nounced, and speculation immediately ran as to why Kluge, who has spent nearly his entire career building Metromedia into one of the country's top independent broadcasting groups, should decide to get out.

Many sources were looking at Kluge's 1984 $1.45-billion leveraged buyout of Metromedia (and the debt accrued) as the cause of the deal. When it was first announced, Kluge financed the LBO with a $1.3-billion loan from a group of banks led by Manufacturers Hanover Trust Co. Five months later, in October, Metromedia restructured its LBO financing by making a public debt offering through a newly formed subsidiary, Metromedia Broadcasting Corp. Almost all the money raised from the four debt issues was used to pay off Metromedia's bank loans.

What the refinancing essentially accomplished, analysts noted, was to lift debt servicing from the parent company and place it on the broadcasting operations. Some analysts speculated that the stations are not throwing off as much cash as originally estimated to service the debt. In the prospectus for the debt offering, Metromedia acknowledged the refinancing could be subject to ammendments: "Based on current levels of operations, the company's cash flow would be insufficient to make interest payments on the debt securities, and it would have to use other funds, to the extent available, to make such interest payments."

According to sources and analysts, Kluge now wants to focus his attention on other interests. Said one source familiar with the developments: "He is so debt laden. He's paralyzed, and he can't expand in television. He watches all the deals, and he's finding he needs more money for paging and long distance telephone. Something had to give. I think he had to trade TV for reinvesting in cellular, paging and long distance telephone."

Top Metromedia executives, including the television station general managers, were scheduled to meet Saturday morning (May 4) in New York. Sources said that after that meeting WCVB-TV management was to have met with Hearst Broadcasting executives.

Several outside observers speculated that the deal was the beginning of the long-talked-about "fourth network." They pointed out that 20th Century Fox, a major Hollywood studio, would immediately have an outlet for its programing.

But others involved in the deal tended to play down the fourth network theory, saying there wasn't enough advertising to support it. In response to reports that Kluge would keep the New York station while Chicago would be sold to another buyer, a source commented that "those stations are pivotal; without them we're just another station group."

Another rumor last week had Robert M. Bennett, president of Metromedia Television, negotiating with Kluge to acquire Metromedia Producers Corp., the program production and distribution arm of MPC. Bennett could not be reached for comment.□

CBS's big radio deal ups ante for Turner

Buys five stations from Taft for about $100 million; Turner said to be looking for partner; Paley's public displeasure about takeover attempt; CBS takes closed circuit case to affiliates

CBS last week stepped up its resistance to Ted Turner's takeover attempt as Turner was reportedly hunting for a partner to bring some cash to the deal. TBS was reported to have talked to Gannett about possibly joining forces. However, an executive who played a major role in putting the deal together for Turner and who insisted he would have known about such talks said he was unaware of any.

Speculation also focused on possible alliances CBS might develop for merger or acquisition that would foil TBS's bid to acquire two-thirds of all outstanding shares. General Electric Corp. is the most often mentioned potential partner, although CBS has told the Securities and Exchange Commission it plans no merger or major acquisition as a defensive ploy in the current takeover battle. Last week CBS bought a substantial package of radio stations, however—the five radio stations that Taft Broadcasting was required to spin off to acquire the Gulf Broadcast Group. CBS paid about $100 million cash for the five-station package (see box, right, and "In Brief," this issue). CBS officials said the transaction was conducted in "the normal course of business" and did not figure in the strategy against TBS.

Last week William Paley, founding chairman of CBS Inc., broke his silence on the takeover attempt with a prepared statement. "CBS is strong. CBS is healthy," he said. "But the strength and health are the products of more than a half a century of careful, concerned nurturing by a great many dedicated people. To throw this away would be a tragedy. To risk its loss would be to trifle recklessly with the company's future and with the public interest."

Paley implied that Turner's plan to sell off a number of the company's assets was ill advised. "Radio and television broadcasting, publishing, the records business, all mutually reinforce one another and together give the company the strength that it needs for the period of rapid technological change that we now face and will continue to face." Paley also touched on what the company means to him personally: "CBS is more than a business. It is a public trust. And for more than a half a century, CBS has been my life. What this company means to me cannot be measured in monetary terms."

He added: "I want, above all, to insure that CBS remains in good hands, now and forever more. This means in reliable, competent, responsible hands. It means in the hands of people who understand the unique public responsibility that is inherent in the management of this company, and have the skill and the talent and the courage and, when necessary, the self-discipline and forbearance, to meet that responsibility wisely and well."

Also last week, the CBS/Broadcast Group, in response to numerous inquiries from affiliates, produced and fed a half-hour program apprising affiliates of the regulatory steps the company was taking to fend off TBS (SEC and FCC filings). The program also featured Morgan Stanley executive Joseph Fogg (financial adviser on the TBS matter to CBS), who said that the takeover proposal would leave TBS/CBS with such a huge pile of debt that the company could not operate effectively and might even go bankrupt a few years down the road. Gene Jankowski, president of the Broadcast Group, said it would be difficult, if not impossible, to compete effectively in the marketplace with such a huge debt. "We are about to go into the final schedule meetings for next season," he said. "I can only ask you to imagine what that schedule would look like if we were forced to spend three times as much money servicing our debt as we do on program development." The affiliates were urged to consider filing petitions to deny the Turner transfer application at the FCC (the deadline is May 23).

Also featured in the program were Joseph Carriere of KBIM-TV Roswell, N.M., current

CBS's audio concentration

CBS's $100-million purchase of Taft Broadcasting Co.'s five radio stations—WLTT(FM) Bethesda, Md. (Washington), KTXQ(FM) Fort Worth and KLTR(FM) Houston, both Texas, and WSUN(AM) St. Petersburg and WYNF(FM) Tampa, both Florida—will, if approved, set a new record as the largest radio-only station sale in history, eclipsing the previous high of $76 million from Harte-Hanks's divestiture of its radio properties last year. The acquisition will make CBS the largest radio group behind the new Capcities/ABC and, depending the spinoffs in that deal, CBS could become the country's largest radio group owner. CBS/Broadcast Group already owns: WCBS-AM-FM-TV New York, KNX(AM)-KKHR(FM)-KCBS-TV Los Angeles, WBBM-AM-FM-TV Chicago, WCAU-AM-FM-TV Philadelphia, KCBS(AM)-KROR(FM) San Francisco, KMOX-AM-TV-KHTR(FM) St. Louis and WHTT(FM) Boston. The sale will bring its radio ownership to seven AM's and 11 FM's.