Midland group we went around and talked to other bank broadcasting groups. Their loss ratios were very minimal and their nonperforming assets also very minimal. And although I think in the next downturn we will see a higher percentage in both categories I don't think any banks will be hurt if they have television assets. I don't think the prices of stations will come crashing down." As a result, he said, the recent competition among banks to make loans to station purchasers continues, and that in turn has led to "reduction in some lending [interest] rates or slackening of loan covenants."

Ron Ninowski of Gammon & Ninowski Media Investments noted that if any of the recent prices being paid is unwise, there would be a delay in that coming to light because typically only interest is paid during the first few years, with principal repayment added later.

While easier bank financing has made the task of station buyers somewhat easier, the actual amount of money they can obtain from banks, as a multiple of cash flow, has changed very little. According to Echevarria, the sum banks are willing to loan generally does not exceed about six times the station's cash flow, a multiple that has hardly changed in recent years. "It may be creeping up just a little bit over six," he said.

So if a bank will loan $180 million for a station that will have $30 million in cash flow in 1985 (the generally accepted estimate for WCVB-TV), but the price the buyer is willing to pay has increased from $330 million to $450 million, what other source of financing allows the buyer to be more adventurous? The answer lies in a variety of financing "instruments" that are categorized as mezzanine financing—that falling between secured bank loans and the purchaser's own money. Included in that category are junk bonds, other unsecured debt and debt that is convertible into equity. "There are a lot of new lenders, a lot of new investors, and the financing techniques are a lot more sophisticated. For instance, one new technique that came out of the last recession was deferred interest caps [if interest rates rise above a certain level, the difference between the cap and the prevailing rate is itself rolled over into a future loan]," according to Echevarria.

While from a distance it may seem crazy to some that a mature Boston TV station would be bought for a multiple of 15—if that is in fact the case—obviously the people spending that money have been smart enough to earn it. Similarly, no one can think of a recently acquired television station—not a start-up—that has had to go Chapter 11 because it couldn't meet its debt payments. The bottom line may well be that as long as people can sell stations for more than they bought them the broadcasting industry may be in for still more surprises. □

Life among the high rollers

Metromedia's $2-billion deal with Murdoch-Davis; Hearst's $450 million for Boston

International media mogul Rupert Murdoch and Denver oilman Marvin Davis made their expected announcement last week. Yes, they intend to buy Metromedia's seven television stations for $2 billion. And, yes, they will spin off WCVB-TV Boston to Hearst Corp. for $450 million (BROADCASTING, May 6).

No doubt hoping to increase the likelihood of winning federal regulatory approval, Murdoch reportedly has hired the political consulting firm of Black, Manafort, Stone & Atwater, which has strong ties to the Reagan administration, and Akin, Gump, Hauer & Feld, the law firm of former Democratic Party chairman Robert Strauss. The law firm of Cohn & Marks is still representing Murdoch before the FCC.

It was learned that Davis has at least one well-situated friend on Capitol Hill. Representative Timothy Wirth (D-Colo.), chairman of the House Telecommunications Subcommittee, and his wife consider the Davises "good friends," according to a Wirth aide. Davis is said to contribute to Wirth's campaigns.

Murdoch also moved swiftly to quash a rumor that he would seek a waiver at the FCC to retain his daily newspapers and Metromedia television stations in Chicago and New York. Through a spokesman, Murdoch said he will not seek a "permanent" waiver from that crossownership prohibition. (FCC officials would apparently be receptive to "temporary" waiver requests that would permit Murdoch to retain those crossownerships for up to 18 months or so.) But Murdock also announced last week that the Chicago *Sun Times* was up for sale.

In addition, it was reported that Murdoch's becoming a U.S. citizen—a move he would have to make to acquire more than a direct 20% interest in a domestic television station—would cause him to face similar prohibitions against alien ownership in his native Australia, where he also owns television stations and a TV network.

Figuring out precisely who Murdoch and Davis are isn't easy. In some ways, the billionaire co-owners of the 20th Century Fox Film Corp. differ. Davis, 59, is six-foot-four, broad in the beam, a man who built his fortune drilling for oil. Murdoch, 54, is slimly built, and, with his finely chiseled features, could easily be cast in one of his own company's movies as a pensive intellectual. But Murdoch and Davis share a penchant for privacy that is difficult to penetrate.

How Murdoch and Davis originally got together wasn't known by their spokesmen. But both had financial interests in Boston Ventures Limited Partnership, the venture capital firm that helped John Kluge, Metromedia chairman, president and chief executuvie officer, take that company private (BROADCASTING, Dec. 12, 1983).

Davis, together with Marc Rich, took 20th Century Fox Film Corp. private in June 1981 for an estimated $722 million. Davis bought Rich's half of the company after Rich fled the country in the wake of an indictment on racketeering and tax evasion charges (BROADCASTING, Oct. 22, 1984). Davis sold half of the company to Murdoch for a reported $250 million earlier this year (BROADCASTING, March 25).

Much of the media coverage of the deal with Metromedia has focused on Murdoch. But one source cautioned against reading that as an indicator of the roles Murdoch and Davis will play with the television properties. This source said Murdoch and Davis will be 50-50 partners. And Davis "loves the business," the source said.

It also reportedly has not yet been determined whether the new corporate entity Murdoch and Davis have proposed for the television stations will be a subsidiary of 20th Century Fox. But it was being asserted, at least in some quarters, that Barry Diller, the former head of Paramount Pictures whom Davis hired to run Fox last year (BROADCASTING, Sept. 17, 1984), is "likely" to be put in charge of the television stations as well. (Diller's five-year contract provides him with an annual salary of $3 million; it also, among other things, would give Diller 25% of the amount by which the company has appreciated in value over those five years.)

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Those who know Murdoch personally say he doesn't deserve his reputation as a "buccaneer." They say he is soft-spoken, courteous and intelligent.

He is a graduate of Oxford University. And he got his start in the publishing business through News Limited, an Australian firm his father controlled. He took over that firm when he was 23. And by 1964, the company was publishing newspapers in every Australian state. In January 1969, the company acquired *The News of the World* in London. And in late 1973, Murdoch bought both the *San Antonio* (Tex.) *Express* and *News*. Shortly thereafter, he launched the supermarket tabloid, the *Star*. In 1976, he bought the *New York Post;* shortly thereafter, he added the *Village Voice*, *New York* and *New West* magazines to his publications portfolio.

Murdoch has been criticized for the character of some of his publications. And his acquisition of the Chicago *Sun-Times* had one pronounced effect: more than 100 staff-