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TOP OF THE WEEK

Gannett's magic touch wins Evening News

$717-million bid looks good enough to take broadcast-newspaper group that has been takeover target for last month; Lear-Perenchio and Jack Kent Cooke are also-rans

After a month of maneuvering begun by Norman Lear's and Jerry Perenchio's bid for a hostile takeover, Gannett Co. emerged last Thursday as the friendly and victorious buyer of The Evening News Association, a Detroit-based media conglomerate with five television stations, two radio stations and nine newspapers. The final bid: $717 million cash, or $1,583 for each of the 453,000 ENA shares outstanding.

L.P. Media Co. (Lear-Perenchio) had filed a $1,000-per-share tender offer on July 29. The Gannett purchase is not a tender and would require approval by ENA shareholders (but not by Gannett shareholders).

Until Wednesday, it was undecided how the month-long drama would be resolved. But that evening the ENA board winnowed the field of merger candidates to Gannett after meetings with at least one other bidder, McLean, Va.-based businessman, Jack Kent Cooke. Details of the final bids were hard to come by but one of those involved said the difference between the Cooke and Gannett bids was less than $45 million. Published reports suggested that the Gannett purchase might have been favored in part because it was all cash whereas Cooke's bid reportedly contained paper (notes) in addition to cash.

Pressure to conclude a sale of the company came on Monday when the Sixth Circuit Court of Appeals in Cincinnati reversed a lower court decision in favor of the Detroit-based company. The appeals court ruling blocked enforcement of certain sections of Michigan's antitakeover law, apparently clearing the way for the L.P. bid to proceed. Later in the week, however, the initial judge in the case, Robert E. De Mascio, said L.P. was still governed by certain sections of the law and had to return all shares tendered by Michigan residents.

The L.P. offer was to have expired by midnight last Friday, and as of that afternoon it was not known how many, if any, ENA shares had been tendered. Trading in the stock had been reported at least $50 higher, at $1,300. A spokesman for the company owned by A. Jerrold Perenchio and Norman Lear said securities laws would allow L.P. Media to extend its offer for an additional 10 days because of the Gannett bid. There was no indication whether L.P. would top the Gannett bid or in any way attempt to continue its efforts.

Gannett's Allen Neuharth and ENA's Peter Clark

Most people however, including Cooke, were talking as if the merger was final. To insure that outcome, ENA gave Gannett "lockup" agreements on its *Detroit News* and WDVM-TV Washington that will let Gannett buy those two major properties even if the merger falls through.

What prompted the takeover struggle was the question of the proper value of ENA shares and at least some of those commenting felt that the price announced last Thursday night was not the most favorable one to shareholders. John L. Booth II, co-president of group owner, Booth America, a major ENA shareholder, said on Thursday night that a higher price could have been obtained: "We congratulate Allen Neuharth [head of Gannett] on a difficult negotiation. However, we believe that Gannett negotiated a better deal than we expected. The prospect of a competing bidder remains open. It should be stressed that the Gannett offer was negotiated privately and we are not aware of any efforts by the ENA board to communicate with L.P. Media during this process."

Booth told BROADCASTING: "I know the ENA board was interested in the survival of *The Detroit News*... I think in that situation the board of directors was not in a very strong position and I am suggesting it was nowhere near the auction situation that many people thought it was."

An investment banker involved in the bidding said that ENA was caught off guard by the L.P. tender offer and was never able "to regain control of the process. With only two people showing up for the final round and everyone knowing who they were, there was not much shrouding here and consequently the bidders could think not about what they had to pay, but what they could get away with."

Other investment bankers involved in the process also suggested that Peter Clark, president of ENA, had discouraged other