Department of Justice

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JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN PRIVATE EQUITY FUNDS' ACQUISITION OF CLEAR CHANNEL

Divestitures Will Preserve Competition in Four Radio Markets – Cincinnati, Houston, Las Vegas, San Francisco

WASHINGTON — The Department of Justice said today that it will require Clear Channel, the largest operator of radio stations in the United States, to divest radio stations in four cities in order for a group of private equity investors led by Bain Capital (Bain) and Thomas H. Lee Partners (THL) to proceed with their acquisition of a controlling interest in Clear Channel. The Department said that the transaction, as originally proposed, likely would have resulted in higher prices to purchasers of radio advertising in Cincinnati, Houston, Las Vegas and San Francisco because Bain and THL already have substantial ownership interests in two firms that compete with Clear Channel in those cities. Bain and THL have ownership interests in Cumulus Media Partners LLC (Cumulus), a large nationwide operator of radio stations, and THL also has an ownership interest in Univision Communications Inc. (Univision), a large nationwide operator of radio stations that broadcast primarily in Spanish.

The Department's Antitrust Division filed a civil lawsuit today in U.S. District Court in Washington, D.C., to block the proposed acquisition. At the same time, the Division filed a proposed settlement that, if approved by the court, would resolve the lawsuit and the Department's competitive concerns.

The divestitures are required to assure continued competition in markets where the transaction would otherwise result in a significant loss of competition. According to the complaint, radio stations owned by Clear Channel and Cumulus compete head-to-head in Cincinnati and Houston. In addition, Clear Channel and Univision own competing Spanish-language radio stations in Houston, Las Vegas and San Francisco. THL and Bain's acquisition of a controlling interest in Clear Channel—combined with their existing ownership interests in Cumulus and THL's ownership interest in Univision—gives them the incentive and the ability to reduce competition between Clear Channel and Cumulus and/or Univision, which would result in increased prices and reduced levels of service in the sale of radio advertising time. Under the terms of the proposed settlement, Clear Channel must divest stations in Cincinnati, Houston, Las Vegas and San Francisco to buyers approved by the Department's Antitrust Division.

"Without the divestitures obtained by the Department, advertisers that rely on radio advertising in the affected cities likely would have faced higher prices," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "The divestitures will ensure that advertisers will continue to receive the benefits of competition."

Bain and THL raise pools of capital from private investors, controlling and managing that capital through private equity funds and co-investment vehicles that invest in discrete opportunities, such as venture capital, public equity, and leveraged debt assets. Bain and THL, either directly or indirectly through management teams, typically manage and operate the assets in which they invest. According to the terms of their agreement with Clear Channel, Bain and THL will have the right collectively to appoint two-thirds of the Clear Channel Board of Directors. Currently the companies appoint one-half of the Cumulus Board; THL currently appoints three of Univision's 17 Directors.

Bain, with more than $40 billion in assets under its management, is a Delaware limited liability company headquartered in Boston. THL, a Delaware limited partnership headquartered in Boston, currently manages approximately $12 billion of committed capital.

Clear Channel is a diversified media company incorporated in Texas and headquartered in San Antonio. Clear Channel owns various media outlets including radio stations, domestic and international outdoor advertising assets, television stations, and a media representation firm. Radio broadcasting is Clear Channel's largest business segment, representing more than 50 percent of Clear Channel's total revenue. Bain and THL's acquisition of Clear Channel's non-radio businesses does not create competitive concerns.

As required by the Tunney Act, the proposed settlement, along with the Department's competitive impact statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed settlement during a 60-day comment period to John R. Read, Chief, Litigation III Section, Antitrust Division, U.S. Department of Justice, 325 7th Street, N.W., Suite 300, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the court may enter the final judgment upon a finding that it serves the public interest.

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