BCAP NewsClips

May 16, 2018

Washington Post
In Johnstown, you can flip the channel all you want – the news is often the same

New York Times
As Disney Sale Looms, Fox TV Chiefs Are Said to Discuss Extending Contracts

USA Today
DirecTV Now adds expanded cloud DVR and third video stream

Politico
Senate Democrats set for net neutrality win in bid for midterm momentum

Los Angeles Times
Advertisers get a glimpse at the 'New Fox,' built for more live viewing and shows with domestic appeal

Pennlive
Pennsylvania's next governor will be from York County

Philadelphia Daily News
Pennsylvania voters face a governor's race with starkly different candidates

Philadelphia Inquirer
Braddock Mayor John Fetterman wins Pa. Democratic primary for lieutenant governor

The American Cable Association, representing smaller multichannel video providers, is proposing a remedy to address what it sees as competitive harms from AT&T's proposed merger with Time Warner. In a filing with U.S. District Court in D.C., ACA and one of its members, RCN Telecom, outlined a plan in which carriage disputes over Time Warner content can be settled in arbitration, with similarities to the conditions imposed on Comcast's combination with NBC Universal in 2011. U.S. District Judge Richard Leon said he will announce his decision on the merger on June 12, following a six-week trial.

The Justice Department sued to block the transaction in November, claiming that AT&T will gain increased leverage to extract price increases from distribution rivals for networks like CNN, TBS and TNT. After the lawsuit was filed, Time Warner's Turner networks offered to go into binding "baseball-style" arbitration with AT&T's rivals in carriage disputes. It prohibits Turner's networks from being pulled off the air during the arbitration process.

Allentown Morning Call
With six women winning primaries, Pennsylvania poised to elect first female to Congress

Pittsburgh Post-Gazette
Saccone is upset - again - in congressional contest, this time by Reschenthaler

bcapsules

Tomorrow's *bcapsules* will include a summary of statewide results from Tuesday's Pennsylvania Primary Election

In the filing, ACA and the other cable operators said that the arbitration offer was "completely insufficient to address the harms." Instead, they want a remedy in which arbitration would cover all programming managed by a combined AT&T-Time Warner, instead of just Turner networks. They also outline a series of other provisions, including allowing smaller distributors to use a bargaining agent in arbitration; requiring greater information sharing before final offers are made; prohibiting retaliation against broadband subscribers of AT&T rivals; and providing a chance to the arbitration remedy after a few years for modification and even extension.

At one point in the trial, Leon asked whether a modified arbitration would be a more palatable merger remedy. In their filing, ACA and RCN say that they are "concerned that the remedies proffered in this case by the parties present an all-or-nothing choice, with no middle ground, and the parties overstate their claims that the Court has limited authority and discretion to impose another solution."

The Justice Department said that if Leon finds that the merger violates antitrust law, he should propose only structural remedies, in which AT&T-Time Warner have to exclude assets from the transition, like the Turner networks, or divest others, like DirecTV. AT&T-Time Warner say that their arbitration offer is not a remedy but a "commitment," and that it should be considered by Leon as he assesses the impact of the merger.

Update: AT&T-Time Warner, in its own filing, oppose the filing. "RCN's participation as amicus is especially unwarranted because, as the motion acknowledges, RCN's Chief Executive Officer James Holanda already testified at trial," the companies said in a brief filed on Tuesday. They said that the brief presents opinions Holanda already expressed, but "to the extent the brief asserts additional views, it is an impermissible effort to expand the factual record, while shielding its newly-stated opinions and criticisms from the clarifying scrutiny of cross-examination." – ***Variety***

Twenty-First Century Fox Inc. Executive Chairman Rupert Murdoch is used to getting his way at the company he built into a media empire. But a challenge to a $52 billion deal he put together six months ago could test his sway with shareholders.

Several Fox investors told Reuters they would be open to terminating the company's agreement, inked in December, to sell most of its media assets to Walt Disney Co. if Comcast Corp. follows through on its plan, revealed by Reuters last week, to launch a rival all-cash bid for as much as $60 billion. Murdoch, Fox's largest shareholder, will be tough to win over, however. His family trust holds a 17 percent stake in the U.S. TV and movie giant and would face a multi-billion dollar capital gains tax bill if he accepted an all-cash offer from Comcast, tax experts told Reuters. "If the deal was done exactly the same way, but for cash rather than stock, the tax liability would be mammoth," said Robert Willens, president of tax and consulting firm Robert Willens LLC. "Gains would be taxed at capital gain rates which, for a New York resident, amounts to about 30 percent."

The exact tax hit for 87-year-old Murdoch cannot be ascertained because details of his trust are not public. A Fox spokesman declined

to comment on behalf of Murdoch on his tax affairs and how they would influence deal considerations. However, sources close to the deal between Disney and Fox said the financial impact on Murdoch would be big enough for him to prefer an all-stock transaction, which would be non-taxable for all Fox shareholders.

That potentially puts Murdoch, who remains the most powerful voice inside the company, at odds with some Fox shareholders who would be open to abandoning the Disney deal if Comcast's cash offer was high enough. "I always prefer cash deals," said Salvatore Muoio, whose New York-based investment firm S. Muoio & Co owns 26,000 shares of Fox, according to Thomson Reuters data. "The value of a cash deal is certain."

Other Fox investors said their decision would be based on the price that Comcast offered. "I would have to look at the tax dynamic and what it would mean for my taxable clients," said Mario Gabelli, chairman and CEO of Gamco Investors, whose firm owns 9.6 million shares of Fox. Fox's large institutional investors, such as index fund managers BlackRock Inc. and Vanguard, do not factor in taxes when choosing between cash and stock deals, because they are not taxed on any income they distribute to shareholders, even though this might affect some of their individual investors. Fox, Comcast, Disney, BlackRock and Vanguard all declined to comment.

Murdoch's family trust controls 39 percent of Fox due to shares it holds with special voting rights. However, under the company's bylaws, those special rights do not apply to a vote on the Disney deal, when the Murdoch trust will only have 17 percent of the vote. That makes it easier for other shareholders to defeat him in the vote, which is expected as early as next month. Comcast made an all-stock offer for Fox's assets late last year, before Disney clinched a deal, and is now considering an all-cash offer after the value of its shares declined by 20 percent in the last six months, sources told Reuters last week. Comcast also believes it has capacity to borrow more money, according to sources familiar with the U.S. cable operator's thinking.

To be sure, Comcast has hurdles to overcome beyond Murdoch's taxes. Its all-stock bid last November for $34.41 per share was rejected by the board due to antitrust concerns, even though it was higher than Disney's $29.54 per share offer. Sources said last week Comcast will make a new offer only if a U.S. judge allows AT&T Inc. to proceed with its planned $85 billion acquisition of Time Warner Inc., which has been challenged by the U.S. Department of Justice on antitrust grounds.

Should Comcast's all-cash bid materialize, some shareholders could argue the Murdoch family should recuse itself from the deal deliberations due to the tax issue, corporate governance experts told Reuters. "If there was a marked difference on the tax effect on Murdoch compared to other Fox shareholders, that could give rise to a conflict that would make it desirable to use an independent special board committee," said John Coffee, a law professor and director of Columbia Law School's Center on Corporate Governance. "Without information on his estate, I can't tell you if this marked difference exists."

Rupert Murdoch and his sons James and Lachlan - who are chief executive and executive chairman of Fox, respectively - participated in

the negotiations and board deliberations that resulted in the deal with Disney, according to a regulatory filing with the U.S. Securities and Exchange Commission. Although they wield outsized influence on Fox's 12-member board because of the voting power of the Murdoch trust, Fox still technically has a majority of independent directors on its board.

The only way Comcast could woo Murdoch is by offering a much higher pre-tax price for the deal compared to Disney, Willens said. "It is not advisable for a man of Murdoch's age to engage in a taxable sale of his property," Willens said. "If he passed away while still owning the property, his heirs would achieve a basis step-up for the property, thus eliminating, forever, any capital gains tax on the appreciation in the assets that accrued during the scions' lifetime." – ***Reuters***