

5% on sales.

The company's newspapers are *The Detroit News*, *The Desert Sun* (Palm Springs, Calif.), and several other papers in California and New Jersey.

While the offering document said that L.P. would prefer to work out a merger with NA's current board of directors, the tender offer was not contingent upon arriving at a workable solution. L.P. said that if it were to receive a majority of the shares, it would oust the current board of directors and work to obtain a merger, with the remaining shareholders who had not tendered earlier so receiving \$1,000 cash per share.

On Monday morning, a Detroit lawyer presenting Perenchio called Clark's office to inform him of the offer and lawsuit and told Perenchio would be willing to talk with Clark. The ENA president declined the offer.

At a total purchase price of \$453 million, the price tag of the offer would be a hefty 29 percent above ENA's estimated 1985 earnings. The multiple of ENA's earnings to cash flow would be small.

According to the tender offer, ENA cash flow, defined as net income plus depreciation, amortization and deferred income tax, had been projected to be \$23.5 million for 1985. The tender offer said operating income is already about \$5 million ahead of 1985 and that \$4.5 million in anticipated dividends would also theoretically be available to L.P. Including some possible savings from corporate overhead and of \$10.6 million in anticipated capital expenditures, the cash available to service debt could well be over \$35 million. That would put the acquisition at 13 times cash flow, or equivalent to the multiple paid in other recent media transactions.

Another yardstick used to measure the value of media acquisitions is what the company could fetch if it were sold, not whole, but in part as separate properties. One recent estimate by *Broadcast Investor* assessed the five ENA radio stations alone at \$575 million, or \$1,269 per share, and the liquidation value of the entire company at \$2,140 per share, pre-tax. A drag on ENA's profits has been the intense battle that *The Detroit News* and the night-Ridder-owned *Detroit Free Press* have been waging. By most accounts, both papers are losing money. Jeff Epstein, an associate at First Boston, said "an outsider can't assess ENA's television stations with a high degree of accuracy. The critical question is: What is the value of *The Detroit News*?"

Epstein said that depends on the probability of a joint operating agreement [under a federal law that allows competing newspapers to share certain costs] with Knight-Ridder and what the terms might be."

The offering statement indicated that Perenchio had more than an outsider's perspective on the company with the help of internal financial reports received secretly from a senior executive officer of the company (NA). "As soon as ENA officials read that part of the offering document, which L.P. lawyers felt had to be mentioned to meet the disclosure requirements of the SEC, ENA began a search to uncover the executive's role."

It culminated on Wednesday, when Peter



ENA's Clark

Kizer, ENA executive vice president, broadcast division, was called back from Washington where he was attending the executive committee meeting of the NAB TV board, of which Kizer is vice chairman.

Under questioning by Clark and others, Kizer admitted that he was the executive re-

put out a statement quoting Clark: "This incident is an outrageous example of broken trust and calls into question the business ethics and practices of the company involved in the takeover attempt."

Whatever the breakup value of ENA shares, those providing the bank financing for Lear and Perenchio have a piece of it. The lenders obtained 5% participation in the offer's net profit (defined roughly as the difference between the cost of the ENA shares and the market value of the various properties if the transfer is completed).

Attention to the price of ENA shares was attracted at the end of last year, when the rarely traded stock could still be bought for less than \$200. Some outsiders had become aware of the discrepancy between the stock price and ENA's inherent value and began acquiring stock. The company filed suit against two other group owners, Booth American Co. and George Gillette, accusing both of trying to acquire more than 5% of the company without complying with certain provisions of Michigan state law. Although the company was denied the injunction it

**Lear follows Cooke's takeover recipe.** Former Senator Eugene McCarthy, the proposed trustee for Jack Kent Cooke's aborted effort to take over Multimedia Inc., has disappeared from center stage. (He disappeared the moment Cooke opted to settle for an estimated \$25-million greenmail profit and dropped his effort to take over Multimedia.) But it's not likely that McCarthy's name will soon be forgotten. For *McCarthy* appears well on its way to becoming the short-hand citation for the FCC's decision granting Cooke interim approval to collect Multimedia shares through a trustee (BROADCASTING, July 22).

Hollywood producer Norman Lear and A. Jerrold Perenchio, doing business as L.P. Media Inc., cite *McCarthy* frequently in their effort to take over the Evening News Association. And in transfer applications at the FCC, L.P. Media appears to be sticking closely to Cooke's recipe. In a long-form application (Form 315), L.P. Media is seeking ultimate approval of the proposed transfer of Evening News stock. In an accompanying short-form application (Form 316), L.P. Media is seeking approval to use G. William Miller, treasury secretary under former President Jimmy Carter, as a trustee to collect tendered shares pending consideration of L.P. Media's long-form application.

Also in the filings, L.P. Media spells out Miller's rights and duties as trustee in a voting trust agreement. L.P. Media said it and Miller also would "abide by any and all of the 'insulation' and other conditions imposed in *McCarthy*."

Also in its transfer applications, L.P. Media implies that the sort of interim approval granted by the commissioners in *McCarthy* (there the commission granted McCarthy a special temporary authority to collect any Multimedia shares tendered pending review of Cooke's long-form transfer application) is now so firmly established as precedent that the commission staff itself may routinely grant such applications under delegated authority. "In view of the need for prompt commission authorization to permit the tender offer to proceed, it is respectfully requested that the commission or its staff act, on an expedited basis, to authorize Mr. Miller as voting trustee to acquire interim control of ENA [Evening News Association] either through grant of this [short-form] application or through grant of appropriate special temporary authority," L.P. Media said.

Last week, James McKinney, FCC Mass Media Bureau, said L.P. Media's apparent reading of the situation—that the bureau can act on applications that don't present new or novel issues—is correct. "Clearly, the bureau has the legal authority to act on the application, but no decision has been made as to whether this will be done at the bureau or commission level," McKinney said.

An FCC official said it was expected that L.P. Media's application would be accepted for filing by the end of last week.

ferred to in the offering document and named the person associated with L.P. who had requested the information. Kizer told BROADCASTING that because he had been subpoenaed by ENA counsel and the matter was under legal review, he could not detail his reasons for giving L.P. the information or if his involvement with L.P. went beyond providing them with the information.

After Kizer was fired on Thursday, ENA

sought, it obtained assurances that neither party was seeking to gain control.

Various other shareholders, the majority of whom are fourth-generation and fifth-generation descendants of founder James Edmund Scripps—Clark himself is a great-grandson—have sought a more active market to liquidate some or all of their shares. To satisfy their desire and prevent them from selling shares to a hostile acquirer, the