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April 29, 2019

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Sinclair Broadcasting and The Walt Disney Company have reached a “handshake agreement” for Sinclair to pay \$10 billion for 21st Century Fox’s Regional Sports Networks, having placed what people close to the deal call the top bid for the properties, FOX Business has learned.

The deal, according to people close to the matter, isn’t complete as Sinclair seeks additional equity partners to invest in the networks, known as RSNs, a group of cable networks that provide a variety of sports broadcasting programs throughout the country. Sinclair and Disney also must reach final terms, which means it’s still possible that another late-stage bidder could emerge, these people add.

But Sinclair’s offer, most of it in cash, has emerged as the strongest bid during the six-month drama for the RSNs, which included interest from Liberty Media Corporation, Major League Baseball and hip-hop impresario Ice Cube’s Big3 basketball league, these people say. Bankers working for Disney at Allen & Co. and JPMorgan could declare an official winner in the coming days, they

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said. Spokesmen for Sinclair and Disney had no immediate comment.

As FOX Business was first to report, Sinclair recently emerged as the top bidder for the 21 RSNs, which must be sold by Disney as part of its \$71 billion purchase of Fox's entertainment assets to meet federal regulatory requirements since Disney already owns cable sports network giant ESPN.

Initially bankers had told people they had as many as six interested parties for all the networks—and Disney initially sought as much as \$20 billion for the entire package of RSNs, which included the Yankees Entertainment and Sports Network, known as YES. The RSNs were valued at \$20 billion based on what Disney paid for the Fox assets, which includes all of 21st Century Fox, excluding Fox's owned and operated affiliates, Fox Sports, Fox News and FOX Business. These properties are now part of the new Fox, parent of FOX Business, which was formed after the Disney deal closed on March 20. Bankers had 90 days from that time to sell off the RSNs.

But people with direct knowledge of the auction say most of the interest came from parties looking to snap up the RSNs at a low-ball price. Industry trends show declining cable profitability due to cord cutting and sports leagues maintaining ownership (rather than the networks), of the all-important digital rights for games to be viewed on wireless devices, all of which has driven the initial bids for all the networks to fall short of \$20 billion.

In early March, the Yankees reached an agreement with Sinclair and online retailer Amazon to purchase YES from Disney at a price of \$3.4 billion, which means the combined packaged could net Disney just under \$14 billion, these people add. The Yankees had sold a majority stake of the network, which airs baseball and the games of the Brooklyn Nets, to Fox.

If the Baltimore-based Sinclair does indeed win the bidding contest, it would help reverse the staggering loss to its growth plans that occurred this summer when the Federal Communications Commission (FCC) shocked the media industry by blocking its bid to purchase 42 local stations from Tribune Media. Before the failed Tribune deal, Sinclair controlled more than 200 stations in over 100 local markets. The local media empire was built on snapping up these stations around the country and adding an extra element of right-wing commentary to its programming. One major issue for Sinclair is how sports will fit into its business

model of local news and conservative commentary. Since the RSNs are cable properties, Sinclair doesn't need FCC approval, but it does need the approval of the Justice Department's antitrust division.

Possible equity partners for Sinclair include private equity firms The Blackstone Group and Apollo Global Management, and discussions with various partners are ongoing. Sinclair also received a commitment for a bridge loan from JPMorgan. Other possible equity partners include Major League Baseball and Amazon, but these deals are more tenuous, people with knowledge of the matter say. For example, Amazon has indicated to Sinclair it will likely join its bidding group only after it has been declared the winner, these people add. Press officials for Blackstone, Apollo, Amazon, MLB and JP Morgan had no comment. – **Fox Business**



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