

## Taft's TV's go to TVX for \$240 million

### Buyer will use debt offering to raise funds to buy five indies

Taft Broadcasting Co., as expected, sold all five of its independent television stations last week when the company's board on Monday (Nov. 17) approved a \$240-million cash bid from TVX Broadcast Group. The definitive agreement ended, at least for the near future, Taft's plans to build a major TV station group. At the same time, the transaction catapults into prominence the stations' buyer, TVX, which will be buying stations that last year had roughly 10 times as much revenue as that reported by their purchaser.

To raise part of the purchase money, TVX is seeking investors to contribute \$50 million, a sum almost equal to the company's market capitalization (its shares outstanding times share price) as of two weeks ago. Among those considering buying a major stake in TVX are some venture capital firms, including one with a current TVX holding. Previous plans for Warburg Pincus Venture Capital to fund the five-station purchase fell apart, apparently just a few days before the agreement was signed.

TVX, which currently owns nine TV stations, all independents, expects to raise another \$250 million through a debt offering expected to be placed with institutional investors by Salomon Brothers. Also easing the financial load would be proceeds from the sale of TVX's WNRW(TV) Winston-Salem, N.C., to Act III Broadcasting for \$11 million. To keep within the FCC's 12-station limit, TVX said it also plans to sell its construction permit for WNYB-TV Buffalo, N.Y.

A previously undisclosed feature of the agreement softens the price for TVX. The Virginia Beach, Va.-based company will be able to keep the receivables—yet-to-be-paid bills owed the station—which are usually kept by the seller in asset transactions. Taft has apparently guaranteed TVX it will inherit receivables worth at least \$25 million. Market reaction to Monday's agreement was initially favorable, with TVX rising stock from a near-year-to-date low of 8½ to 10½ bid as of Wednesday.

Although WCIX(TV) Miami (ch. 6) is included in the transaction, Taft is continuing separate negotiations with at least one other party, CBS (BROADCASTING, Oct. 27), to sell WCIX. If a separate deal is made before closing, TVX will receive a "strike" fee for dropping WCIX from its group purchase. Additionally, TVX will share in a percentage of whatever excess a new buyer pays over the currently allocated price for WCIX (which was not disclosed). The other four stations being sold are: WDCA-TV Washington (ch. 20), WTAF-TV Philadelphia (ch. 29), KTXA(TV) Fort Worth (ch. 21) and KTXH(TV) Houston (ch. 20).

No matter what other specifics may yet be revealed, the sales price was a disappointment to Taft. The Cincinnati-based company said it would have to record a \$45-to-\$50-million after-tax loss, perhaps close to \$100 million before taxes, reflecting the deficit



TVX's President McDonald



TVX BROADCAST GROUP INC.

### TVX before Taft purchase

Stations	Percent Coverage	Ch.
KJTM-TV Pine Bluff, Ark.	.255%	38
WNOL-TV New Orleans	.375	38
WLFL-TV Raleigh, N.C.	.345	22
WCAY-TV Nashville, Tenn.	.38	30
WMKW-TV Memphis, Tenn.	.325	30
KRRT(TV) Kerrville, Tex.	.31	35
WTVZ(TV) Norfolk, Va.	.295	33
*WNRW(TV) Winston-Salem, N.C.	.28	45
**WNYB-TV Buffalo, N.Y.	.36	49
TVX coverage	2.925%	

### Taft independents

WTAF-TV Philadelphia	1.485%	29
KTXA(TV) Fort Worth, Tex.	.885	21
WDCA-TV Washington	.875	20
KTXH(TV) Houston	.845	20
***WCIX(TV) Miami	1.36	6
Taft coverage	5.450%	
TVX new total coverage	8.375%	

\*WNRW(TV) Winston-Salem, N.C. has been sold to Act III Broadcasting for \$11 million ("Changing Hands," Nov. 17).

\*\*WNYB-TV Buffalo is reported to be for sale.

\*\*\*WCIX(TV) Miami, while included in sale, is still in negotiation for possible sale to third party, and station price will be deducted if sale does not take place. TVX will share in whatever excess third party pays.

between the sale price and the five stations' value as previously recorded on Taft's financial statements. The \$240 million is less than half what many estimated the stations to be worth a year ago.

The devaluation of the stations resulted partly from the currently sober advertising outlook; from business conditions in the Texas energy-related markets, and from the intense competition faced by all five stations, each of which is in a market with at

least two other independents. That competition worked to escalate program prices, making several of the stations unprofitable.

Yet TVX president and chief executive officer, Tim McDonald, said the stations' current problems aren't necessarily permanent: "I took one look at those stations and saw a snake that had swallowed a big frog. That frog is film payables, particularly in 1986 and 1987. You think that snake is going to choke but in fact the snake will digest it. . . . Let's presume that I close by the end of the first quarter of 1987. Taft will have already digested five-eighths of that lump. Starting with calendar year 1988 those payment normalize automatically and drop by millions."

Average staffing at existing TVX stations is a low 37 employees, but McDonald said it was too early to tell what his plans for the Taft stations were: "I don't know if 37 is the number. You have to take into account, for example, the Phillies [the baseball team televised by WTAF-TV Philadelphia under a contract that runs through 1992]. That is a big sports production and is important to the station. Each station is a specific matter, but on the other hand, if you own a bus in Norfolk, Va., and all of a sudden, you move it to New York, you might need a more knowledgeable bus driver, but you don't need two of them."

Taft's 47.5% ownership of the Phillies is not included in the transaction. The company said it would use the cash proceeds from the sale to pay down its debt, much of it incurred two years ago when the company bought Gulf Broadcasting, a purchase that brought KTXA and KTXH to Taft at an estimated price of \$170 million.

The other current TVX stations are KJTM-TV Pine Bluff, Ark.; WNOL-TV New Orleans; WLFL-TV Raleigh, N.C.; WMKW-TV Memphis and WCAY-TV Nashville, and WTVZ(TV) Norfolk, Va. TVX also owns 80% of KRRT(TV) Kerrville, Tex. (San Antonio) after exercising an option to buy an additional 31% of the station several weeks ago. □

## FEC deadlocked over ad donations

**Commission will not release advisory opinion, leaving broadcasters to interpret laws on the books for themselves**

Whether broadcasters' gift of free advertising time to political candidates violates the Federal Election Campaign Act ban on in-kind political contributions by corporations is proving too tough a question for the Federal Election Commission to answer. After two separate sessions on the issue on Thursday (Nov. 20)—the third and fourth sessions the commission has held on it over the past two months—the six-member FEC deadlocked, 3-3.

As a result, the advisory opinion that had been requested in September by the cam-