

SUPPLEMENTAL DIRECT TESTIMONY OF JOHN ZACCARIO

I, John Zaccario, hereby declare:

I. Background

1. I am the Executive Vice President, Advertising Sales for GSN. In this role, I am responsible for overseeing the advertising sales strategy for the network's cable and on-line business and report directly to David Goldhill, GSN's Chief Executive Officer.

2. I have over 20 years of experience in the media industry, with a particular emphasis on advertising sales. Prior to joining GSN, I was the Vice President, Digital Sales and Marketing for ESPN; Vice President, Customer Marketing for ESPN ABC Sports; a Senior Account Executive for ABC Television, Entertainment and News and Late Night Sales; an Account Executive for Raycom Sports; Director of Sales for Katz Television Group; an Assistant Buyer for the Grey Group; and a Production Assistant for ABC Sports. I joined GSN in 2008 as a Senior Vice President, Advertising Sales and was later promoted to my current position.

II. GSN Advertising Strategy

3. When I arrived at GSN in 2008, I understood that under Mr. Goldhill's direction the network was implementing a multi-prong strategy to build upon GSN's historical success in attracting women to the network and to target more systematically women 18 to 54, including through the introduction of a slate of original programming. It was clear to me that Mr. Goldhill expected GSN's advertising strategy to be consistent with this overarching programming goal. Early in my time at GSN, I was provided with a presentation that laid out Mr. Goldhill's explicit mandate [REDACTED]

[REDACTED]

[REDACTED]. GSN Exh. 8, at GSN_CVC_00078175 & GSN_CVC_00078181.

4. GSN's target demographic for advertising sales is women 25 to 54 and, secondarily, persons 25 to 54. Since I arrived at GSN, the women 25 to 54 demographic has made up the [REDACTED]

[REDACTED]. See, e.g., GSN Exh. 65 at GSN_CVC_00056184; GSN Exh. 174 at 2.

5. In our advertising sales efforts, my team has emphasized GSN's focus on targeting women 25 to 54 and the programming strategy that has developed to drive greater viewership among this core audience. Throughout my tenure, in our upfront presentations we have consistently highlighted the network's slate of original programming targeting this demographic, including *It Takes a Church*, a relationship-themed show hosted by Natalie Grant and targeted to the "young female looking for love"; *Skin Wars*, hosted by Rebecca Romijn and focused on the "beauty" and "finesse" in body painting; *The Newlywed Game*, hosted by Sherri Shepherd, an Emmy Award winning co-host of *The View*; *Mind of a Man*, hosted by DeRay Davis and focused on dating and catering to women; and *Love Triangle*, hosted by Wendy Williams, who was recruited [REDACTED]. See GSN Exh. 228; GSN Exh. 236, at GSN_CVC_00168373-75; GSN Exh.142 at GSN_CVC_00138409-10; see also GSN Exh. 141. In trade publications, my team likewise has identified both that GSN targets viewers in the women 25 to 54 demographic and that the network skews toward an audience made up of women. See GSN Exh 107, at GSN_CVC_00132825; GSN Exh. 106.

6. Based upon my experience and that of my team in discussions with ad buyers, [REDACTED]

[REDACTED], GSN's competitive set from an advertising perspective typically includes

[REDACTED]

[REDACTED]. See GSN Exh. 11 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. My understanding is that these networks focus on programming geared toward a female audience and attract predominantly women viewers.

III. Impact of Repositioning on GSN Advertising Sales

7. Cablevision's repositioning of GSN from the iO Family Pak to the iO Sports Pak — and the resulting loss of [REDACTED] in the critical New York market — materially undermined GSN's ongoing efforts to increase advertising revenues arising from the network's television business.

8. Prior to Cablevision's discriminatory conduct, GSN advertising revenues totaled [REDACTED]

[REDACTED]. GSN's financial models predicted that GSN would realize [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. Based

on my experience following the repositioning, described in part below, I believe GSN has realized these losses.

9. In the wake of the Cablevision repositioning, GSN experienced an immediate decline in advertising revenues from [REDACTED] in 2010 to [REDACTED]

in 2011. A number of long-term advertisers, including [REDACTED], reduced their advertising on GSN from 2011 to 2012.

10. Certain advertisers used a perceived limitation in distribution as a negotiation tactic to insist upon a lower pricing structure. [REDACTED], for example, routinely uses a network's distribution as a leverage point to insist upon greater rate concessions.

Although [REDACTED] had previously been a [REDACTED] advertiser for GSN per year, after the repositioning [REDACTED] insisted on a lower price due to GSN's contracted distribution, and GSN could only reach agreement with [REDACTED] for a [REDACTED] advertising buy.

In addition, in 2012, [REDACTED], represented by [REDACTED], gave GSN an ultimatum on price lower than GSN's rate card in the context of a broader discussion about challenges in GSN's distribution growth. Absent Cablevision's repositioning, GSN [REDACTED]

[REDACTED]

[REDACTED]

11. More broadly, the setback in GSN's distribution prompted by the Cablevision retiering had a substantial impact on GSN's ability to compete successfully for advertisers seeking broad national distribution. The repositioning delayed GSN's ability to achieve the 80 million subscriber threshold that is recognized as a key benchmark for advertisers. Advertisers are particularly interested in a network's progress in increasing distribution, and the [REDACTED] loss caused by the Cablevision repositioning signaled that progress on that front had slowed. On a number of occasions, it was the subject of focused attention in our upfront presentation discussions with advertisers.

IV. GSN's Loss of Access to New York-Based Advertising Buyers Is a Continuing Harm

12. Cablevision's conduct has been particularly harmful because it is a dominant cable operator in the New York market. Without question, there is no more important marketplace for advertising purchasing than New York. Most of the major advertising agencies have their principal headquarters in New York City and, importantly, a large number of senior advertising executives who act as decisionmakers for companies buying advertising time live in Cablevision's footprint in the New York market.

13. These executives base their purchasing decisions not only on objective metrics such as audience demographics and penetration rates, but also on their own viewing of the programming. Consequently, a service's availability in these executives' homes and home market is often a prerequisite to being considered a meaningful contender for a share of their advertising budgets.

14. As a result, a continuing and substantial harm from Cablevision's repositioning is that many advertising buyers cannot easily sample GSN shows, because they do not receive GSN on the basic cable package in their homes. These buyers cannot watch GSN's programming for themselves; they do not hear their family members and friends talking about the innovative new shows GSN is broadcasting and the stars it is bringing to its airwaves; and they do not have any firsthand sense of GSN's presence in the marketplace.

15. The harm from this lack of exposure, while not easy to quantify, is even more significant than the direct losses that GSN suffered immediately after the repositioning. Because ad buyers do not have firsthand exposure to GSN's programming, my team and I must sell GSN's programs to them on paper, which is an extraordinary disadvantage when selling a visual medium. To use one of AMC Networks' own recent hit programs as an example, selling

advertising against a description of *Breaking Bad* as a show about a chemistry teacher who starts dealing drugs cannot compare to selling advertising to someone who has watched the program and heard the buzz surrounding it. GSN can ask these buyers to do extra work — to watch a sizzle reel or a promotional spot — to get a feel for the network's programming and whether it's a fit for their clients, but that is a burden the ad buyers do not have to take on in order to sample GSN's competitors, such as Lifetime, Oxygen, and WE tv.

16. Moreover, the timing of the repositioning was uniquely challenging because it occurred in the midst of a critical transition period for GSN, when the network's programming lineup and branding were undergoing significant changes. All of these changes were made with the goal of increasingly attracting more women 25 to 54 and increasing the network's advertising revenue in this core demographic. These developments in the network's programming line-up were key selling points for advertisers looking to buy against the women 25-54 demographic. The Cablevision repositioning effectively deprived ad buyers in a key market of access to the results of the network's ongoing programming initiatives.

17. For example, during GSN's 2011 upfront presentation to [REDACTED], the lead advertising buyer for [REDACTED], inquired into GSN's absence from Cablevision systems. Similarly, during our presentation to [REDACTED] in 2011, the lead advertising buyer at the time for [REDACTED] expressed concern about the inaccessibility of GSN to Cablevision's basic service subscribers. In both cases, the buyer in charge of the negotiations were GSN fans — and thus promising prospects for advertising sales — but both expressed disappointment that they were not able to access the network. The [REDACTED] buyer now represents other large brands, including [REDACTED], and the lack of GSN in her home means that she cannot articulate the evolution of

the network to her clients. This lack of exposure in the New York market is a continuing and substantial impediment to growing GSN's advertising sales.

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I declare under penalty of perjury that the foregoing is true and correct. Executed on
June 2, 2015.


JOHN ZACCARIO