



David Bronner, the Alabama pension chief who financed the Ellis purchase

Station Deals

Who's the Boss

After Bert's Buyout?

Bert Ellis, who earlier this month sold his 12-station group Ellis Communication for \$732 million, may not be staying on to run the company after all. This could be news to Ellis.

Broadcast executives who followed Ellis' unusual buyout (*Mediaweek*, May 20) know it was financed by the Retirement Systems of Alabama, a state public employees' pension fund. We were not able to speak with David Bronner, director of the fund, before first article had gone to press. A recent conversation with Bronner proved the story worth revisiting.

Press accounts of the transaction (including *Mediaweek's*) said that the current management, including Bert Ellis, would stay on to run the company. That understanding was confirmed by RSA investment director Tom Milne. But Bronner said the decision to keep the current management had not yet been made. In fact, Bronner had not met face-to-face with Ellis until after the deal was settled, and then only to get an update on the company's operations. Yet last week, Ellis insisted unequivocally that he would stay on to run the company.

The RSA will not be the owner of record when the deal is complete. It loaned \$732 million to a buyout

group, Raycom Communications, which will take control of the company. (The RSA will have warrants for 80 percent of the equity.) The transaction is a lot like a leveraged buyout, except that the RSA's partners, who now include two Alabama broadcasters and a West Coast investment banker, have put up no money at all.

The buyout team was headed by Stephen Burr, a Boston merger and acquisitions attorney who had advised the RSA and who some observers expected would manage the transition. Bronner explained that using an investment group was a plan to avoid getting too deeply

involved too early. "It's a half-assed and backwards way of doing it," said Bronner. "When I bid for Multimedia, I put together a management team and then I didn't win. So I was afraid that if I did the same thing, [possible partners] would say, 'We're going with another of your crazy ideas.' So instead of doing it myself, I decided that I'll work through an [mergers and acquisition] attorney."

Now that the deal is set, Bronner has come up with new partners: Smith Barney investment-banker Bob Greenman, and two executives of a Montgomery, Ala., TV station (CBS affiliate WAKA), Ken Hawkins and Bill Zortman. That catapults Hawkins and Zortman into the big leagues (Montgomery is the 113th largest TV market) very quickly.

Finally, it's worth noting one financial peculiarity of the transaction. The RSA fund is guaranteed an annual 10 percent interest on its investment under the terms of the transaction. That comes out to \$73 million. But the Ellis group's cash flow for 1996 is projected in company reports to be \$69 million. Suggestions?

RSA supports purchase

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By Jed Graham

Birmingham Post-Herald

David Bronner likes television.

He likes it as a vehicle for promoting Alabama's tourism industry, and he likes it as a secure investment for the state's pension fund.

He likes it so much that over the past three months the Retirement Systems of Alabama has agreed to put up \$1.3 billion to back the purchase of 27 television stations by Raycom Media Inc.

The consolidation of the broadcast industry, set off by legislation that increased the number of stations a company could own, "gives us an opportunity to put our money to work in the debt market," said Bronner, chief executive officer of the Retirement Systems.

Seizing that opportunity, the Retirement Systems has agreed to loan more than 8 percent of its approximately \$16 billion in assets to a company started by a Boston mergers & acquisitions lawyer and two Selma television executives.

"We have a plan to build a supergroup of small- to medium-market television stations focused in the Southeast," said Ken Hawkins, president of Raycom, who resigned on Friday as general manager of WAKA-TV in Selma. One of his partners, William Zortman, remains news director at the station.

"We have focused on (acquiring) well-run companies we can improve on," in part by strengthening local news coverage and community involvement, Hawkins said.

The Retirement Systems' investment with Raycom Media is good for Alabama in several ways, he said.

In addition to providing interest of up to 10 percent, Raycom Media's stations also will provide millions of dollars worth of free advertising for Alabama.

"We hope to send the Alabama message throughout our markets," Hawkins said.

Finally, he said, Alabama will be the likely headquarters of Raycom Media.

In May, the Retirement Systems backed Raycom Media's \$732 million acquisition of Ellis Communications and its 12 television and two radio stations. In June, it agreed to finance the \$160 million purchase of Federal Enterprises, which owns eight television stations,

mostly in the Midwest. Last week, with \$455 million from the Retirement Systems, Raycom Media announced a \$485 million deal to acquire seven stations owned by AFLAC Inc., including WAFF in Huntsville.

Before the Telecommunications Act of 1996, broadcast companies were permitted to own a maximum of 12 stations and reach no more than 25 percent of U.S. households. The new law allows for an unlimited number of stations to reach up to 35 percent of households.

Bronner said the risk is minimal and is distributed among Raycom Media's 27 television stations and other holdings.

Television stations have built-in cash flow and exclusive programming, "so you can't run them into the ground," he said.