

Court OKs Sale Of 10 Pappas Telecasting Stations To Fortress

BY PEG BRICKLEY

Fortress Credit Corp. Tuesday received bankruptcy court approval to buy 10 TV stations from **Pappas Telecasting Inc.** in a deal valued at \$260 million.

Judge Peter Walsh indicated at a hearing in the U.S. Bankruptcy Court in Wilmington, Del., that he would review and sign the sale order which consigns the stations to Fortress, the leader of a group of investors owed more than \$300 million by the broadcast company once led by Harry Pappas.

Pappas Telecasting, based in Fresno, Calif., filed for bankruptcy in May 2008 after fading revenues left it unable to service its debt. Efforts to unload stations to raise cash were successful for a time, but months of trouble in the credit markets left secured lender Fortress the sole bidder for the stations at a Chapter 11 auction.

A subsidiary of New York-based investment firm Fortress Investment Group LLC, Fortress led a group of investors in the stations, which include outlets in El Paso, Texas, Omaha, Neb., and Sioux City, Iowa.

Pappas Telecasting's bankruptcy is just the first of a coming wave of new media bankruptcies, said E. Roger Williams, who was appointed by the court in August 2008 to run the Pappas Telecasting bankruptcy.

"Pappas Telecasting was ahead of the curve in looking for a way to manage tough industry conditions," Williams, a 30-year industry veteran, said in an interview. "The credit freeze, the Lehman bankruptcy, everything in the general economy is driving down TV station values and affecting marketability."

Unable to find an outside buyer, the Pappas Telecasting operation found a relatively safe haven in the bankruptcy sale to senior lenders, he said.

Fortress will take the Pappas Telecasting stations over once it lines up Federal Communications Commission licenses and operate them until the deal climate eases, said Daniel Sullivan of Titan Broadcast Management.

Fortress hired Atlanta-based Titan to run the stations.

"The total lack of credit pretty much took out all the potential financial buyers of the stations," Sullivan said.

Broadcast operations that might have been happy to absorb the Pappas Telecasting properties were likewise short of cash to buy them, Sullivan said.

Harry Pappas, once head of one of the country's largest privately-owned strings of broadcast outlets, retains a number of TV stations that were not caught up in the Chapter 11 proceeding of Pappas Telecasting. He was forced to relinquish the 10 stations to satisfy the debt to Fortress.

"We have worked with him amicably," said Jeffrey Testa, an attorney for Williams.

Talks continue in the bankruptcy case about how best to take care of unsecured creditors left unpaid by the deal, said Testa, who is with law firm McCarter & English.

The Fortress investors credit-bid for the Pappas Telecasting stations, meaning they offered to extinguish debt instead of paying with new cash.

Testa said the new Fortress-run operation will take on contracts and other vendor relationships from Pappas Telecasting. The lender-turned-owner is motivated to maintain good relationships with suppliers necessary to the broadcast operation's continuing business, he said. DBR