's partner services group, Brown served as senior vice president of strategy and development for Hotels.com and Expedia North America.

In addition, Steven McArthur, the current president of Expedia North America, will be resigning from the company to pursue other interests after providing support through the transition period.

### Google Inc.

**Close: \$403.78 -3.07 (-0.8%)**

**GOOG**

**Vol: 4,648,140**

Google Inc. lost an appeal of a Belgian court's requirement that the

## News Stories *continued*

company publish on its home page the ruling in a recent case it lost.

According to a Sept. 22 Associated Press report, Google faces daily fines of roughly \$640,000 for refusing to post the Sept. 5 ruling on its Belgian home pages, Google.be and news.google.be.

Google spokesman D.J. Collins told the AP that the company would appeal again at a Nov. 24 hearing when the court takes up a broader challenge, saying the requirement was "disproportionate and unnecessary."

The AP reported that the court ordered Google to stop publishing news excerpts and small photos from Belgian, French and German newspapers without first paying them or getting their permission.

Google said it is removing Belgium's French-language newspapers

*Le Soir, La Libre Belgique* and *La Derniere Heure* from its indexes, but it did not post the ruling itself.

While Google believes its service is lawful and drives traffic to newspaper sites, local newspaper editors feel Google's news site, launched in 2002, stole traffic from individual newspapers' sites.

The AP said French news agency AFP sued Google for at least \$17.5 million in damages in U.S. District Court in Washington, D.C., claiming that the Google service adds little value because its news site looks much like those of AFP subscribers.

Separately, Google agreed to pay The Associated Press for stories and photographs. Neither Google nor New York-based AP disclosed financial terms or other details because of a nondisclosure agreement.

## Industry News

### Comcast CEO: Talks needed on rising sports costs

Comcast Corp. Chairman and CEO Brian Roberts believes sports team owners, sports channels and television distributors should hold talks on what to do to address the increase of sports television channels and rising costs.

According to a Sept. 21 Reuters report, television providers have often blamed higher sports programming costs for the rise in prices consumers have faced in recent years.

Comcast is in a unique position because it is not only the largest U.S. cable provider but also the owner of a regional sports network and two professional sports team. Roberts acknowledged the company's situation and said he did not have the answers to the problem. However, the executive said the additional space the channels are occupying on systems as well as the rising prices affecting consumers should be addressed.

"I think we should have a dialogue on each team starting their own channel, every league starting their own channel, taking up a lot of bandwidth, a lot of consumer money," he told Reuters.

During a speech to the Progress & Freedom Foundation think tank, Roberts said the U.S. Olympic Committee and college leagues, among others, were considering their own channels. "Everywhere

out there you raise the question — who pays for that channel, and is that going to be all viewers or those who are sports fans?" Roberts said in his remarks.

Roberts added that the issues have been growing and affect more than just cable companies but also satellite and telephone carriers entering the video business.

"The trend I think needs to be discussed and it's accelerating, I think we're at a tipping point," he told Reuters.

### Commerce Department has lost 1,100 laptops containing personal data since 2001

The Department of Commerce disclosed that it has lost more than 1,100 laptops since 2001, including nearly 250 from the Census Bureau, which contained personal information such as the names, incomes and Social Security numbers of U.S. citizens, *The Washington Post* reported Sept. 22.

The disclosure came as a result of a request by the House Committee on Government Reform, which asked 17 federal departments to detail any loss of computers holding sensitive personal information, the publication said.

Only 249 of the laptops contained sensitive data, and the department claims that the data pertains to around 6,200 households.

## Company Meetings

NONE

## Dividend Announcements

Company (Ticker)	Type	Decl'd	Ex-Date	Payable	Period	Dividend Amount (\$)		Current Yield (%)
						Current	Last	
<b>REGULAR DIVIDENDS</b>								
John Wiley & Sons Inc. (JWA)	ME	09/21	09/28	10/16	Quarterly	0.1000	0.1000	1.12
<b>Type Codes:</b>	<b>CO</b> Communications		<b>ME</b> Media & Entertainment		<b>NM</b> New Media			

## Analyst Coverage

### Reiterations

**Napster Inc.** **NAPS**  
**Close: \$4.04 +0.01 (+0.2%)** **Vol: 340,228 (37% of Avg.)**  
 Piper Jaffray Cos. analyst Gene Munster maintained his investment opinion of Napster Inc. at "outperform," with a price target of \$5.

The analyst wrote in a research report: "Over the last several days we have taken a closer look at the music enabled mobile phones currently available to subscribers of U.S. mobile operators. We have found that there are ~25 handsets with music functionality available. While there are more music enabled phones in the market than we had expected to see, we believe the hype related to this

## Analyst Coverage *continued*

market has yet to begin. Several products, such as the LG Chocolate and Motorola SLVR have created a buzz in the market, but the rest of the offerings have not been met with significant fanfare. We believe Apple will launch an iPhone in the next 4-6 months, which will likely draw more attention to this market."

**priceline.com Inc.** **PCLN**  
**Close: \$35.34 +1.69 (+5.0%)** **Vol: 11,938,726 (1,875% of Avg.)**

Piper Jaffray Cos. analyst Aaron Kessler maintained his investment opinion of priceline.com Inc. at "outperform." Kessler increased his price target to \$42 from \$38 and increased his 2006 and 2007 EPS estimates to \$1.78 from \$1.74 and \$2.31 from \$2.05, respectively.

The analyst wrote in a research report: "On Thursday (9/21), Priceline increased its 3Q guidance and provided 4Q and 2007 guidance. The increased guidance and higher-than-expected 2007 guidance is

primarily due to continued momentum internationally where PCLN indicated that quarter to date gross bookings growth continues to exceed 100% (we note international organic bookings increased 117% y/y in Q2)."

**Tribune Co.** **TRB**  
**Close: \$33.99 +1.94 (+6.1%)** **Vol: 6,830,800 (344% of Avg.)**

Prudential Equity Group LLC analyst Steven Barlow maintained his investment opinion of Tribune Co. at "overweight," with a price target of \$45.

The analyst wrote in a research report: "The TRB board announced yesterday [Sept. 21] that it had delegated an independent committee to explore 'alternatives' for yielding additional shareholder value. This process is expected to conclude by the end of 2006."

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## Analyst Estimates

Company (Ticker)	Type	Broker	Analyst	Date of Revision	Fiscal Year	EPS Est. (\$)		Cons. (\$)	# of Ests.	Price/Est. EPS(x)
						From	To			
<b>REVISIONS</b>										
↓ Cablevision Sys (CVC)	CO	Merrill Lynch	Reif-Cohen	09/21/06	2006	-0.38	-0.39	-0.51	14	NM
↑ TW Telecom (TWTC)	CO	CIBC World Markets	Horan	09/21/06	2008	0.30	0.31	0.22	5	60.2
↑ TW Telecom (TWTC)	CO	CIBC World Markets	Horan	09/21/06	2009	0.67	0.70	0.48	3	26.7
↓ Windstream Corp (WIN)	CO	Stanford Group	Nelson	09/21/06	2006	0.99	0.96	0.96	11	13.4
⊕ Windstream Corp (WIN)	CO	Stanford Group	Nelson	09/21/06	2008	1.11	1.04	1.01	6	12.4
↓ Arbitron (ARB)	ME	William Blair & Co	Mastin	09/22/06	2006	1.72	1.67	1.72	6	22.3
↓ Belo Corp (BLC)	ME	Citigroup Research	Furukawa	09/21/06	2006	1.17	1.12	1.16	10	13.7
⊕ Belo Corp (BLC)	ME	Citigroup Research	Furukawa	09/21/06	2008	1.28	1.21	1.21	1	12.7
↓ Belo Corp (BLC)	ME	Deutsche Bank Secs	Ginocchio	09/22/06	2006	1.18	1.15	1.16	10	13.3
↓ Belo Corp (BLC)	ME	Deutsche Bank Secs	Ginocchio	09/22/06	2007	1.17	1.13	1.11	9	13.6
↑ Belo Corp (BLC)	ME	Merrill Lynch	Mancini	09/21/06	2007	1.20	1.22	1.11	9	12.6
↓ Belo Corp (BLC)	ME	Bear, Stearns & Co	Miller	09/22/06	2007	1.01	0.99	1.11	9	15.5
⊕ Emmis Comm Corp (EMMS)	ME	Merrill Lynch	Mancini	09/20/06	2008	0.32	0.22	0.23	9	53.9
↓ Lee Enterprises (LEE)	ME	UBS Securities	Shipman	09/20/06	2006	2.07	2.06	2.02	6	11.7
↑ Scholastic Corp (SCHL)	ME	Prudential Equity	Barlow	09/21/06	2007	1.67	1.69	1.65	6	17.9
↑ Scholastic Corp (SCHL)	ME	Prudential Equity	Barlow	09/21/06	2008	2.33	2.38	2.50	4	12.7
⊕ InfoSpace (INSP)	NM	J.P. Morgan	Khan	09/21/06	2006	0.06	-0.03	-0.02	12	NM
⊕ InfoSpace (INSP)	NM	RBC Capital Mkts	Rohan	09/21/06	2007	-0.11	-0.43	-0.05	12	NM
⊕ InfoSpace (INSP)	NM	Wedbush Morgan	Sutherland	09/21/06	2007	0.39	0.24	-0.05	12	73.1
⊕ InfoSpace (INSP)	NM	Oppenheimer	Zorovic	09/21/06	2006	-0.07	-0.06	-0.02	12	NM
⊕ priceline.com (PCLN)	NM	Stifel Nicolaus	Devitt	09/21/06	2006	1.70	1.80	1.64	10	19.6
⊕ priceline.com (PCLN)	NM	Stifel Nicolaus	Devitt	09/21/06	2007	2.10	2.32	2.00	7	15.2
↑ priceline.com (PCLN)	NM	Piper Jaffray Cos	Kessler	09/22/06	2006	1.74	1.78	1.64	10	19.9
⊕ priceline.com (PCLN)	NM	Piper Jaffray Cos	Kessler	09/22/06	2007	2.05	2.31	2.00	7	15.3
↑ priceline.com (PCLN)	NM	Susquehanna Finl	Wolk	09/21/06	2006	1.74	1.75	1.64	10	20.2
⊕ priceline.com (PCLN)	NM	Susquehanna Finl	Wolk	09/21/06	2007	2.00	2.15	2.00	7	16.4

**Revision Key**    ↑ Below 5% increase    ↓ Below 5% decrease    ⊕ 5% or more increase    ⊖ 5% or more decrease

## Analyst Estimates *continued*

Company (Ticker)	Type	Broker	Analyst	Date of Coverage	Fiscal Year	EPS Est. (\$)	Cons. (\$)	# of Ests.	Price/Est. EPS(x)
<b>INITIAL ESTIMATES</b>									
CenturyTel Inc (CTL)	CO	Credit Suisse	Larsen	09/20/06	2006	2.41	2.42	14	16.4
CenturyTel Inc (CTL)	CO	Credit Suisse	Larsen	09/20/06	2007	2.63	2.56	14	15.0
CenturyTel Inc (CTL)	CO	Credit Suisse	Larsen	09/20/06	2008	2.70	2.63	6	14.6
Citizens Comm Co (CZN)	CO	Credit Suisse	Larsen	09/20/06	2006	0.66	0.65	13	21.0
Citizens Comm Co (CZN)	CO	Credit Suisse	Larsen	09/20/06	2007	0.78	0.71	13	17.8
Citizens Comm Co (CZN)	CO	Credit Suisse	Larsen	09/20/06	2008	0.77	0.71	5	18.0
Embarq Corporation (EQ)	CO	Credit Suisse	Larsen	09/20/06	2006	5.16	4.78	13	9.2
Embarq Corporation (EQ)	CO	Credit Suisse	Larsen	09/20/06	2007	4.46	4.40	15	10.6
Embarq Corporation (EQ)	CO	Credit Suisse	Larsen	09/20/06	2008	4.31	4.36	8	11.0
Marvel Ent (MVL)	ME	Jefferies & Co	Routh	09/21/06	2012	1.64	1.64	1	14.7
InfoSpace (INSP)	NM	J.P. Morgan	Khan	09/21/06	2007	0.11	-0.05	12	159.5

Note: Information is provided by Thomson First Call. All estimates represent diluted EPS from continuing operations. SNL Financial LC makes no representations concerning the accuracy of the information.

## Analyst Recommendations

Company (Ticker)	Type	Broker	Analyst	Date	Recommendation		Source
					From	To	
!!Alaska Comm Sys (ALSK)	CO	Banc of Am Secs	Barden	09/21/06		Strong Buy	First Call
!!Cablevision Sys (CVC)	CO	Bear, Stearns & Co	Goldberg	09/21/06		Buy	First Call
!!TW Telecom (TWTC)	CO	CIBC World Markets	Horan	09/21/06		Buy	First Call
!!Central Euro Media (CETV)	ME	Deutsche Bank Secs	Giller	09/21/06		Hold	First Call
↓Marvel Ent (MVL)	ME	Jefferies & Co	Routh	09/21/06	Buy	Hold	First Call
!!Tribune Co (TRB)	ME	Prudential Equity	Barlow	09/22/06		Buy	SNL
!!!InfoSpace (INSP)	NM	RBC Capital Mkts	Rohan	09/21/06		Buy	First Call
!!!InfoSpace (INSP)	NM	RobertW.Baird&Co	Power	09/21/06		Hold	First Call
!!!InfoSpace (INSP)	NM	Wedbush Morgan	Sutherland	09/21/06		Hold	First Call
!!Napster (NAPS)	NM	Piper Jaffray Cos	Munster	09/22/06		Buy	SNL
!!priceline.com (PCLN)	NM	Piper Jaffray Cos	Kessler	09/22/06		Buy	SNL

**Recommendation Key** ↑ Raised ↓ Lowered ◆ Initial !! Reiterate

Note: SNL makes no representations about the accuracy of First Call-sourced recommendations.

## Registration Statements

### Shine Media Acquisition Corp.

Filed: 09/22/06

Form: 8-A12G

Registrant filed a description of its common stock, incorporated by reference into its registration statement on Form S-1, in order to register it under the Securities Exchange Act of 1934.

### Time Warner Telecom Inc.

Close: \$18.66 +0.77 (+4.3%)

Filed: 09/22/06

Registrant filed amendment No. 1 to its registration statement to file additional information in connection with its offer for up to 23.4 million shares of class A common stock in connection with its proposed acquisition of Xspedius Communications LLC.

### TWTC

Vol: 3,065,753 (251% of Avg.)

Form: S-4/A

## Current Event Reports (Forms 8-K and 8-A)

### American Cellular Corp.

Filed: 09/22/06

Form: 8-K

Registrant reported that it was the winning bidder in the Federal Communications Commission's auction No. 66 for wireless spectrum in most of the markets in which it currently operates, as well as in certain adjacent markets.

### Autobytel Inc.

Close: \$3.09 +0.02 (+0.7%)

Filed: 09/22/06

Registrant filed the letter dated Sept. 21, 2006, from Michael Fuchs to Liberate Technologies.

### ABTL

Vol: 52,027

Form: 8-K

## Current Event Reports (Forms 8-K and 8-A) *continued*

### Cablevision Systems Corp.

Close: \$22.59 -0.40 (-1.7%)  
Filed: 09/21/06

Vol: 2,201,600 (108% of Avg.)  
Form: 8-K

On Sept. 21, registrant reported its complete financial results for the quarter ended June 30.

### CSC Holdings Inc.

Filed: 09/21/06

Form: 8-K

On Sept. 21, Cablevision Systems Corp. reported its complete financial results for the quarter ended June 30.

### Hearst-Argyle Television Inc.

Close: \$22.77 -0.29 (-1.3%)  
Filed: 09/22/06

Vol: 55,100 (46% of Avg.)  
Form: 8-K

Registrant reported that effective Sept. 21 its board of directors amended its amended and restated 1997 stock option plan. The plan was included by exhibit.

### Hollywood Media Corp.

Close: \$3.92 -0.04 (-1.0%)  
Filed: 09/22/06

Vol: 97,020 (132% of Avg.)  
Form: 8-K

Registrant provided information relating to cash performance bonuses paid to certain executives.

### Miva Inc.

Close: \$3.15 -0.11 (-3.4%)  
Filed: 09/22/06

Vol: 325,576 (116% of Avg.)  
Form: 8-K

On Sept. 21, registrant announced that it expects revenue for the quarter ended Sept. 30 will be above its previously issued guidance.

### Monster Worldwide Inc.

Close: \$36.47 -0.45 (-1.2%)  
Filed: 09/22/06

Vol: 1,482,741 (87% of Avg.)  
Form: 8-K

Registrant reported that on Sept. 18 it entered into an agreement and general release with Brian Farrey. The agreement and general release was included by exhibit.

### NextWave Wireless LLC

Filed: 09/22/06

Form: 8-K

On Sept. 18, registrant's subsidiary AWS Wireless announced that it was declared the provisional winning bidder, in the AWS auction, conducted by the Federal Communications Commission, for 154 advanced wireless services licenses covering 63 million people in the U.S.

### North Pittsburgh Systems Inc.

Close: \$24.92 -0.33 (-1.3%)  
Filed: 09/22/06

Vol: 26,541 (71% of Avg.)  
Form: 8-K

Registrant filed a letter sent to Bulldog Investors on Sept. 22 replying to their letter.

### Premiere Publishing Group Inc.

Filed: 09/22/06

Form: 8-K

Registrant reported that from August 2006 to Sept. 21, 2006, it issued about 3.345 million shares of its common stock in connection with the conversion of its convertible promissory notes.

### priceline.com Inc.

Close: \$35.34 +1.69 (+5.0%)  
Filed: 09/22/06

Vol: 11,938,726 (1,875% of Avg.)  
Form: 8-K

Registrant reported that on Sept. 21 it priced \$150 million of its convertible senior notes due 2011 and \$150 million of its convertible senior notes due 2013.

### SBA Communications Corp.

Close: \$25.07 +0.43 (+1.7%)  
Filed: 09/21/06

Vol: 1,431,350 (153% of Avg.)  
Form: 8-K

Registrant reported that on Sept. 18 it entered into employment agreements with certain of its employees.

### Silver Screen Studios Inc.

Close: \$0.00 0.00 (-2.2%)  
Filed: 09/22/06

Vol: 639,564 (26% of Avg.)  
Form: 8-K

Registrant reported that on Sept. 19 Donald Evans resigned as acting CEO, and it appointed Barry Thomas to the position of CEO. Its restated and amended articles of incorporation were included by exhibit.

### Talk America Holdings Inc.

Close: \$8.20 +1.63 (+24.8%)  
Filed: 09/22/06

Vol: 2,283,719 (840% of Avg.)  
Form: 8-K

On Sept. 22, registrant announced that it entered into a definitive agreement pursuant to which it will be acquired by Cavalier Telephone & TV.

### Tribune Co.

Close: \$33.99 +1.94 (+6.1%)  
Filed: 09/22/06

Vol: 6,830,800 (344% of Avg.)  
Form: 8-K

On Sept. 21, registrant announced that its board of directors has established an independent special committee to oversee management's exploration of alternatives for creating additional value for shareholders.

### United States Cellular Corp.

Close: \$60.95 -0.42 (-0.7%)  
Filed: 09/22/06

Vol: 44,000 (70% of Avg.)  
Form: 8-K

Registrant provided information in connection with its relationship with Barat Wireless. Its Private Securities Litigation Reform Act of 1995 safe harbor cautionary statement was included by exhibit.

### VoIP Inc.

Close: \$0.34 -0.03 (-8.9%)  
Filed: 09/22/06

Vol: 275,720 (98% of Avg.)  
Form: 8-K

Registrant reported that on Sept. 14 it amended its employment agreement with Shawn Lewis.

### VoIP Inc.

Filed: 09/22/06

Vol: 275,720 (98% of Avg.)  
Form: 8-K

Registrant reported that on Sept. 14 it entered into an employment agreement with Anthony Cataldo.

### VoIP Inc.

Filed: 09/22/06

Vol: 275,720 (98% of Avg.)  
Form: 8-K

Registrant reported that on or about Sept. 15 certain investors filed an action against it claiming a breach of contract related to the discounted promissory notes sold in January and February of 2006.

## Industry Conferences

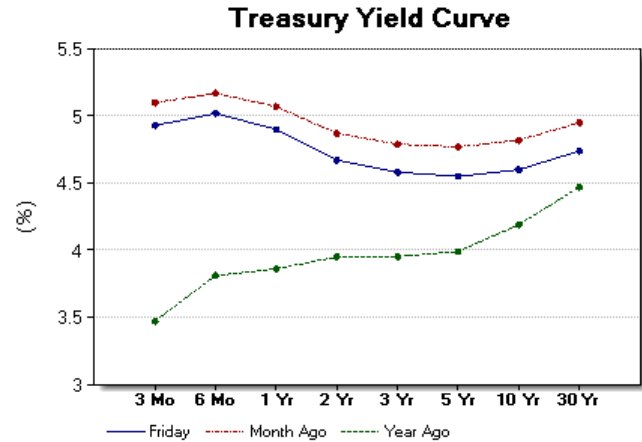
For the period 09/25/06 to 10/25/06

Name	Dates	Location	Phone
MediaPost Communications OMMA Conference & Expo	09/25/06-09/26/06	New York, NY	—
Noble Financial Group Small Cap Conference/Micro Cap Symposium	09/26/06-09/28/06	Charlotte, NC	(561) 994-1191
Sidoti & Co. Consumer Growth Conference	09/28/06-09/29/06	San Francisco, CA	(212) 297-0001
Deutsche Bank Global High Yield Conference	10/04/06-10/05/06	Scottsdale, AZ	(212) 250-7449

To submit additions or corrections regarding industry conferences, please contact Dottie Risdon at (434) 951-7477, or e-mail drisdon@snl.com.

## Interest Rate Scoreboard

	Friday 09/22/06	Thursday 09/21/06	Month Ago	Prior Yr End	Year Ago
3-Month T-Bill (BEY)	4.93	4.92	5.10	4.08	3.47
6-Month T-Bill (BEY)	5.02	5.04	5.17	4.37	3.81
1-Year T-Bill (BEY)	4.90	4.93	5.07	4.38	3.86
2-Year T-Note	4.67	4.71	4.87	4.41	3.95
3-Year T-Note	4.58	4.61	4.79	4.37	3.95
5-Year T-Note	4.55	4.60	4.77	4.35	3.99
10-Year T-Note	4.60	4.65	4.82	4.39	4.19
30-Year T-Bond	4.74	4.78	4.95	4.51	4.47
Federal Funds	5.24	5.24	5.24	4.09	3.77
Prime Rate	8.25	8.25	8.25	7.25	6.75
30-Day LIBOR	5.33	5.33	5.32	4.39	3.83
3-Month LIBOR	5.37	5.39	5.40	4.54	3.96
6-Month LIBOR	5.38	5.42	5.46	4.70	4.09
1-Year LIBOR	5.31	5.42	5.46	4.84	4.23



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