Corporate FM - website: www.fmfilm.com/

Articles and Links **What is Private Equity?**

privateequityatwork.com

http://youtu.be/5IPG7GYPzUo

http://www.youtube.com/watch?v=5IPG7GYPzUo

What is Private Equity?

by Kevin McKinney on December 12, 2012

What is Private Equity? How do they make their money?

The way a firm makes profit can say much about how it behaves. For instance, Private Equity makes money off of fees taken from investors and from maintenance fees from the companies that they own. They can make substantial commissions if they can sell the companies they own for a profit. This means that short-term profits that make the company appear attractive to a buyer are more important than costly long-term business infrastructure improvements that might not pay off for 10 years. This lack of long-term motivation has hurt Clearchannel because they stopped investing in their employees in favor of short-term profits by cutting as much staff as possible. Private Equity also makes money by shifting debt onto others. This is called an LBO or "Leveraged Buyout".

No Skin in the game.

The complaint about the **LBO** deal is that ***Private Equity firms*** are not responsible for debt payments. Those come out of the company checkbooks of the very companies that they are buying. Even though Private Equity bought Clearchannel, they dodged the responsibility of paying off the debt by placing that squarely on Clearchannel itself. This is unexpectedly simple and legal. Clearchannel has to pay their debt to the bank and fees to the firm that gave it that debt. This is a danger when you consider that debt is a bet or a wager against future income. If the company does well, it can pay off that debt. If the company does poorly, it could go bankrupt or need to fire all the employees it can so they do not go bankrupt as quickly (Clearchannel). By not having "skin in the game" *Private Equity firms can behave more reckless with a company's debt load and it's employees.*

We made a DVD extra for the next pressing of Corporate FM that explains this in more detail.

Taxpayer subsidized

Should Private Equity get a tax break for these mergers? Clearchannel agreed to all of the debt that is drowning it today because of a tax loophole called "interest tax deductibility". This deduction was meant to grow our economy but Private Equity manages to do the opposite by using the loophole to finance the buyout (and elimination) of competition. Private Equity-owned companies avoided paying $127 billion in taxes since 2000 due to the loophole reports Josh Kosman, author of [The Buyout of America].

What is to be done? Kosman suggests that: "the most simple solution is [by] ending interest tax deductability on corporate takeovers… It will make the most aggressive buyouts like the one for Clearchannel unprofitable so they won't happen". That solution also helps lower our national debt. Win/win.

Share this:

[What is Media Cross Ownership?]

by Kevin McKinney on December 5, 2012

Editor & Publisher | Every S

THE SPOT NEWS PAPER OF THE NEWSPAPER AND ADV

Government Will Now Seek Decree in Star Trust Case

Supreme Court Refuses to Review Convictions; Civil Suit Pending

WASHINGTON

The Supreme Court this week refused to review the 1955 conviction of the Kansas City Star Company on monopoly charges.

This placed the Department of Justice in position to

tained that the Times and Star were a single newspaper with 13 issues per week. The appellate court held that the jurors were justified in holding the two papers to be separate.

A major point was that classified and general advertisers had protested unsuccessfully against being compelled to buy

In 1955, the government convicted the Kansas City Star (newspaper company) with monopoly charges. The Star had abused their power with the ownership of two newspapers, a TV station (WDAF TV) and a radio station (WDAF radio). They forced advertisers to buy ads for all 4 properties, and also punished advertisers for utilizing other media by placing their ads in unfavorable places and times. The Star was guilty of restraint of trade. Because the abuse of monopoly power was so tempting, the FCC ruled "cross-ownership" of several media forms within the same city illegal.

Since that time, high finance has entered the ring. The "Mergers and Acquisitions" lobbyists are constantly urging the FCC to allow for more mergers and more short-term profits via staff layoffs.

The FCC is now trying to reauthorize cross ownership under the radar of the Christmas rush. This would give Rupert Murdoch and his financiers unprecedented power. …FOX could own the town newspaper, two local TV stations and up to eight local radio stations in one city as well as the local internet provider.

We are supposed to be breaking these things into competing businesses not merging the the life out of them. To let the FCC know your thoughts by email click here to use Freepress.net Or you can phone up these FCC commissioners to let them know you are not in agreement with this consolidation of media power. (please be nice).

- Commissioner Mignon Clyburn – (202) 418-2100
- Commissioner Jessica Rosenworcel – (202) 418-2400

Back in 1996 the Gingrich congress wanted consolidate TV & newspapers. President Clinton threatened a veto. He knew that he would not have been president had his home state of Arkansas had cross-ownership between the TV station and the newspaper. When he ran for governor of Arkansas the newspaper was against him but the TV station was not. Diversity in ownership is the fuel of a rich democracy. Had their only been one owner, only one candidate would have been championed.

Share this:

Radio Diversity Day

November 1, 2012

The podcast "Sound Track of the Week" (SOTW) has announced that they are starting "Radio Diversity Day" to take place on December 5th 2012. They say they were inspired by the movie Corporate FM. The idea was born during an hour long interview that they did with Jill and me late one evening. On Radio [...]

Read the full article →

Private Equity Explained

October 24, 2012

“They lump debt on the station but do not share in the risk”. Created with cinemagr.am The more debt there is from the corporate buyout, the more employees that will have to be fired so their former salaries can go toward paying off that debt. For more information watch a short video expert here.

New LPFM stations use Corporate FM to Rally Supporters

September 30, 2012

A possible new radio station called “Fayetteville Community Radio” held a screening of Corporate FM to motivate supporters behind the venture. The station is possible because new low power FM frequencies (LPFM) were legalized by bill in congress in 2010. “It fired them up” said organizer Joe Newman about the film. “It was a very [...]

Read the full article →

The tables are turned. DJs interview US!

August 25, 2012
Read the full article →

What has Private Equity done to Capitalism?

August 8, 2012

This is a quick and easy explanation of what has happened to many large industries across the US, not just radio. In my opinion, it is also the best explanation I have heard about Private Equity. Radio used to make money through advertising. Radio stations had a motive to engage the public in order to sell [...]

Read the full article →

Will Clearchannel Bankruptcy Save Radio?

May 17, 2012

I got an email from a listener who was happy that Corporate radio was dying. He thought that we should “starve the beast”, implying that if it went bankrupt, the rats would jump off a sinking ship and someone who cared about their community would buy the station back. I wish that were the case. [...]

Why Have Radio When You Have The Internet?

April 19, 2012

Unlike Facebook or web-based music sharing applications, locally owned radio reaches thousands of people across many incomes and ages in a single area at the same time with a message unique to that area. That ability is what once moved entire cities to unite around local bands, local charities, local businesses, and new ideas. The [...]

Read the full article →

How Corporate Radio Helps & Hurts NPR & Community Radio

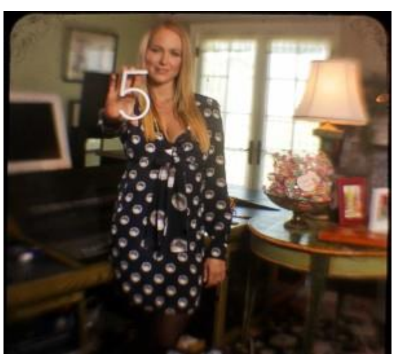
April 8, 2012

Some NPR and community radio listeners are happy that commercial radio sucks. They reason that the bland corporate programming drives listeners to them. They couldn't be more wrong. Crappy commercial radio hurts public radio stations and the whole medium of radio itself. When a shopping mall loses all its best stores except one; there is [...]

Read the full article →

Director's Statement

In 1998 KLZR, the FM rock station in my home town of Lawrence Kansas, was voted by Rolling Stone Magazine to be in the "Top 10 Stations that Don't Suck". Within a year the station was sold and the format was changed to sound like every other station on the dial. A radio staff was fired or quit in disgust. This scene was happening everywhere in the US at the same time. The congress had just made massive radio consolidation legal through the Telecommunications act of 1996.

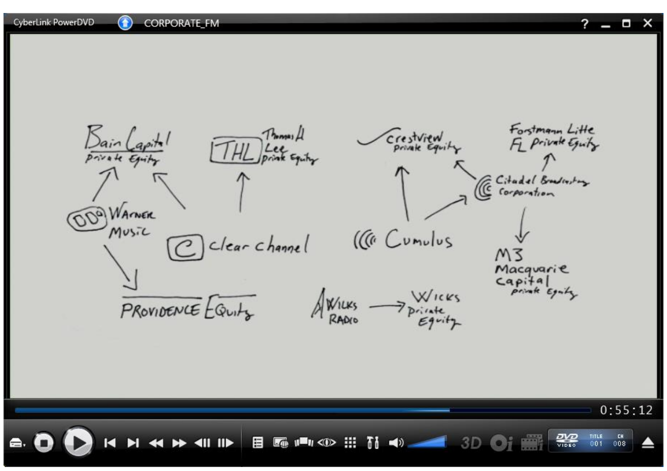


Why is Jewel holding a number five? She was among five local musicians who were played in regular rotation on San Diego's 91X. These were artists that were mostly unknown before they were given air-play (Jewel was homeless at the time). Radio built a critical-mass locally behind these acts that launched some of them to grace the rest of the nation. A local music director mixed local music in with national favorites that were picked from the gut of the programmer. Radio stations were once adored by their communities for this. A local DJ could raise awareness for a local charity, a civic concern or a band all within the same show. The loss is not just music and culture.
Today there no longer any unsigned local bands played in rotation on corporate radio. Those bands are played now only once a week, usually during a local music show late on a Sunday night. Local charities are not given the same breath. Outside of zany morning shows, DJs speech is restricted to 15 seconds at a time including station ID and any station endorsements. The narrow corporate playlist of music and commercials has pushed out any room for spontaneity.

Follow the money
It took seven years to make this film. One thing that kept me going was that I wanted to figure out how stations could make money if they kept firing the listeners? Stations were selling at outrageous prices while audiences were being rebuffed at every turn. The math did not add up. The search took me many places with a variety of culprits to explore. Each one of them would shift the blame to another party for the failings of radio. There were no satisfying explanations till I heard Josh Kosman on NPR's show "Fresh Air with Terry Gross". He was explaining how a "leveraged buyout" (LBO) can kill a company or render an entire business into a shell of what it once was. I ordered his book that same day and took a plane to meet him within 2 months.

We created a video DVD extra that explains the LBO deal in more detail. I personally believe that the maneuver should be made illegal because it is killing American jobs. It drains businesses of operating capital in favor of high debt loads that only benefit the finance guys. Such a plan forces the firing of employees and hurts future research and development. In the case of radio, the skyrocketing station prices pushed by Private Equity firms that had no skin in the game ruined the entire market for buying stations. Who can run a business responsibly, when the cost for entry is more than you will ever make with that business?

Relationship Sketch from the film



Providence Equity

Wicks Private Equity

Bain Capital [private equity]

THL Thomas H Lee Private Equity

Crestview Private Equity

FL Forstman Little Private Equity

M3 Macquarie Capital Private Equity

Clear Channel

Cumulus

Local media ownership takes a hit with deal to sell Fisher's KOMO

Originally published April 11, 2013 at 7:33 AM | Page modified April 12, 2013 at 9:33 AM

- Comments (94)

Fisher Communications, owner of Seattle's KOMO-TV and 19 other television stations, will be acquired for $373 million by Sinclair Broadcast Group, the country's largest Fox affiliate.

By Melissa Allison

Seattle Times business reporter

Steve Ringman / The Seattle Times

Fisher Plaza by Seattle Center is the home of the media company being sold to Maryland-based Sinclair Broadcast Group. Fisher Communications said Thursday Sinclair will pay $373 million for KOMO-TV, 19 other West Coast TV stations and three Seattle radio stations.

Related

- Sinclair known for conservative political tilt
- Consolidation eats another local touchstone | Jon Talton

Most Popular Comments
Hide / Show comments
Couldn't the Times Staff dig a little deeper and tell us something about how Sinclair... (April 11, 2013, by The OC) MORE
Sinclair has an awful reputation as a broadcaster and have been involved in many... (April 11, 2013, by HankSchrader) MORE
Ahh Sinclair, the broadcaster of propaganda films such as Stolen Honor and Breaking... (April 11, 2013, by The Iconoclast) MORE
Read all **94** comments

When KOMO-TV owner Fisher Communications becomes part of the much larger Sinclair Broadcast Group of Baltimore this fall, Seattle will lose its last locally owned network television station.

It also will lose a corporate name that played a prominent part in the region's economy for just over a century.

Sinclair, the country's largest Fox affiliate, has agreed to pay $373 million for KOMO and Fisher's 19 other West Coast TV stations, plus three Seattle radio stations.

Major shareholders — including Fisher's largest, New York money manager Mario Gabelli — have long pressured the company to sell, as other relatively small broadcast companies have done.

The industry is consolidating in the face of competition from cable television and streaming online videos, as well as media giants such as Rupert Murdoch's News Corp. and Comcast's NBC Universal business.

Fisher, one of the country's smallest publicly traded broadcast companies, spent more than $1 million in 2011 to fight off a slate of board-member candidates who appeared to favor a sale. At the time CEO Colleen Brown called an unsolicited and unofficial offer of $23.99 a share "a lowball level of interest."

The deal announced Thursday would pay $41 in cash for each Fisher share, a 44 percent premium to the company's stock price in early January.

Brown said in a news release that Sinclair's "commitment to the industry — along with its greater scale and sizable resources — will provide our stations, team members and business partners with new opportunities to flourish."

After this deal and two other pending acquisitions close, Sinclair will own or provide services to 134 television stations in 69 markets.

During the 2004 presidential election, Sinclair was embroiled in political controversy when it ordered stations to play a documentary critical of Democratic candidate John Kerry's opposition to the Vietnam War.

Sinclair said it plans to keep Fisher's three Seattle radio stations — KOMO Newsradio, KPLZ STAR 101.5 and KVI 570 — even though its focus is TV.

But an executive seemed to be hedging on that, telling Wall Street analysts during a conference call Thursday, "Our understanding is the radio stations are complementary ... It will take time to verify."

The company does not anticipate having to divest any TV stations to comply with Federal Communications Commission limits on radio and TV station ownership.

It is selling some stations to complete the $370 million acquisition of Barrington Broadcasting, which owns or manages 24 TV stations from Syracuse, N.Y., to Amarillo, Texas.

That deal was announced in February, as was Sinclair's agreement to pay $95 million for four TV stations owned by COX Media Group.

Shedding assets

Fisher resisted pressure to sell the company for years, instead shedding assets to generate cash for shareholders and expand its media operations.

In 2001, it sold a flour-milling business it had operated for almost a century.

In 2007, it sold its $190 million stake in insurer Safeco. Around that time, it also sold 19 Montana and Eastern Washington radio stations.

And in 2011, it sold six more Montana radio stations and raised $160 million by selling Fisher Plaza, a two-building landmark complex near the Space Needle that houses its headquarters.

In January, Fisher began looking for other options and hired Moelis & Co., the investment-banking firm that advised it on a $10-per-share special cash dividend it paid out last fall.

Sinclair said it will finance the purchase with cash, a bank loan and/or by selling stock or bonds.

Fisher has about 775 employees nationally and does not disclose how many are at its Seattle headquarters.

Asked whether those core employees will keep their jobs, a Fisher spokesman said, "*It is premature to speculate about integration planning.*"

The deal is subject to antitrust clearance, approval by the FCC and Fisher shareholders.

Melissa Allison: 206-464-3312 or mallison@seattletimes.com. On Twitter: @AllisonSeattle

CorporateFMPress

Press

Corporate FM Press Kit PDF

Shorty & the Boyz bReal TV interview

Janine Jackson interviews Corporate FM director Kevin McKinney here.

Soundtrack of the Week, audio interview here

NPR's Central Standard, "Who killed commercial radio".

"Corporate FM is a riveting — and terrifying — look at the profit-driven behind-the-scenes machinations of corporate-controlled broadcast media. It's

something out of George Orwell."

-Charles Ferruzza, Broadcaster and host, Anything Goes, KKFI

"..an extremely effective summation of how we got into this mess and how we might get out of it."

-Robert Butler, Butler's Cinema Scene

"Part murder-mystery, part love-letter to the key community resource that local radio used to be."

-Janine Jackson, host, Counterspin

"..an impressive documentary that is principled, researched and moving"

-Trevan McGee, Scene Stealers

Josh Kosman's Site- Current information about private equity and his book "The Buyout of America".

Reverberations- Article by Steve Wilson

Kansas City Film Fest Website - Article by L.Rob Hubbard

The Phantom Toll Booth -Review by Marie Asner

Lawrence Journal World -Article by Alex Parker

The Pitch – Short Q/A by April Flemming

About.com Radio – Article by Corey Deitz

Radio Survivor – Article by Jennifer Waits

Scene Stealers – Article by Trevan McGee

Lawrence.com- Article by Eric Melin

The Star – Article by Dan Lybarger