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July 6, 2001

**VIA HAND DELIVERY**

Magalie Roman Salas  
Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

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**EX-PARTE - DA 00-2246**

Re: Applications Seeking Consent to the Assignment of  
Chris-Craft Television Licenses to Fox Television Stations, Inc.  
File nos. BALCT-20000918ABB, BALCT-20000918ABC,  
BALCT-20000918ABD, BALCT-20000918ABF,  
BALCT-20000918ABK, BALCT-20000918ABL,  
BALCT-20000918ABM, BALCT-20000918ABN,  
BALCT-20000918ABU, BALCT-20000918ABY  
Notice of Oral Ex Parte Presentation

Dear Ms. Salas:

On July 5, 2001, Ellen Agress and Maureen O'Connell of News Corporation/Fox Television Stations, Inc. ("Fox"), Robert Giese of Chris-Craft Broadcasting, Inc. ("Chris-Craft"), and Marvin J. Diamond of the Law Offices of Marvin J. Diamond met with Commissioner Kevin J. Martin and Samuel Feder, Legal Advisor to Commissioner Martin.

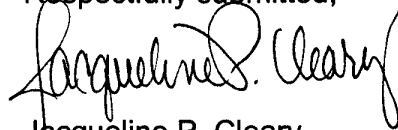
The representatives of Fox and Chris-Craft reviewed with Commissioner Martin and Mr. Feder the proposed transaction that is the subject of the referenced applications and discussed the timing of Commission consideration of and action upon those applications. For the convenience of the Commissioner, the representatives left behind copies of certain documents relating to the *New York Post* and the transaction; three charts comparing the Fox Television Stations, Inc. structure approved in 1995 and the proposed structure of the current transaction; and a copy of page 5728 from *Fox Television Stations, Inc.*, 11 FCC Rcd 5714 (1995). Copies of these documents, all of which have previously been submitted for the record in this proceeding, are attached hereto.

HOGAN & HARTSON L.L.P.

Magalie Roman Salas  
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In accordance with Section 1.1206(b) of the Commission's rules, a copy of this Notice of Ex Parte Presentation has been provided to Commissioner Martin and Mr. Feder and the original and one copy of this letter are being submitted to the Office of the Secretary.

Respectfully submitted,



Jacqueline P. Cleary  
Attorneys for News Corporation  
Fox Television Stations, Inc.

cc: Commissioner Kevin J. Martin  
Samuel Feder, Legal Advisor to Commissioner Kevin J. Martin  
James Bird, Office of General Counsel  
International Transcription Services, Inc.  
John C. Quale, Esq.  
Angela J. Campbell, Esq.

# News Corporation

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## NEWS RELEASE

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For Immediate Release

Contacts: Media – Andrew Butcher 212 852 7070  
Investors – Reed Nolte 212 852 7092

### **News Corporation To Acquire Chris-Craft, BHC And UTV In Cash And Stock Transaction**

*Chris-Craft's 10 Stations Add To Strength Of 23 Fox Owned-And-Operated Stations; Increased Competitiveness And Savings Expected To Make Deal Accretive To Earnings*

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**New York, NY, August 14, 2000** – In a deal that significantly strengthens its highly profitable television station business, News Corporation today announced that it and Fox Television Stations had agreed to acquire Chris-Craft Industries, BHC Communications and United Television, which together own 10 television stations and other assets. News Corporation will pay \$5.35 billion, comprising a cash payment of \$2.13 billion and approximately 73 million ADRs representing 292 million News Corporation preferred shares (ASX: NCPDP; NYSE: NWS.A).

The new stations will be operated under Fox Television Stations within News Corporation's majority-owned subsidiary, Fox Entertainment Group (NYSE: FOX). Fox Entertainment Group will issue 122.2 million of its shares to News Corporation in return for the acquired assets, increasing News Corp.'s equity interest in FEG from 82.76 percent to 85.25 percent.

The addition of the Chris-Craft stations will give News Corporation and Fox Television Stations an unequalled presence in the largest US television markets, with 13 stations in the top 10 markets and 20 stations in the top 20 markets, subject to the divestiture of stations as necessary to comply with FCC ownership restrictions. Chris-Craft's integration into the Fox Television Stations group will create duopolies in New York, Los Angeles, Salt Lake City and Phoenix, in addition to Fox's existing duopoly in Dallas. In Los Angeles, the nation's second biggest TV market, Fox will own two television stations and two regional sports networks.

With the cost savings and revenue gains that are expected to result from the expanded competitive presence in major markets, the company expects the transaction will be immediately accretive to News Corporation and Fox Entertainment Group earnings.

News Corporation Chairman and Chief Executive Rupert Murdoch said the Chris-Craft stations, located in major television markets throughout the United States, perfectly complemented News Corporation's existing group of 23 owned-and-operated stations.

"This transaction gives News Corporation and Fox Television Stations a scarce commodity in a highly profitable industry. Fox will now have duopolies in three of the largest television markets in the US: New York, Los Angeles and Dallas. We are acquiring stations with tremendous upside potential, particularly given Fox's strength in local news, entertainment programming, sports and sales," Mr. Murdoch said. "This unique opportunity to increase ratings and revenues through top-market duopolies should quickly deliver substantially increased profits for News Corporation and Fox."

Mr. Murdoch continued: "This acquisition will also help Fox expand and improve its services in local news, sports and entertainment programming in the communities we serve."

- more -



Herbert J. Siegel, Chairman and President of Chris-Craft, said: "This merger delivers substantial value to all of the Chris-Craft, BHC and UTV shareholders and gives them the opportunity to participate further in the growth of News Corporation. Rupert Murdoch, a global visionary, has built News Corporation into one of the world's pre-eminent media companies. We have the utmost confidence in News Corporation and Fox Television management's ability to capitalize on our combined assets. I am pleased, as I'm confident all of our shareholders will be, to hold a significant investment in News Corp.'s dynamic future."

The stations to be acquired are in: New York (UPN-9), Los Angeles (UPN-13), San Francisco (UPN-44), Minneapolis/St. Paul (UPN-9), Phoenix (UPN-45), Orlando (UPN-65), Portland (UPN-12), Baltimore (UPN-24), Salt Lake City (ABC-4) and San Antonio (NBC-4).

Fox Television's existing stations are in: New York (FOX-5), Los Angeles (FOX-11), Chicago (FOX-32), Philadelphia (FOX-29), Boston (FOX-25), Dallas (FOX-4 and KDFI-27), Washington, DC (FOX-5), Detroit (FOX-2) Atlanta (FOX-5), Houston (FOX-26), Tampa (FOX-13), Cleveland (FOX-8) Phoenix (FOX-10), Denver (FOX-31), St. Louis (FOX-2), Kansas City (FOX-4) Milwaukee (FOX-6), Salt Lake City (FOX-13), Birmingham (FOX-6), Memphis (FOX-13), Greensboro (FOX-8) and Austin (FOX-7).

The transaction, which includes the acquisition of all of the shares of Chris-Craft Industries, Inc. (NYSE: CCN), BHC Communications, Inc. (AMEX: BHC), and United Television, Inc. (NASDAQ: UTVI), is expected to be completed this fiscal year ending June 30, 2001. The transaction is subject to certain closing conditions, including regulatory and shareholder approvals. Chris Craft, which owns approximately 80 percent of the common stock and 97 percent of the voting stock of BHC, has agreed to vote its shares in favor of the BHC merger. BHC, which owns approximately 57 percent of the common and voting stock of UTV, has agreed to vote its shares in favor of the UTV merger.

Each Chris Craft stockholder will receive a combination of \$34 in cash and 1.1591 News Corporation preferred ADRs (each representing four preferred limited voting ordinary shares). Each stockholder will be entitled to elect to receive instead, subject to the limitation described below, either \$85 in cash or 1.9318 preferred ADRs. If this transaction closes after August 13, 2001, the Chris-Craft merger consideration will be increased by \$1.00.

Each BHC stockholder will receive a combination of \$66 in cash and 2.2278 preferred ADRs. Each stockholder will be entitled to elect to receive instead, subject to the limitation below, either \$165 in cash or 3.7131 preferred ADRs.

Each UTV stockholder will receive a combination of \$60 in cash and 2.0253 preferred ADRs. Each stockholder will be entitled to elect to receive instead, subject to the limitation below, either \$150 in cash or 3.3755 preferred ADRs.

News Corporation preferred ADRs closed at \$44.125 on Friday.

It is intended that the receipt of the preferred ADRs will be tax-free to the Chris Craft, BHC and UTV stockholders. The elections in each merger are subject to the limitation that 40 percent of the total consideration in such merger be paid in cash and 60 percent in preferred ADRs.

If the mergers do not receive FCC approval or an IRS ruling enabling them to be accomplished in a manner that would permit the receipt of the preferred ADRs to be tax-free,

- more -



the parties have agreed to modify the structure of the mergers. In this case, each shareholder will receive, for each share held, \$36 (or \$37, if the transaction closes after August 13, 2001) and 1.2273 preferred ADRs in the Chris Craft merger, \$69.30 and 2.3392 preferred ADRs in the BHC merger and \$63 and 2.1266 preferred ADRs in the UTV merger. The receipt of the cash and preferred ADRs will be taxable in the restructured transactions.

News Corporation (ASX: NCP, NCPDP; NYSE: NWS, NWS/A; LSE: NEWCP) had total assets as of March 31, 2000 of approximately US\$40 billion and total annual revenues of approximately US\$14 billion. News Corporation's diversified global operations in the United States, Canada, continental Europe, the United Kingdom, Australia, Latin America and the Pacific Basin include the production of motion pictures and television programming; television, satellite and cable broadcasting; the publication of newspapers, magazines and books; the production and distribution of promotional and advertising products and services; the development of digital broadcasting; the development of conditional access and subscriber management systems, and the creation and distribution of popular on-line programming.

**Forward Looking Statements:**

*This release contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations or beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The forward-looking statements in this release address the following subjects: expected date of closing the merger; future financial and operating results; and benefits of the merger.*

*The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: the risk that News Corporation's and Chris-Craft's, BHC's and UTV's businesses will not be integrated successfully; costs related to the merger; failure of stockholders to approve the merger; inability to obtain or meet conditions imposed for governmental approvals for the merger; increased competition and its effects on price, spending, third-party relationships and revenues; inability to establish and maintain relationships with advertising and marketing providers; and risks of new and changing regulation in the U.S. and internationally.*

*For a detailed discussion of these and other cautionary statements, please refer to Chris-Craft's, BHC's and UTV's filings with the Securities and Exchange Commission, especially in the "Forward-Looking Statements" section of the Management's Discussion and Analysis section of Chris-Craft's Form 10-K for the fiscal year ended December 31, 1999, and to News Corporation's and Fox Entertainment Group's filings with the Securities and Exchange Commission.*

**Where You Can Find Additional Information:**

*Investors and security holders of Chris-Craft, BHC and UTV are advised to read the joint proxy statement/prospectus regarding the proposed merger when it becomes available because it will contain important information about the transaction. The joint proxy statement/prospectus will be filed with the Securities and Exchange Commission by Chris-Craft, BHC and UTV and by News Corporation. Investors and security holders may obtain a free copy of the joint proxy statement/prospectus when it is available and other documents*

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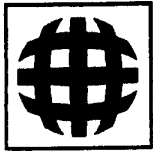


**News Corporation**  
**NEWS RELEASE**

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*filed by Chris-Craft, BHC and UTV with the Securities and Exchange Commission at its Web site at <http://www.sec.gov>. The joint proxy statement/prospectus and these other documents may also be obtained for free from Chris-Craft, BHC, UTV or News Corporation.*

*Each of Chris-Craft, BHC and UTV and each of its executive officers and directors may be deemed to be participants in the solicitation of proxies from each of its stockholders with respect to the transactions contemplated by the merger agreements. Information regarding such officers and directors is included in each of its proxy statements for each of its 2000 Annual Meeting of Stockholders filed with the Securities and Exchange Commission. These documents are available free of charge at the Securities and Exchange Commission's Web site at <http://www.sec.gov> and from each of the companies.*



# News Corporation

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MAUREEN A. O'CONNELL, ESQ.  
VICE PRESIDENT  
REGULATORY AND GOVERNMENT AFFAIRS

May 11, 2001

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

**EX PARTE – DA 00-2246**

Re: Applications Seeking Consent to the Assignment of  
Chris-Craft Television Stations Licenses to Fox Television Stations, Inc.  
File Nos. BALCT-20000918ABC, et al.

Dear Ms. Salas:

At the Commission's request, Fox Television Stations, Inc. ("Fox") is submitting the attached written summary of the lengths of time for which the Commission previously has granted temporary waivers of the newspaper/broadcast cross-ownership rule. As the attached summary demonstrates, the Commission has consistently recognized that divestitures of daily newspapers, such as the *New York Post*, may be more difficult than divestitures of broadcast stations.

In 1985, when the Commission previously ordered The News Corporation ("News Corp") to divest the *New York Post* as a condition of Fox's acquisition of WNYW(TV), the Commission granted a temporary waiver of two years.<sup>1</sup> The

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<sup>1</sup> See *Metromedia Radio & Television, Inc.*, 102 FCC 2d 1334, 1349 (1985), recon. denied 59 R.R.2d 1211 (1986), aff'd *Health and Medicine Policy Research Group v. FCC*, 807 F.2d 1038 (D.C. Cir. 1986). The transaction in which Fox originally acquired WNYW(TV) also included, among others,  
(continued...)

Ms. Magalie Roman Salas  
May 11, 2001  
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Commission determined that a two-year waiver period was appropriate to avoid forcing the distress sale of the *Post*. In addition, the Commission noted that, given the numerous media outlets serving New York City and the surrounding areas, no undue concentration of the media would result from the limited waiver.<sup>2</sup> In March 1988, News Corp complied with the divestiture order by selling the *Post* to a company controlled by Peter S. Kalikow, which ultimately was unsuccessful in running the newspaper and placed the *Post's* parent company in bankruptcy in March 1993.<sup>3</sup>

As Fox stated in its Application (*see* Assignee's Ex. No. 4 at 24), WWOR-TV is a critical element to the \$5.35 billion acquisition of Chris-Craft. If forced to choose between divesting one of the permissible duopoly stations and the *Post*, News Corp will sell or shut down the *Post*.

Any temporary waiver of the newspaper/television cross-ownership rule thus will require divestiture of the same daily newspaper – the *New York Post* – that was the subject of the Commission's two-year temporary waiver in 1985. In the intervening 13 years since divestiture, the *Post's* financial condition has been far from smooth sailing. The *Post* spiraled to bankruptcy in 1993 and has since been stabilized through News Corp's capital investments and stewardship. Nevertheless, as stated in the Application (*see* Assignee's Ex. No. 4 at 33), the *Post* continues to incur losses and has slipped in rankings in the New York market. In addition, the overall economy appears to be slowing, with particular impact on print advertising, and competition in the New York daily newspaper market has become increasingly fierce.<sup>4</sup>

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- <sup>1</sup> (...continued)  
WFLD-TV, Chicago, Illinois. Mr. Murdoch's then ownership of the *Chicago Sun-Times* created a second newspaper/television cross-ownership combination, which was also waived for a two-year period. *Id.* at 1353.
- <sup>2</sup> *See Metromedia Radio & Television, Inc.*, 102 FCC 2d at 1349-50.
- <sup>3</sup> *See Fox Television Stations, Inc.*, 8 FCC Rcd 5341, 5341-43 (1993).
- <sup>4</sup> *See, e.g., Felicity Barringer & Jayson Blair, Free Version of Daily News*  
(continued...)



Ms. Magalie Roman Salas

May 11, 2001

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Given the *Post's* rocky financial history, a prospective purchaser will have no assurance that the *Post* will provide a profitable investment. Thus it will likely be difficult to find an entity willing to purchase the *Post*,<sup>5</sup> especially at a fair price that reasonably reflects News Corp's substantial investments (including News Corp's investment in a new printing plant), made in reliance on the 1993 permanent waiver.<sup>6</sup> In any event, the Commission should be reluctant to encourage the opportunistic purchase of the *Post* by a direct competitor in the market by virtue of an inadequate period for divestiture.

Grant of at least a two-year temporary waiver will not result in undue concentration of the media in the New York marketplace. As demonstrated in the Application (*see* Assignee's Ex. No. 4 at 29-32), the New York City DMA is a uniquely competitive and diverse market, and News Corp and Fox have pledged to maintain the independence of the *Post* and WWOR-TV during any waiver period granted by the Commission (*see* Assignee's Ex. No. 4 at 28). Moreover, there is no

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<sup>4</sup> (...continued)

*Opens New Front in an Old Tabloid War*, N.Y. Times, Sept. 11, 2000, at C-1; Jayson Blair, *The Post to Halve Its Newsstand Price*, N.Y. Times, Sept. 1, 2000, at B-4. (Copies of these articles are attached hereto.)

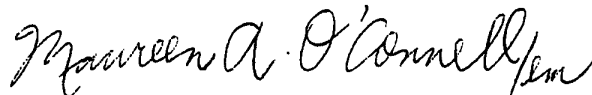
<sup>5</sup> Mr. Mortimer Zuckerman – owner of the *Post's* direct competitor the *Daily News* – has again professed a highly conditional interest in purchasing the *Post*, as he did in 1993. *See Fox Television Stations, Inc.*, 8 FCC Rcd at 5342, para. 10.

<sup>6</sup> Contrary to Petitioners' unwarranted allegation of falsehood, News Corp is, in fact, the only existing newspaper/broadcast television cross-owner whose cross-ownership was not the result of grandfathering. *See Ex Parte Communication of the Office of Communication, Inc. of the United Church of Christ, et al.*, dated May 7, 2001, entitled "Responses to Fox and Chris-Craft's April 18, 2001 Ex Parte Filing." The *Kortes Communications* and *Montour Broadcasting* cross-ownership patterns cited by Petitioners involved radio, not television. And, although *Field Communications* involved a television/newspaper combination, that cross-ownership pattern has since been broken up because Fox is now the licensee of WFLD(TV), Chicago, Illinois.

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co-ownership of the *Post* and WNYW, clearly no harm could occur by a continuation of the ownership along with a permitted television duopoly for at least a two-year period.<sup>9</sup>

Respectfully submitted,



Maureen A. O'Connell  
Vice President, Regulatory and Government Affairs  
The News Corporation

Attachment

cc (w/attach.): Chairman Michael K. Powell  
Commissioner Harold Furchtgott-Roth  
Commissioner Susan Ness  
Commissioner Gloria Tristani  
Roy J. Stewart, MMB  
Barbara A. Kreisman, MMB  
David Roberts, MMB  
David Brown, MMB  
James R. Bird, OGC  
Christopher R. Day  
Angela Campbell

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<sup>9</sup> In contrast to the situation presented by divestiture of the *Post*, in the three cases in which the Commission has granted merely 18 months to divest a newspaper, there is no indication that the newspapers in question had histories of financial difficulties and operating losses that obviously would increase the difficulty of selling the newspaper. Moreover, the applicant in each of those cases requested only 18 months in which to divest the newspaper. See *Stauffer Communications, Inc.*, 10 FCC Rcd 5165 (1995); *Twentieth Holdings Corp.*, 1 FCC Rcd 1201 (1986); *Golden West Associates, L.P.*; 59 R.R. 2d 125 (1985).

**TEMPORARY WAIVERS OF THE NEWSPAPER/BROADCAST  
CROSS-OWNERSHIP RULE**

**Three Year Waiver**

**Television and Radio:**

Cosby N. Boyd, 57 FCC 2d 475 (1975) – *Requested 2 years if the Commission issued a tax certificate and 3 years if the Commission denied a tax certificate.* The Commission "emphasize[d] that waiver is merited only because of the convergence of two special circumstances: the precarious financial condition of the Star which currently threatens its survival and the fact that complete diversification of the ownership of the media properties currently held by WSCI will be realized within a period of time shorter than that required under the divestiture requirements in the Second Report [referring to the five year divestiture period for certain broadcast-newspaper cross-ownerships.]"

**Two Year Waiver**

**Television:**

Metromedia Radio & Television, Inc., 102 FCC 2d 1334 (1985), *recon. denied* 59 RR 2d 1211 (1986), *aff'd* Health and Medicine Policy Research Group v. FCC, 807 F.2d 1038 (D.C. Cir. 1986) – *Requested 24 months.* The Commission "recognize[d] that market factors associated with sales of daily newspapers may be different from those affecting broadcast properties, possibly making them more difficult to sell and therefore believe a waiver for a period of 24 months would be appropriate here."

Stauffer Amarillo Radio Trust, 11 FCC Rcd 14865 (1996) – *Requested 18 months.*  
The FCC stated that 12 months provided "ample time to locate potential purchasers and to negotiate purchase agreements for the station(s) to be divested . . . There is no indication that prevailing market conditions are such that requiring disposal of a broadcast station in twelve months would result in a 'forced' sale."

#### **6 Month Waiver**

##### **Television:**

Combined Communications Corp. of Oklahoma, 12 FCC Rcd 1287 (Video Services Div. 1997) – *Requested 6 months.*

#### **4 Month Waiver**

##### **Radio:**

WDRQ, Inc., 12 FCC Rcd 11671 (1997) – *Requested 4 months.* There was an existing agreement with a buyer; just needed time to close.

#### **Interim Waivers**

##### **6 months after resolution of pending proceeding:**

##### **Television:**

Renaissance Communications Corp., 12 FCC Rcd 11866 (1997), *aff'd Tribune v. FCC*, 133 F. 3d. 61 (D.C. Cir. 1998), Renaissance Communications Corp., 13 FCC Rcd 4717 (Mass Med. Bur. 1998), 1998 Biennial Regulatory Review, FCC 00-191, MM Docket NO. 98-35 (rel. June 20, 2000) – *Requested permanent waiver or temporary waiver pending outcome of future rulemaking regarding newspaper/television cross-ownership. Originally granted 12 months, then extended until six months after review of the newspaper/television broadcast ownership rule in the 1998 biennial review and later extended until six months after completion of the rulemaking.* The Bureau, however, stated that "it should now be clear that the mere initiation of a proceeding stating that the rule would be examined, or merely the fact that such a proceeding was on the horizon, would not be sufficient to warrant an interim waiver."

**Radio:**

NewCity Communications, Inc., 12 FCC Rcd 3929 (1997) – *Requested 18 months or until completion of the proceeding reexamining the radio-newspaper cross-ownership waiver policies.* The Commission stated that in recent mergers involving large media companies "a twelve month period was sufficient to avoid a forced sale of broadcast stations or newspapers. However, because we have recently released a Notice of Inquiry concerning our radio-newspaper cross-ownership waiver policies, we believe that the appropriate period for a temporary waiver is six months from the date of a final order in the radio-newspaper docket."

Capital Cities/ABC, Inc., 11 FCC Rcd 5841 (1996) and Letter to Joel Rosenbloom from Chief, Mass Media Bureau, Ref. No. 1800E1-DB (October 14, 1996). *Originally requested 12 months and granted 12 months; then requested to defer divestiture date until 6 months after action on the Commission's pending radio/newspaper proceeding, which also was granted.*

# Daily News Opens a New Front in the Tabloid War



**BY FELICITY BARRINGER**  
with JAYSON BLAIR

Despite its Texas-size sense of its own primacy in almost everything, New York City in recent years has not been the site of the country's bloodiest newspaper war. That title went to Denver, where rival papers tried to starve each other into submission by offering themselves for a penny a day.

Penny, schmenny. Tomorrow, New York gets a new afternoon newspaper for nothing, courtesy of The Daily News. (The News itself still costs 50 cents.) After The News announced its plans for

## Free Paper Raises Stakes in Battle With Post

the free Daily News Express, The New York Post quickly cut its newsstand price to 25 cents from 50 cents within the city limits. If red ink trickled through the streets of Denver, it threatens to course through the streets of Manhattan.

What does it mean? Everyone in the business has his own take. But most agree that the sudden escalation of New York's long-running tabloid war makes the perennially uncertain newspaper landscape even more uncertain. A new weapon, the free daily afternoon newspaper, hurts The Post. The Post, however, has shown that it knows how to undercut The News. Four years ago, it introduced a cut-rate Sunday newspaper, forcing The News to cut its newsstand price; even so, in less than a year, circulation of The News's most valuable edition dropped more than 100,000 copies.

Leonard N. Stern, who, as the owner of The Village Voice, turned the paid alternative weekly into a free newspaper and then sold it at a significant profit, sees the latest developments in stark terms. "The Daily News is the dominant tabloid of the city, and it is now under challenge for its life," he said. Mr. Stern, chairman of the privately held Hartz Group, added: "This is it. I believe the battle has been joined. When it's over, things are not going to look the way they do today."

Mr. Stern's views are stark, but he is not alone. Even more moderate observers do not disagree about the intensity of the current battle, or the willingness of the combatants to incur short- or medium-term losses in pursuit of long-term dominance. John Morton, a newspaper industry analyst, observed, "When you have two papers, neither of which is making money, going at it in this fashion, what it promises to do is increase

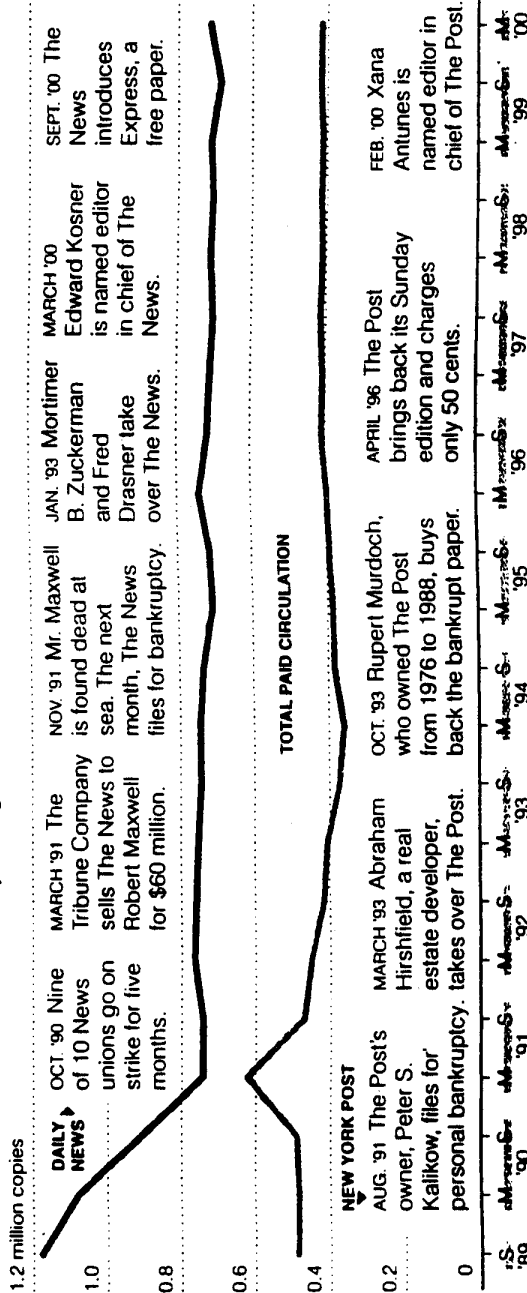


Carol Rabinson for The New York Times

The New York Post cut its price to 25 cents as its main rival, The Daily News, prepared a free paper, Express.

## Tale of the Tabloids

In the 1990's, New York's two main tabloid newspapers have gone through turbulent changes. The Daily News, which never recovered its circulation after a strike 10 years ago, will introduce a free afternoon paper tomorrow.



Continued on Page 16.

# Free Version of Daily News Opens New Front in an Old Tabloid War

Continued From First Business Page

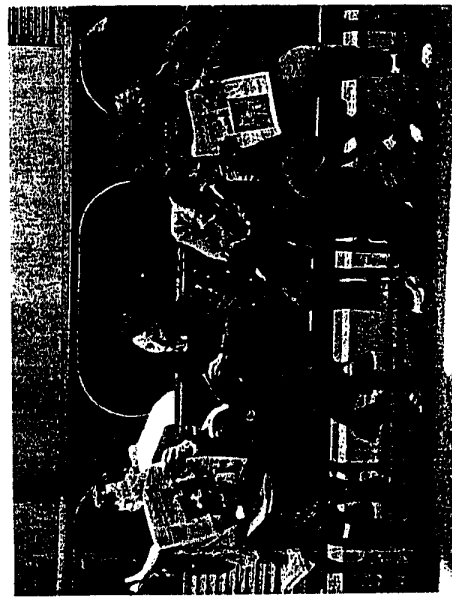
the losses for both of them," he added that Rupert Murdoch, chairman of The Post's parent, the News Corporation, and Mortimer B. Zuckerman, co-owner of The News, have each demonstrated a determination to keep control of a New York newspaper. "It's not about money," he said. "It's about image and being the publisher of a major newspaper in the world's most important city."

So The News and The Post are willingly incurring extra economic pain at a time when there is already pain enough: the price of newsprint, the biggest nonlabor cost for any newspaper, is rising steeply in a market tighter than at any time in the last four years.

For The News, there is also the question of fighting a two-front war: In Queens, the Long Island newspaper, is beginning a circulation comeback in Queens after years of decline; its editor, Anthony Marro, said he planned to send in 15 people next

year to strengthen a Queens-based editorial staff that now numbers about 45. (Newsday is now owned by the Tribune Company, the former owner of The Daily News.)

Indeed, to hear News executives tell it, you would not know that there was anything but fun and profit ahead. Their blithe willingness to tout received wisdom (newspapers that cost nothing are worth nothing to advertisers) has provoked guardedly enthusiastic from both media analysts and advertisers. About 75,000 copies of Express will be distributed at 85 commuter hubs: bridges, tun-



Leaves Proliferate The New York Times

As commuters wait at the 30th Street Station in Philadelphia, some read copies of Metro, a Swedish-owned free newspaper.

Esther Eaton, advertising director at Seaman Furniture, one of The News's major advertisers, called Express "a great vehicle," adding, "There's a difference between a penny-saver type vehicle and a real newspaper."

Les Goodstein, chief operating officer of The News, said executives at The News conceived the idea when they heard that Metro, a Swedish-owned free newspaper, would be distributed to Philadelphia commuters in cooperation with the city's transit authority. "We are taking the concept and refining it to fit the needs of the challenge."

the New York area," he said. And maybe trying to discourage the executives of Metro's parent company, the Modern Times Group, from thinking about a move to New York. Earlier this year, Modern Times executives discussed a possible collaboration with The Post, but those talks were not productive, according to an executive involved in the talks. Express, as designed, will split its 40 pages roughly equally between advertising and editorial material: pictures, listings and short, 300-word articles, emphasizing topics like business, entertainment and sports. In Europe, such free dailies began to win audiences more than two decades ago. But almost all were morning publications — and New Yorkers can choose from The Post, The News, The New York Times and Newsday in the morning.

"The gaping hole," Mr. Goodstein said, "was in the afternoon."

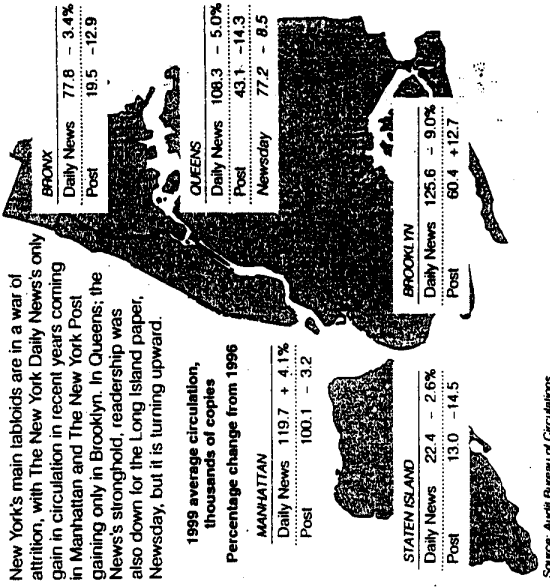
The high-profile introduction is generating guarded excitement among advertisers, who have been less than enthusiastic about reader erosion. The News — which a decade ago had a circulation of more than a million — is struggling to keep its circulation figure above 700,000 for the six-month period ending Sept. 30. In fact, erosion of New York City circulation has affected not just The News but The New York Times as well. The Post has bucked this trend the last few years but has lost some of its core Manhattan readership. Others who remain loyal to The Post have known it since it was an afternoon newspaper itself — and save it for the train or bus ride home. Tomorrow, these readers of The Post

## Losing in Core Markets

New York's main tabloids are in a war of attrition, with The New York Daily News's only gain in circulation in recent years coming in Manhattan and The New York Post gaining only in Brooklyn. In Queens, the News's stronghold, readership was also down for the Long Island paper, Newsday, but it is turning upward.

1999 average circulation, thousands of copies

Percentage change from 1996



Source: Audit Bureau of Circulations

NY TIMES

Sept. 11, 2000

will be offered a free copy of Express by a novel crew of hawkers, including an actress, an opera singer and a handful of leggy cheerleaders.

If The News wants to grab The Post's readers, it would not mind slicing into Newsday's advertising revenue. Last year, Newsday's Queens circulation increased after three years of losses, while the Queens circulation of The News dipped. Retailers like Seaman Furniture, which advertise in both, have limited budgets. Eventually, Ms. Eaton said, new expenditures for ads in Express would require her to cut spending elsewhere. Perhaps at Newsday Or, perhaps, at The News.

Canonization of readers and advertising dollars, is a consideration for executives of The News. But Mr. Goodstein said he was not worried. Express, he said, posed little threat to The News. "If we compare them, the morning paper is the novel, the evening paper is the Cliffs Notes," Edward Kooner, editor in chief of The Daily News, said Express has a staff of 20, about half carved out of The News staff and many of the rest hired, for the moment, on a contingency basis.

"The New York market is going to stay competitive," Mr. Goodstein said. "The way we're positioning our product is as an all-day news product." Much of its breaking business news will come from the San Francisco-based Web site CBSMarketwatch.com.

But can The Daily News's daily circulation (730,542 for the six months ended March 31) withstand the possible hammer effect of The Post's price cut? With a circulation measured at 436,544 for the period ended March 31, The Post loses less from such an action than The News does if it follows suit.

Mr. Murdoch, for his part, is legendary for using blunt instruments like price cuts to good effect in one market after another. In London, a 1993 price cut at The Times of London brought in close to 400,000 new readers, more than half of whom stayed even when the price went back up, its rival, The Daily Telegraph, was forced to cut its own prices in response.

In Britain, cuts in the cover price are a more dire move, since 35 percent to 50 percent of most British newspapers' revenue come from readers. By contrast, most American newspapers gain close to 80 percent of their revenue from advertisers. Still, analysts believe The Post already loses at least \$10 million annually; the new price cut should add millions more to the loss column.

As Mr. Stern sees it, Mr. Murdoch's willingness to sustain that kind of drain makes him a fearsome

competitor. "I've been in many businesses, including publishing. I can tell you categorically: I don't want to be in any business where I have to compete with Rupert Murdoch."

Ken Chandler, publisher of The Post, alluded to the News Corporation's willingness to endure economic pain when he said, "I remind people that we have a history of being patient and taking a long-term view with newspapers." He added, "Basically, we just see this price change as a chance to introduce new readers to the paper and reintroduce old readers who may not have looked at us recently," pointing out that the paper has increased its daily circulation by 50,000 in the last five years.

Keeping that upward momentum is important, particularly when \$200 million worth of new presses are bearing completion. Some observers suggest it may also be important for The Post to impress federal regulators with its willingness to publish at great cost to itself — so they will not overrule the News Corporation's recently announced plans to buy a second television station in New York as an unacceptable concentration of media power.

For his part, Mr. Chandler is willing to do some genteel trash-talking about his rivals at The News. "Our hawkers will go toe to toe with theirs," he said. "And we have got a few things that we're keeping close to our chest that will make life more interesting." He does not rule out the possibility that his morning paper will publish a few evening special editions of its own. Major events at the Summer Olympics in Sydney are scheduled for the early-morning hours, East Coast time — perfect timing for a noon deadline.

Indeed, it is no accident that Express is starting just as the Summer Olympics are about to begin and the pre-Christmas advertising begins to roll in. But then what? Ms. Eaton of Seaman said she was originally asked to commit to 16 weeks of advertising (she committed to 8). Mr. Goodstein said Express's viability — meaning its appeal to advertisers — would be continually monitored; it is clear that it could be abandoned quickly if its usefulness seemed doubtful.

Meanwhile, executives at The Post will be monitoring their own circulation; Mr. Chandler does not rule out further price cuts, ignoring Mr. Goodstein's provocative description of The Post's move as a "desperation" strategy.

"Obviously this is a very, very competitive environment," Mr. Chandler said. "We are wholly focused on The Post and we see The Post as a long-term investment."



NYTimes  
Sept 1, 2000

## ***The Post to Halve Its Newsstand Price***

By JAYSON BLAIR

The New York Post will reduce its daily newsstand price to 25 cents from 50 cents starting Monday, a move taken two weeks after its main competitor, The Daily News, said it would begin distributing a free afternoon edition.

The Post, owned by the News Corporation, is reducing its price to attract more readers, said Ken Chandler, the publisher. The reduction will apply every day except Sunday, Mr. Chandler said in an interview yesterday.

Both The Post and The Daily News have experimented with lower newsstand prices in the past.

The Post reduced its price to 25 cents on Staten Island for two years in the mid-1990's and its daily circulation in that borough doubled to 12,000, company officials said. The paper lost only 1,000 subscribers when the price went back to 50 cents, the officials added.

"This is a very aggressive market and we basically see this on the eve of our 200th anniversary as a chance to introduce new readers to the paper," Mr. Chandler said.

The Post, which faces tough competition for advertising dollars from The New York Times and The Daily News, hopes that the lower price and improvements related to a new color printing plant opening in the Bronx next year will help it capture a larger share of the city's newspaper readers.

Two weeks ago, The Daily News announced its plan for a free afternoon edition that could cut into The Post's circulation during the September audits, often used to determine the next year's ad rates.

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### Talking Points Re: New York Market

The New York DMA is probably the most diverse and competitive in the U.S.

- New York is the most populous DMA in the U.S. (19.2 million population; 6.9 million households) and spans 29 counties in 4 States
- There are 20 full power television stations licensed to the New York DMA
- cable penetration in the New York DMA is 75%, and there are at least 7 different cable operators serving the market
  - Cable and DBS provide New York households with hundreds of program channels
  - There are 23 sources of cable television news available to cable subscribers in the New York market, including 6 local/regional cable news networks
- Internet penetration in New York is at 42%
  - At least 16 different web sites are New York based or New York oriented
- Twenty-five daily newspapers are published in the DMA, and 12 daily newspapers have spill-in coverage. There are well over a hundred weekly newspapers published in the market, as well as magazines and other periodicals

The common ownership of WNYW-TV (Channel 5), WWOR-TV (Channel 9) and *The New York Post* poses no threat to competition or diversity in this vibrant market

- Channel 5 and Channel 9 rank 5<sup>th</sup> and 6<sup>th</sup> in household ratings, respectively, in the New York market (both May and July Sweeps, 9 AM to midnight)
- Once Fox owns both Channel 5 and Channel 9, there will still be 19 separate television owners in the market
- The circulation of *The New York Post* covers only 5.2% of the households in the New York DMA on any given day
- *The New York Post* ranks 5<sup>th</sup> in circulation among the daily newspapers published in the New York DMA, behind *The Times*, *The Daily News*, *Newsday* and *The Newark Star-Ledger*
- *The New York Post* is a "second read" for the majority of its circulation. Sixty-six percent (66%) of the readers of *The Post*'s daily edition, and seventy-two percent (72%) of the readers of its Sunday edition, also rely on another local newspaper (*The Times*, *The News* or *Newsday*) for their news.
- *The New York Post* accounts for only 1.9% of the advertising dollars spent on newspapers in the New York DMA, and obviously an even smaller percentage of the total advertising dollars in the market. In contrast, *The Times* accounts for

over 25% of newspaper ad dollars, *The Daily News* accounts for almost 10%. *Newsday* accounts for over 8% and *The Newark Star-Ledger* 5.7%.

- *The Post* continues to lose money. Nevertheless, News Corporation is spending \$200 million on a new, state-of-the-art plant to be located in the South Bronx. This building project, which should be completed by December 2001, will bring many benefits to that New York City community
- *The Post* and Channel 5 are operated as independent entities, with no sharing of staff or facilities

## BUSINESS IN BRIEF

# Newspaper Publishers Plan Layoffs

## *N.Y. Times, Dow Jones to Cut Costs as Advertising Declines*

By CHRISTOPHER STERN  
Washington Post Staff Writer

Two of the nation's biggest newspaper publishers, the New York Times Co. and Dow Jones & Co., announced yesterday that they will lay off employees to cut costs amid a dramatic downturn in advertising.

Dow Jones, which publishes the Wall Street Journal, said it will lay off 202 employees, or 2.4 percent of its roughly 8,000 workers. The New York Times did not reveal details of its plans but said some editorial employees will be offered buyouts and an unspecified number of jobs at its Internet division will be eliminated. The Times said staff reductions will be made across its many businesses, including its newspaper, broadcasting and Internet divisions.

The New York Times and Dow Jones are the latest in a long list of companies that have announced layoffs in recent months as the economy has slowed sharply. Advertising-supported companies such as the Times and Dow Jones have felt the effects as other firms trim advertising to cut their own costs.

"Ad revenues are falling faster than anyone expected," said Edward J. Atorino, an analyst with Dresdner Kleinwort Wasserstein.

Both companies said their Internet operations will be among the hardest hit by the layoffs. New York Times Digital, the Internet division, laid off 69 people, or 17 percent of its workers, in January. Employees were warned by e-mail yesterday that there will be further layoffs next week. A spokesman for Dow Jones said 35 of the 250 employees at its Internet division, WSJ.com, will be let go.

Dow Jones said the layoffs are

part of a general effort to trim \$60 million in costs. A spokesman for the company said there will be no layoffs among the editorial staffs of the Wall Street Journal or Dow Jones Newswires.

In a letter to New York Times newspaper employees, Times executives said yesterday that the layoffs and the offer of the voluntary buyouts were made necessary by the "serious problems we are confronting, ranging from higher newsprint prices, diminishing advertising revenues and a slowing economy." The letter went on to say the situation shows "no signs of improvement."

Catherine Mathis, New York Times vice president for corporate communications, said yesterday that no decision will be made on whether to lay off editorial employees at the Times until it is determined how many accept the buyout offer. That is expected to take just under three months. The Times said the buyouts will be offered to selected employees. If the economy improves and enough employees accept buyouts, there may be no editorial layoffs at the newspaper, Mathis said.

Advertising-supported companies say their current financial results compare poorly with those from a year ago. During the first quarter of 2000, the overall economy was booming and highflying dot-com companies spent freely on advertising in order to get noticed. But now many of those same dot-coms are either gone or can no longer afford to spend as heavily on promotion.

Dow Jones, which reported its first-quarter earnings yesterday, said advertising linage at the Wall Street Journal fell 31 percent com-

pared with the same quarter last year.

Atorino predicts that the staff reductions at the Times and Dow Jones will be followed by cutbacks at other companies. "I don't care what the economists are saying about a recession, the advertising industry is seeing a depression," Atorino said.

So far, The Washington Post Co. has not seen a need for layoffs.

"We are not planning layoffs, but we are taking other cost-cutting measures, including a reluctance to fill most vacancies," publisher and chief executive Boisfeuillet Jones Jr. said. The Post recently bought out the contracts of 114 printers who had been guaranteed lifetime employment at the newspaper. There are also selective buyout offers on the table in several departments at the paper, Jones said.

**MEDIA**

# March Brings No Sign Of Improving Climate For Print Advertising

By FELICITY BARRINGER and ALEX KUCZYNSKI

Call it the March tornado. The first, unofficial advertising returns for the month are in for newspapers and magazines, and the news is generally becoming worse, not better. Declines, particularly in recruitment advertising, are so sudden, so steep and so pervasive that pessimists suspect this advertising vortex may rival the bad days of the early 1990's.

What has surprised advertising salesmen and advertising buyers is not so much that the boom of a year ago splintered out, but the speed at which the latest downturn is sucking advertising away.

The stomach-churning quality of the drop off, analysts, advertising buyers and media executives say, reminds them of the early 1990's and the worst advertising recession since World War II. But the optimists among them say that in a period of compressed economic cycles, good times may return as fast as they left.

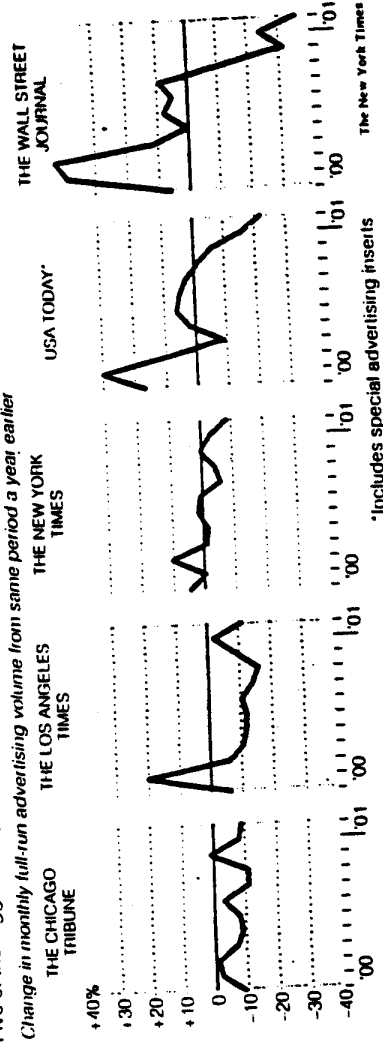
The early months of 2000 were the heights of the good times, and the advertising market was at its peak.



Philip Greenberg for The New York Times

## Newspaper Ad Slump

Five of the biggest daily newspapers have had a decline in advertising. Change in monthly full-run advertising volume from same period a year earlier



## Making cuts in an effort to calm shareholders.

These boom times made print media particularly dependent on the very types of revenue that have vanished most quickly. As spending swelled to epic proportions, so did newspapers' dependency on recruitment and national advertising.

Workers were needed; help-wanted classifieds expanded — even though some of them leached to the Internet. New-economy Internet companies competed to get the public's attention and old-economy brokerage firms competed to invest the public's 401(k) assets.

Now there is less demand for workers, and help-wanted sections in markets like San Jose, Calif., and Boston have shrunk a quarter to a third or more compared with last year. When it comes to national brand advertising, newspapers are often the first medium to be cut.

**Why? Newspaper readers tend to be older and thus less coveted by advertisers.** Newspapers tend to be more expensive than other media per reader or viewer. And most important, it is much easier to pull newspaper ads at the last minute.

Ernie Simon, a group planning director at the advertising agency MindShare, explained: "What you're finding with a lot of clients is that they cut what they can cut quickly. A lot of media have long lead times. So things like spot television advertising and newspapers tend to get cut at the last minute."

With sales falling, he said, companies hoping to make their budgets and give Wall Street the margins they promised decide that "getting money back is their first concern."

The optimists, where they exist, are hard put to find many silver linings, though they do stress that, at least for newspapers, real estate ad-

vertising is showing an upward trend and automotive advertising is holding its own in some markets. Also, they say that 2001 should be compared with 1999 or 1998, not the good times of early 2000. Looking forward, they argue that the forces that accelerated the decline could accelerate a recovery.

Right now, signs of weakness are everywhere. Last week the Tribune Company, publisher of The Chicago Tribune and The Los Angeles Times, reported that in February its overall classified revenue was down 12 percent from February 2000. At The Los Angeles Times, the volume of advertising that reached all readers — called full-run advertising — was down 11 percent in February.

At The New York Times, total volume was down 6.9 percent in February, compared with February 2000 — the steepest monthly percentage decline since the advertising economy turned sour last fall. At The Minneapolis Star-Tribune, the largest of the McClatchy Company's newspapers, advertising revenue was down 8.2 percent in February.

At The Wall Street Journal, a Dow Jones & Company publication, advertising volume, which rose steeply in early 2000, has dropped off almost as fast. In February 2000, ad volume was 49.5 percent greater than it had been in February 1999. Last month, it was off 35.5 percent.

In magazines, optimism is hard to find. Bill Hollier, the publisher of U.S. News & World Report, said, "In the 20 years I have been doing this, I have never seen such a sudden change down."

Magazine industry executives say that advertisers, in need of cash, are not buying packages for the year, as they do in good years, or even for a few months, as they did last year. "They buy month by month, if at all. I call it the caveman mentality," said William P. Kupper Jr., publisher of Business Week, a McGraw-Hill publication. "They stick their head out of the cave and then, whoops, the market goes down again, and they pop their head back in the cave."

Mr. Hollier of U.S. News agreed that advertisers were skittish. "Last week we thought we had lured back in a bunch of advertisers who we thought had bottomed out as far as

"Public companies have made promises to their shareholders," he said. "They have to deliver on those promises. So you're seeing massive cutbacks that we began to see evidence of in the middle of August. There was a kind of denial going on and then the fourth quarter just shocked everybody. And then instead of getting better, it got even worse this year."

Total magazine advertising pages for February were down 9.7 percent from last year, according to the Publishers Information Bureau.

The weekly newsmagazines have taken a particularly hard hit. U.S. News & World Report ran 26 ad pages in its March 19 issue — a drop of 48 percent from the 51 pages it ran on March 20, 2000, according to a tally by the trade publication Mediaweek. So far this year, U.S. News ad pages are down 15 percent. Time magazine is off 18 percent, and Newsweek, a Washington Post Company magazine, 26 percent, according to Mediaweek. The weekly news magazines as a category are carrying 35 percent less advertising than they did last year.

Advertisers in some categories never left. Jyll F. Holzman, the senior vice president for advertising at The New York Times, said that fashion and banking were up more than 20 percent this year. Gannett's chief executive, Douglas H. McCorkindale, told analysts last week that real estate, telecommunications and grocery advertising were bright spots for the company's newspapers.

Jack Fuller, president of Tribune Publishing, the newspaper division of the Tribune Company, is reluctant to compare the current downturn with 1990 and 1991. He said: "When it's going up they forget that it can go down. When it is going down they're afraid it's never going to come back up." But this time around, he said, "things happen faster."

they would go, but now they're coming back and cutting back their advertising completely," he said. Advertising buyers have their own frustrations. A year ago, ad salespeople from some publications would not return their calls. Now, said Jean MindShare, a unit of WPP, it is her clients who do not call. One way to get them back, she said, is to push for lower advertising rates.

"In a bad economy," she said, "it is our responsibility to drive rates down as low as possible." The idea is to have the lowest possible base when the rates start back up.

When rates drop in one medium, like television, advertisers who are still in the game can channel the savings into other media. Thomas Curley, the publisher of the Gannett Company's USA Today, said he was seeing this. "TV prices are collapsing," he said, which means "there are some pockets of opportunity for us as TV money shifts." He credited this process for bringing his newspaper four large advertising buys the last month.

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**New York Post**  
**Harlem River Yards Printing Plant**  
**Bronx, New York**

*The New York Post* is currently published from a printing facility located in lower Manhattan. The plant's obsolete equipment prevents *The Post* from printing advertising and editorial pages in color and restricts the number of pages in each issue, hampering the newspaper's ability to compete. For several years *The Post* explored other locations in New York and New Jersey that would allow it to upgrade its printing facility. Despite the lower cost of locations outside the city and State of New York, *The Post* worked with local agencies (the Empire State Development Corporation, the Industrial Development Agency and numerous other State and city agencies) to create a plan that would allow the newspaper to stay in New York City.

*The Post* is in the process of constructing a \$200 million, state-of-the-art printing facility in the South Bronx – a blighted neighborhood of the City – on a site that has been unused since the 1970's. Construction is due to be completed by the end of 2001. All 807 jobs from *The Post*'s Manhattan plant will be transferred to the new facility. In addition, by January 2002, *The Post* is committed to increase its workforce at the plant by 100 new jobs. *The Post* will spend up to \$1 million annually for ongoing employee training in years two through four of the operation at the new plant.

The construction and operation of the new plant will promote the economic and social health of New York City by retaining/creating jobs and increasing business activity in the City, and, in particular, in a neighborhood in need of renewal. The plan included grants and other costs incurred by state and local government agencies amounting to over \$14 million. The long term fiscal benefits of the project to the New York state and local governments are estimated to exceed \$47 million.

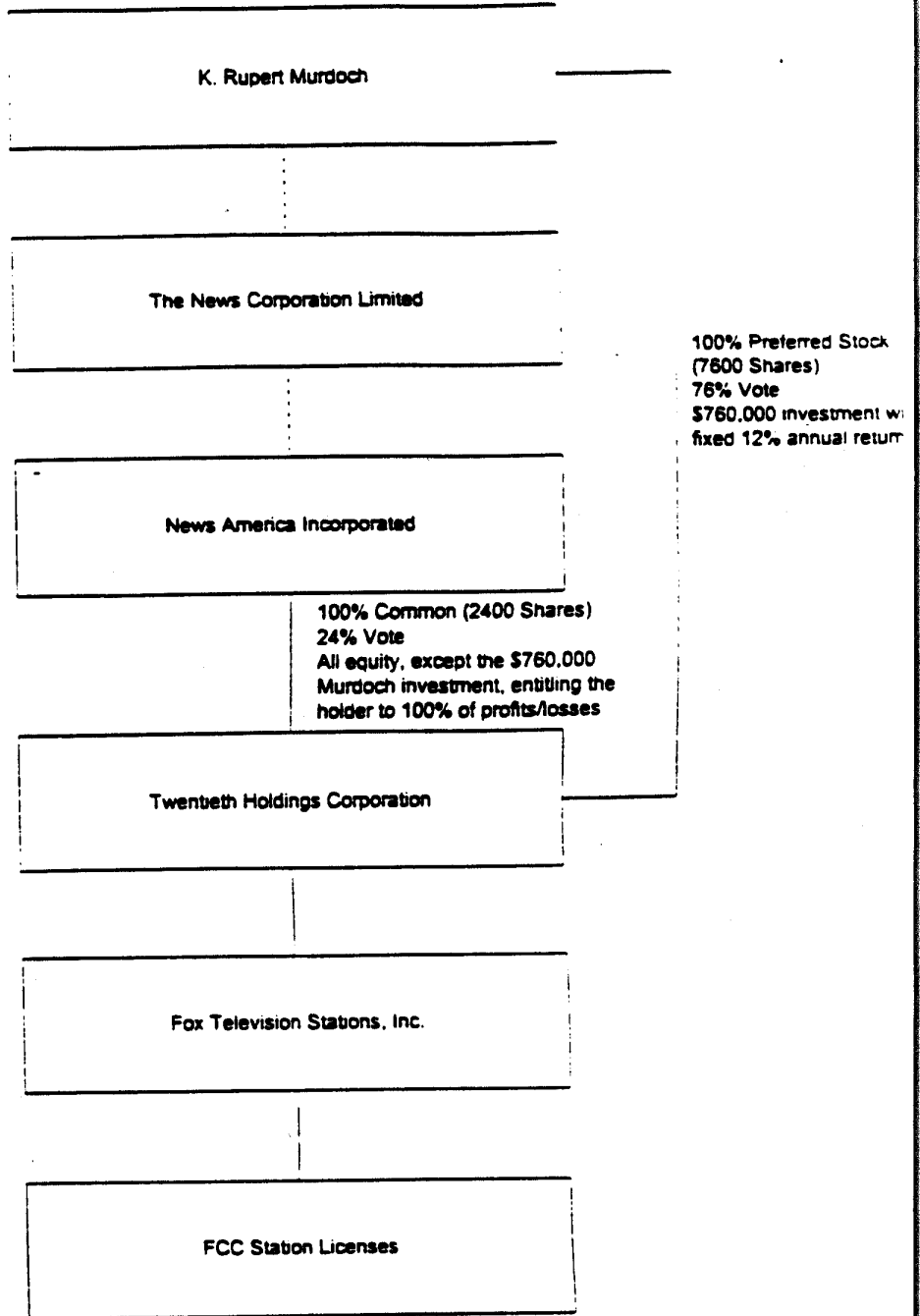
*The Post* has agreed to use its best efforts to achieve minority and female-owned business enterprise participation of not less than 25% of the total dollar value of the work performed for or purchase orders relating to the construction of the plant. In addition, *The Post* will use best efforts to achieve 30% minority and female workforce participation during construction.

**COMPARISON OF TRIBUNE INTERIM WAIVER  
AND  
FOX REQUEST FOR INTERIM RELIEF**

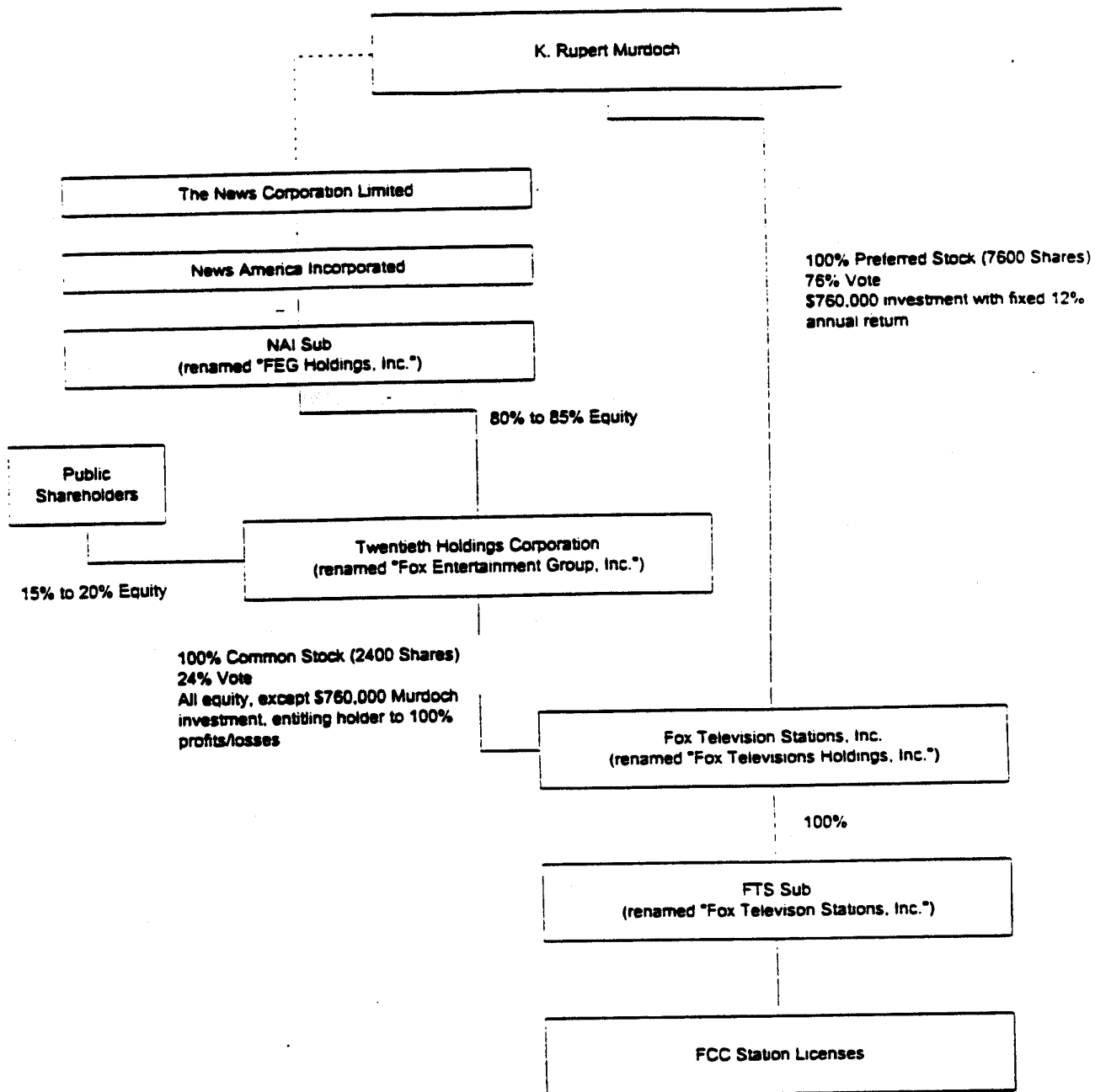
	<b>Tribune</b>	<b>FOX</b>
<b>Relief Requested</b>	Tribune Broadcasting sought waiver pending outcome of first biennial review	Fox seeks interim relief pending outcome of a publicly-promised rulemaking (reportedly set to begin next month) that will reexamine newspaper-broadcast cross-ownership rule.
<b>Grounds for Relief</b>	<ul style="list-style-type: none"> <li>• Tribune request was based on Congressionally mandated biennial review of broadcast ownership rules. At time of request no rulemaking had been promised.</li> <li>• Tribune appealed FCC denial of an interim waiver. D.C. Circuit found disparate treatment between Tribune (12 mo. Waiver) and Disney (waiver until 6 mos. after completion of rulemaking) was "inexplicable."</li> <li>• Citing apparent confusion over FCC's position on interim waivers, MMB granted Tribune relief pending completion of first biennial review, which had not even been initiated. Staff cautioned that mere initiation of biennial review ordinarily insufficient basis for interim relief.</li> </ul>	<ul style="list-style-type: none"> <li>• Fox request is based on FCC commitment, in <i>1998 Biennial Review</i>, to initiate a rulemaking specifically looking toward relaxation of the newspaper-broadcast cross-ownership rules, particularly in large, diverse markets.</li> <li>• In <i>1998 Biennial Review NOI</i>, FCC indicated that interim waivers would not be routinely granted, but that interim relief would be appropriate where application falls within scope of rulemaking proposals and "grant of an interim waiver would be consistent with the Commission's goals of competition and diversity."</li> </ul>



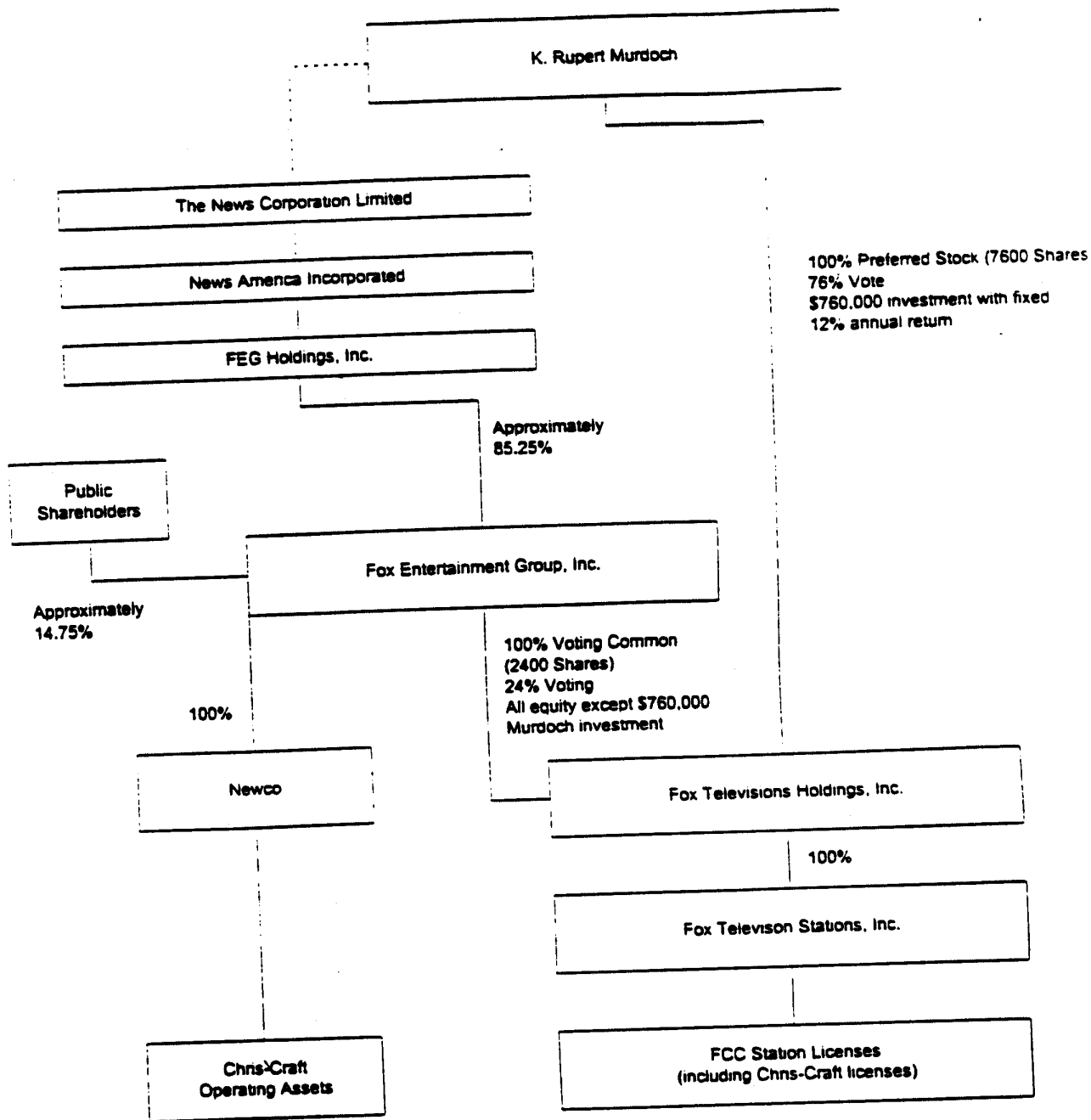
# Structure Approved in 1995



# Structure Approved in 1998 Following *Pro Forma* Reorganization



# Proposed Structure for Chris-Craft Acquisition



C. *The Scope of Our Determination*

33. We have determined that the unique equities of this case support a determination to approve FTS's ownership structure. Having done so, we must also determine the scope of this finding and its applicability to pending and future FTS activities.

34. FTS was formed in 1985 as a vehicle to own and operate six television stations.<sup>15</sup> At that time, the Commission authorized FTS to undertake that enterprise, and today we have decided that it would not be in the public interest to prevent FTS from continuing those activities in its present corporate form. For the same reasons, we believe that it would disserve the public interest to confine our decision to stations FTS already owns, for doing so would unnecessarily hinder the company's ability to expand and frustrate its reasonable expectations of doing so. Having found that it would disserve the public interest to order a restructuring of the company, consistency demands that we not effectively require such a restructuring before the company may enlarge its broadcast interests. Thus, FTS as presently structured may, consistent with the public interest, acquire additional broadcast stations (up to the allowable maximum set forth in our ownership rules, *see* 47 C.F.R. §73.3555).

35. The equities we have discussed above must also be considered where FTS seeks to make investments in other broadcast properties. FTS has argued that our determination "should be equally applicable to investments by FTS or its corporate affiliates in third-party station ventures." FTS Pub. Int. Filing at 44 n.20. The outcome in such cases will depend, however, on the precise nature of the proposed investment. Two situations may arise: first, FTS may seek to make an investment in a holding company that controls another company that in turn holds broadcast licenses. Those circumstances trigger the application of Section 310(b)(4), which applies to a licensee "directly or indirectly controlled by any other corporation." In that situation, we find that wholly disregarding the substantial alien investment in THC and FTS is not necessary to accommodate FTS's reasonable expectations. FTS has always intended to have 24 percent alien ownership as it understood the statute, and we will accordingly

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to buy programming" from a proposed fifth network.

<sup>15</sup> According to the prospectus used in the 1986 refinancing of FTS's debt, "Fox Television was incorporated in May 1985 . . . to purchase the stations from [Metromedia]. . . . Following the closing, Fox Television's business will consist of the ownership and operation of the Stations and Fox Television will become the obligor on the Debt Securities which are not surrendered for exchange in the Exchange Offer." *See* Prospectus for Fox Television Stations, Inc. Increasing Rate Exchangeable Guaranteed Preferred Stock at 138 (Feb. 27, 1986).