

DESCRIPTION OF THE TRANSACTION

On July 25, 2001, applications were granted by the Commission for consent to the assignment of television station licenses from certain subsidiaries of Chris-Craft Industries, Inc. to Fox Television Stations, Inc. ("FTS"). ^{1/} See *UTV of San Francisco, Inc., et al.*, Memorandum Opinion & Order, FCC 01-209 (released July 25, 2001) (the "Fox/Chris Craft Order"). ^{2/} Subject to consummation of the transactions contemplated therein, the instant application seeks Commission consent to an exchange transaction consisting of (1) the assignment by FTS of the licenses of two of the former Chris-Craft stations, KMOL(TV), San Antonio, Texas, and KTVX-TV, Salt Lake City, Utah (together, the "Fox Stations") to Clear Channel Broadcasting Licenses, Inc. ("Clear Channel") and (2) the assignment of the licenses of television stations WFTC(TV), Minneapolis, and KFTC(TV), Bemidji, both Minnesota (together, the "Clear Channel Stations"), from Clear Channel to FTS. The transaction will be effected as a like-kind exchange under Section 1031 of the Internal Revenue Code of 1986, as amended.

Under the proposed transaction, the FCC station licenses and the non-license operating assets of the Clear Channel Stations will be acquired and thereafter held by separate entities. Specifically, Fox Entertainment Group, Inc. will, through its wholly-owned subsidiary, Fox/UTV Holdings, Inc., acquire the operating assets of the Clear Channel Stations. Concurrently therewith, the FCC licenses of the Clear Channel Stations will be transferred to FTS. FTS will have complete control of the station licenses and complete access to the operating assets of the Clear Channel Stations pursuant to an operating agreement substantially in the form of the operating agreement submitted to the Commission in connection with the Fox/Chris-Craft Applications that have been approved by the Commission. The structural separation of the license and non-license assets is necessary in order to preserve the tax-free status that will be achieved in the Fox/Chris-Craft transaction.

In order to effectuate the proposed transactions as a like-kind exchange under Section 1031 of the Code, the applicants propose to assign certain of their rights under the Asset Exchange Agreement to an exchange agent, or "qualified intermediary" (as defined in Treas. Reg. § 1.1031(k)-1(g)(4)). Thus, at closing, the licenses and other assets of each of the Fox Stations and each of the Clear Channel Stations will momentarily "pass through" the qualified intermediary for delivery to their respective assignees.

In connection with the Fox/Chris Craft transaction, Fox committed to divest KTVX-TV, Salt Lake City, Utah, following its acquisition from Chris-Craft, because Fox

^{1/} For convenience, FTS and its corporate affiliates are sometimes referred to herein as "Fox" or the "Fox Entities."

^{2/} The Fox/Chris-Craft Applications are pending.

already owns a television station in Salt Lake City and common ownership of two stations in the Salt Lake City DMA is not permitted under the top-four rating test set forth in the local television ownership rule. See 47 C.F.R. § 73.3555(b)(2). The *Fox/Chris-Craft Order* grants FTS six months to come into compliance with the local television ownership rule. *Id.*, para. 49. In addition, the Fox entities are subject to a "Hold Separate Stipulation and Order," entered by the U.S. District Court for the District of Columbia on April 11, 2001, pursuant to which they are required to divest any interest in KTVX-TV. The instant transaction, which will result in the divestiture of KTVX-TV, therefore will satisfy both Fox's divestiture commitment to the FCC and the requirements set forth in the Hold Separate Stipulation and Order.

The proposed transaction also will promote the objectives of the national audience reach cap, 47 C.F.R. § 35.5555(e), by facilitating Fox's commitment to divest a sufficient number of stations to reduce the national audience reach attributable to the Fox entities to the same level that existed prior to the acquisition of the Chris-Craft stations. Grant of the instant application will help to effectuate that commitment by eliminating the San Antonio, Texas, market from the markets served by stations directly or indirectly owned or controlled by the Fox Entities. 3/

3/ The sale of KTVX-TV will not affect the audience reach analysis because FTS will continue to own KSTU(TV) in the Salt Lake City market. The acquisition by Fox of the Clear Channel Stations in the Minneapolis DMA will not affect the audience reach analysis because FTS already owns a station in Minneapolis. See *Broadcast Television National Ownership Rules*, 15 FCC Rcd 20743 (1999), *aff'd on reconsideration*, 16 FCC Rcd 1963 (2001) (local market counted only once for purposes of calculating national audience reach).