THE HISTORY OF TAX CERTIFICATES AND THEIR IMPACT ON BROADCAST MINORITY OWNERSHIP

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ABSTRACT

This research attempted to develop a history of tax certificates issued by the Federal Communications Commission when a broadcast property is sold to a minority. The major areas studied were 1) the history of tax certificates, eligibility requirements, and rules, and 2) whether tax certificates have impacted minority ownership of broadcast properties.

Federal Communications Commission publications and public records provided information regarding the history, requirements, rules, and policies for tax certificates. A review of additional literature also provided information regarding the history of tax certificates.

In determining whether tax certificates have affected minority ownership of broadcast properties, results were inconclusive. Information from the Federal Communications Commission concluded that the number of tax certificates issued has increased annually since the policy was adopted in 1978. However, a review of literature indicated that opinions of those in the industry vary about the Federal Communication Commission's tax certificate program.

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CHAPTER I

INTRODUCTION

In 1968, the Kerner Commission Report (Ritchie, 1968) found that one of the causes of civil disorder in the United States was television's portrayal of society as totally white in appearance and attitude.

As a result, the Federal Communications Commission sought to create new opportunities for minority ownership in broadcasting. One year later, the Commission adopted rules which disallowed employment discrimination on the basis of race. Then in 1977, several organizations, including the National Association of Broadcasters (NAB), the National Black Media Coalition, the National Telecommunications and Information Administration of the U.S. Department of Commerce, and the Congressional Black Caucus, met under the backing of the Federal Communications Commission on the issue of minority ownership. The NAB filed a petition urging the Federal Communications Commission to extend its tax certificate policy to promote minority ownership, and the Federal Communications Commission adopted such a policy in 1978. The Commission assumed that minority ownership would promote diversity of programming (Federal Communications Commission, 1978).

In support of minority ownership, the Federal Communications Commission issues tax certificates pursuant to Section 1071 of the Internal Revenue Code (IRS) in connection with sales of broadcast or cable television properties. Section 1071, entitled Gain from Sale or Exchange to Effectuate Policies of FCC (Appendix A), was enacted by Congress in 1943 as a result of the adoption in that same year of Federal Communications Commission regulations prohibiting the common control of certain stations. The Federal Communications Commission adopted multiple ownership rules that forced some broadcasters to sell stations. Section 1071 was enacted to carry out those Federal Communications Commission policies (Blake & McKenna, 1980).

The Commission issues two types of tax certificates to promote minority ownership. The first type is issued when a broadcast or cable property is sold to a minority-owned or minority-controlled company. The Commission may grant a tax certificate to the seller which permits the seller to defer payment of tax on the sale of the property (Krasnow, Kennard, & Crawford, 1988).

The second type of tax certificate is for minority entrepreneurs who bring investors to a broadcast or cable venture. The Federal Communications Commission will issue certificates to investors who provide start-up capital to minority companies. Those investors who purchase ownership interests in a minority company within the first year of its operation are eligible for a tax certificate upon the sale of their interests in the company (Krasnow et al., 1988).

The author will discuss the history of the Federal Communications Commission's minority policies and how they influenced the development of the tax certificate program. Several aspects of the tax certificate program including the Commission's definition of minorities, eligibility requirements, the application process, and the rules governing tax certificates will be examined. FCC publications and public notices have been used to gather this information. Additional review of literature was also used to study the history. A review of literature was used to determine whether the tax certificate program has impacted minority ownership of broadcast and cable properties.

<u>Definition of Terms</u>

The following list of terms is presented to help the reader understand the information regarding tax certificates.

Amplitude Modulation (AM) - a radio broadcasting using modulation of the amplitude of a carrier wave in accordance with the strength of the audio or other signal.

Capital Gains Tax - tax on gains earned on an investment by a shareholder that consists of profits from the sale of an asset.

Distress Sales - relief to sellers of broadcast station properties who are in jeopardy of having their license revoked because they have violated FCC regulations. The relief is available if they transfer their licenses to minorities.

Frequency Modulation (FM) - a radio broadcasting using modulation of the frequency of the carrier wave in accordance with speech or signal.

General Utilities Doctrine - a Supreme Court decision that had been interpreted to hold that no gain is realized upon corporate distributions of appreciated property to its shareholders.

Kilohertz (khz) - a unit of frequency equal to 1000 cycles per second.

Minority Preferences - credits to minority applicants in broadcast licensing proceedings that provides an advantage over other applicants.

Qualified Replacement Property - assets similar or related in service or use.

Section 1071 Internal Revenue Code - titled "Gain from Sale or Exchange to Effectuate Policies of FCC." (Appendix A). Enacted in 1943 to help broadcasters who had to sell stations under the new multiple ownership rules.

Tax Certificates - allows licensees who sell their broadcast properties to minorities to defer taxes on the gain.

Tax Deferment - permits a taxpayer to postpone payment of taxes due for a fixed period of time by meeting stipulated conditions.

CHAPTER II

BROADCAST REGULATION HISTORY

Early Broadcast Regulation

The growth of broadcasting in the early 1920s found Congress and the executive branch unprepared to regulate the industry. In 1921, Secretary of Commerce Herbert Hoover designated 833 kilohertz (kHz) as the frequency for broadcasting. This allowed only one station in a reception area. If more than one station wanted to operate, the stations in that area were forced into a time-sharing arrangement. In 1922, Hoover added 750 kilohertz (kHz) as a second broadcast frequency. During these years, Hoover also convened broadcaster conferences to discuss ways of controlling the use of radio frequencies. Although Hoover tried to intervene to solve the problems, the federal courts ruled that the Secretary of Commerce did not have authority to regulate broadcasting (Krasnow, Longley, & Terry, 1982).

In November 1925, 578 radio stations were on the air and applications had been filed for 175 more. In urban areas, every channel was filled and the public was complaining about signal disturbance. Most stations were experiencing substantial interference from other stations and operating under complex time-sharing plans. Congress studied the problem and in 1927 established a Federal Radio Commission (FRC) under the Radio Act of 1927 (Krasnow et al., 1982).

The Radio Act of 1927 contained an important feature that received little attention at the time. Congress wrote the Act with the requirement that "the licensing authority should determine that the public interest, convenience or necessity would be served by the granting of a station's license" (Krasnow et al., 1982, p. 14).

In 1933, President Franklin Roosevelt authorized a committee, headed by Daniel C. Roper, Secretary of Commerce, to study the organization of radio regulation. In January 1934, the committee recommended that the regulatory activities of the FRC be brought under a new board that would control two-way communications and broadcasting (Krasnow et al., 1982).

As a result, Congress enacted the Communications Act of 1934, which established the Federal Communications Commission (FCC). Title III of the Act dealt with radio broadcasting and was almost identical to the Radio Act of 1927. The "public interest" language (Krasnow et al., 1982, p. 15) was retained and the Act gave the FCC authority over all communications, including interstate telephone and telegraph. Congress emphasized that the Commission perform long range planning of broad social goals, study new uses for radio, provide for experimental use of frequencies, and generally encourage more effective use of radio in the public interest (Krasnow et al., 1982).

Five primary participants developed in the early history of broadcast regulation: the broadcast industry, the courts, the public, Congress, and the executive branch. Even in the early years, the broadcast industry played an important role in the regulatory process due to the fact that Secretary of Commerce Herbert Hoover was using industry groups to participate in solutions to the problems (Krasnow et al., 1982).

Public Interest Criterion

The acts that created the Federal Radio Commission and the Federal Communications Commission stipulated that "the licensing authority should determine that the public interest, convenience or necessity would be served by the granting of a station's license" (Krasnow et al. 1982, p. 14). Krasnow et al. (1982) said this congressional mandate was the key to understanding conflicts over broadcast regulation. They argued Congress intended the language as a means for the agency to create rules, regulations, and standards to meet new conditions. Besides providing adaptability to changing conditions, Krasnow et al. (1982) suggested the concept of the public interest was important to the regulation of broadcasting in another sense. A generalized public belief even in an undefined public interest increased the probability that policies of the FCC would be accepted as authoritative. According to Krasnow et al. (1982), the courts have given the FCC wide latitude in determining what constitutes the public interest.

However, Cole and Oettinger (1978) said that in writing the 1934 Act, Congress adopted the "public interest, convenience, and necessity" phrase from public utility regulations (p. 4). Cole and Oettinger said that this "vague standard has been used ever since by FCC commissioners to justify whatever they have chosen to do" (p. 4). According to Cole and Oettinger, the phrase carries more weight than any five words should have to, and its meaning has been modified and refined by years of FCC decisions, judicial interpretations, and legislative actions.

Politics and the Federal Communications Commission

Most literature on the Federal Communications Commission has emphasized its history and development and the problems that result from combining a rule-making and adjudicative function in one body. The political nature of the Commission is generally omitted (Krasnow et al., 1982). The FCC is an entity of Congress with members appointed by the President. Not only is it subject to judicial review, it is confronted with pressure from the industry it regulates, other branches of government, and the public whose interest it was created to protect. Policy making by the FCC is an intensely political process. The FCC operates within a political system involving the regulated industries, the public, the White House, the courts, Congress, and the Commission itself (Krasnow et al., 1982). According to Krasnow et al., there is no such thing as government regulation; only regulation by government officials. The politics of broadcast regulation lies in the complex interactions among these various participants (Krasnow et al., 1982).

The regulatory problems facing the Federal Communications Commission are of two types: 1) normative controversies of what should be, and 2) controversies associated with the growth of technologies that are different from traditional broadcasting (Krasnow et al., 1982).

The disputes concerning legal mandates imposed by the Communications Act often have centered on recurring value conflicts, assumptions about what ought or ought not to be done. One such conflict is the extent to which broadcasting should pursue social as well as economic and technical goals. The emphasis on the social responsibilities of licensees rests on the view that "the air belongs to the public, not to the industry" since Congress provided in Section 301 of the Communications Act that "no ... license shall be construed to create any right, beyond the terms, conditions, and period of the license" (Krasnow et al., 1982, p.20).

For example, the FCC adopted rules and policies designed to make broadcasters meet social responsibilities by requiring implementation of equal employment opportunity programs for women and minorities. Some rules and policies require broadcasters to present or refrain from presenting content other than what they would choose (Krasnow et al., 1982).

The politics of broadcasting is found in technical as well as social controversies. The FCC has had to struggle with problems of technical developments such as UHF broadcasting, cable television, direct broadcast satellites, multipoint distribution services, and other new systems (Krasnow et al., 1982)

From its start, the FCC was thought to have a broad congressional mandate to shape policy in the industry. Although the Commission plays a central role, it rarely acts alone. Its decisions take place through interaction with other persons or institutions. Besides the six major participants mentioned above, the Corporation for Public Broadcasting, the Equal Employment Opportunity Commission, and the Federal Trade Commission are also involved (Krasnow et al., 1982).

Congress has created independent groups to conduct investigations and studies affecting broadcasting. One of these, the U.S. Commission on Civil Rights, was started by Congress in 1957. The Commission has been concerned with equal employment opportunity in industries regulated by the FCC and with depiction of minorities and women in broadcast programs (Krasnow et al, 1982).

Politics plays a role within the Commission itself. Cole and Oettinger (1978) cite an analysis of the prior employment of the 19 commissioners and chairmen appointed and confirmed from mid-1960s to mid-1976. Ten of the 19 had been employed in a business or in a law practice that furthered the broadcasting industry interest. Only one had demonstrated consumer sensitivity prior to appointment (Cole & Oettinger, 1978).

Creation of Section 1071

In 1943, Congress enacted Section 1071 of the Internal Revenue Code in the same year the Federal Communications Commission's multiple ownership rules were effective. Section 1071 was intended to help broadcasters forced to sell stations under the multiple ownership rules (Blake & McKenna, 1980). These rules declared that no single individual or company could own more than three television stations and six frequency modulation (FM) radio stations. Amplitude modulation (AM) radio ownership was not limited. These numbers were revised continually until 1954 when rules were adopted that stated a single individual or company could own no more than 12 AM stations, 12 FM stations, and 12 television stations (Hiebert, Ungurait, & Bohn, 1988).

Under Section 1071, tax certificates were issued as properties were sold to alleviate multiple ownership situations. These policies on ownership appear to be focused primarily on ensuring diversity in the program content by forbidding multiple ownership (Glazer & Fisher, 1993).

Kerner Commission

"Our nation is moving toward two societies, one black, one white; separate and unequal," concluded the National Advisory Commission on Civil Disorders (Ritchie, 1968, p.6). The chairman of the 11-member Commission was Otto Kerner; therefore, it became known as the Kerner Commission. The Commission was created by President Lyndon B. Johnson on July 29, 1967, to study the riots in America and determine their cause (Ritchie, 1968).

The summer of 1967 saw racial unrest and violence in various American cities and it was not a new phenomenon. During the summer of 1964, the Los Angeles district of Watts had been the scene of rioting. In 1966, riots took place in Chicago and Cleveland. In 1967, it was Newark and Detroit. The American people were shocked, bewildered, and fearful. President Johnson asked the Kerner Commission to investigate the riots, explain what happened and why, and suggest what could be done to prevent them from happening again (Ritchie, 1968).

In March 1968, the Commission published its report and recommendations. The full report contained profiles of riots from the summer of 1967. These riot profiles answered questions about how the disorders happened; who participated in them; and how local officials, police forces, and the National Guard responded. The Commission investigated each incident and questioned people involved. One profile was of Detroit where riots began on July 22, 1967 (Ritchie, 1968).

The part of Detroit where the riot started was Twelfth Street, an area with a high incidence of vice and crime. The issue of police brutality was a recurring subject. About a month before the riot, a black Army veteran had been killed by a gang of white youths. Relatives were upset that the full story of the murder was not being told in the newspaper. Some blacks believed that the daily newspapers' treatment of the story was evidence of a double standard by the media: playing up crimes by blacks, playing down crimes committed against blacks (Ritchie, 1968).

The Twelfth Street area contained overcrowded apartment houses and a density of more than 21,000 persons within a square mile, almost double the city average. It was now almost totally black. Only 18% of the residents were homeowners. Twenty-five percent of the housing was considered substandard. The crime rate was almost double that of the city as a whole. The proportion of broken families was more than twice that in the rest of the city (Ritchie, 1968).

Dr. Ernest Harburg of the University of Michigan had conducted a study of the area and had determined it to be a community of high stress and tension. An overwhelming majority of the residents indicated dissatisfaction with their environment. Ninety-three percent said that they wanted to move out of the neighborhood. Seventy-three percent felt that the streets in the area were not safe. Ninety-one percent believed that a person was likely to be robbed or beaten at night (Ritchie, 1968).

A significant proportion of those living in the area of Twelfth Street felt municipal services were inferior. Thirty-six percent were dissatisfied with the schools, 43% with the city's contribution to the neighborhood, 77% with the recreational facilities, and 78% believed police did not respond promptly when they were summoned for help (Ritchie, 1968).

The city of Detroit was losing population because the middle-class was moving to the suburbs. Between 1960 and 1967, the black population in the city rose from 30% to an estimated 40% of the total. In a decade, the school system had gained 50,000 to 60,000 children. The system needed more teachers and additional classrooms. According to the

Detroit superintendent of schools, 25 different school districts surrounding the city spent up to $500 more per pupil each year than in the city of Detroit. In the inner-city schools, more than half the pupils who entered high school became dropouts. High school diplomas from inner-city schools were regarded by personnel directors as less than valid. Minority unemployment in the Twelfth Street area was at a five-year peak in 1967. Because of its financial straits, the city was unable to produce on promises to correct such conditions as poor garbage collection and bad street lighting, a failure which brought constant complaints from the minority residents (Ritchie, 1968).

When police tried to arrest persons at a party for several servicemen in the Twelfth Street area on July 22, 1967, people resented the police intrusion. A crowd gathered and an empty bottle smashed through the rear window of a police car. A litter basket smashed through the window of a store. Rumors circulated of excess force used by the police. The number of people on Twelfth Street grew into thousands and widespread window smashing and looting began (Ritchie, 1968).

At first police did not interfere with looters and refrained from using force. When rumors spread that a man had been bayoneted by the police, the crowd became belligerent. On Sunday afternoon, police officers reported injuries from rocks, bottles, and other objects thrown at them. The looting spread to other areas. While stores caught on fire and burned, firemen became targets for rocks and bottles. One entire block of the area was burned. After the National Guard was brought in and federal assistance requested, a curfew was set by the mayor. During the five days of the riot, 43 people were killed and over 7,000 were arrested (Ritchie, 1968).

In its report the Kerner Commission said that none of the civil disorders were the same. The riots varied in terms of violence and damage and were usually actions within black neighborhoods against the symbols of white American society: authority and property. The typical rioter was a teenager or young adult, a lifelong resident of the city, and a high school dropout with a menial job. The report found that the urban disorders of the summer of 1967 were not caused by any organized plan or conspiracy. Instead the cause was the continued exclusion of minorities from the economic progress in employment and education. Through television and other media, American affluence had been flaunted before minorities, the poor, and the jobless youth (Ritchie, 1968).

The Commission identified 12 grievances of the minorities. They included grievances about police practices, unemployment, inadequate housing, inadequate education, poor recreation facilities, ineffectiveness of the political structure, disrespectful white attitudes, discriminatory administration of justice, inadequacy of federal programs, inadequacy of municipal services, discriminatory consumer and credit practices, and inadequate welfare programs (Ritchie, 1968).

The Kerner Commission suggested that the federal government initiate employment programs, educational programs, and welfare programs. The Commission recommended that the government create new jobs in the public and private sector, develop urban and rural poverty areas, encourage minority business ownership, eliminate segregation, improve community-school relations, expand opportunities for vocational education, overhaul the existing system of welfare to provide levels of assistance based on national standards, and improve family planning and other social services to welfare recipients. The Commission suggested federal programs in housing that would provide low and moderate income housing units, a below market interest rate program, a rent supplement program and an ownership supplement program, more diversified public housing programs, a model cities program, urban renewal programs, and enactment of a national open occupancy law (Ritchie, 1968).

In reaction to this report, the FCC adopted several programs aimed at encouraging minority participation in broadcasting. First, it adopted an equal employment opportunity policy for licensees that enabled minorities to acquire jobs in the industry. Then, it developed policies to promote minority ownership. The FCC assumed increased minority participation through employment and ownership would foster program diversity (Federal Communications Commission, 1978).

The FCC and Equal Employment Opportunities

A fundamental principle in the regulation of broadcasting is that diversity is in the public interest. The FCC has said that if many individual voices are heard, society would be better informed than if only a few voices are heard; and the greater the diversity in media, the more likely that truth would emerge. To the extent that minorities had been excluded from the industry, the FCC felt diversity had suffered. From 1969 to 1978, the FCC took several actions to promote diversity in broadcasting because it believed encouraging greater minority participation in broadcasting would achieve greater diversity. Greater diversity would ensure that the needs and interests of all Americans were served (Glazer & Fisher, 1993).

In 1969, the FCC prohibited employment discrimination by licensees on the basis of race, color, religion, or national origin, and instituted an equal employment opportunity requirement for its licensees. The FCC required licensees to file written equal employment opportunity policies and annual employment reports. The Commission said that a broadcaster has an obligation to see that minorities and women are afforded full consideration in employment. Thus minorities would gain experience in operating and managing broadcast stations (Federal Communications Commission, 1979). The Commission believed that equal employment opportunity for minorities in the industry would result in diverse programming. Throughout the 1970s, the FCC continued to impose additional requirements aimed at increasing sensitivity to minority concerns (Glazer & Fisher, 1993). For example, at one time licensees were required to consult with minority community leaders in an ascertainment of community programming needs. The FCC developed a community leader checklist for groups and institutions found in most communities and had licensees contact them. Additionally, in order to increase the number of minority-owned stations, the FCC instituted policies giving minority group members credits or preferences in obtaining broadcast licenses (Federal Communications Commission, 1978).

Despite these changes, in 1978 the FCC was still dissatisfied with the lack of inclusion of minority views in radio and television programming. Expressing concern over this, the FCC declared that "diversification in the areas of programming and ownership - legitimate public interest objectives of the Commission - can be more fully developed through our encouragement of minority ownership of broadcast properties" (Federal Communications Commission, 1978, p.4.).

<u>1978 - Policy on Minority Ownership</u>

Believing additional measures were necessary, the National Association of Broadcasters, the administration of then President Jimmy Carter, broadcast networks, the Congressional Black Caucus, and the National Black Media Coalition petitioned the FCC to set up programs to help minorities own media properties (Lovenheim, 1979). In May 1978, the FCC said it was committed to seeing that the needs and viewpoints of minorities were reflected in broadcast programming. The Commission acknowledged that equal employment opportunity for minorities would result in diverse programming, but decided that minority ownership was another means of developing programming responsive to minorities.

In a new approach to diversify ownership, the Commission focused on the purchaser of a radio or television property rather than the seller and announced two programs to make it easier for minority entrepreneurs to acquire properties: (1) the tax certificate program and (2) the distress sale program. The tax certificate program permitted the seller of a broadcast station to defer payment of capital gains tax upon sale of the station if the sale was to a minority enterprise. The distress sale program would permit certain broadcasters accused of wrongdoing whose licenses had been set for hearing to sell their stations to minority enterprises at 75% of market value. Also, the Commission established a list of persons interested in purchasing properties to be made available to sellers and brokers (Glazer & Fisher, 1993). By encouraging sales to parties with a significant minority interest, the FCC expected there would be a substantial increase in diversity of programming (Blake & McKenna, 1980). This policy was later extended to sales of cable television systems (Federal Communications Commission, 1982).

The structure of the original minority FCC tax certificate policy announced in 1978 was somewhat undefined. The FCC stated that an application for an FCC tax certificate would be examined to determine if the sale was likely to result in increased programming diversity. However, over time the FCC developed specific standards. (Glazer et al, 1993)

To obtain a tax certificate, an application had to be made to transfer or assign a license to a minority enterprise. Then the Commission would consider granting the seller a tax certificate under section 1071 of the Internal Revenue Code. The Commission was authorized to issue a certificate to facilitate its policies in 1943. The Commission believed tax certificates would serve as a significant incentive to those selling broadcast stations to sell to minority enterprises (Federal Communications Commission, 1979).

For a distress sale to occur, the Commission would permit a licensee whose license had been designated for hearing to sell at a distress sale price, if minorities participate significantly in the new ownership and if the sale occurs before the hearing begins. The Commission believed that licensees facing a costly and time consuming hearing might choose to keep losses to a minimum and sell the station to a minority-owned business (Federal Communications Commission, 1979).

Conference on Minority Ownership

In another effort to promote minority ownership, a conference on that topic was held at FCC headquarters. The participants identified several obstacles to minority acquisition of broadcast properties and recommended that the Commission study ways to eliminate these obstacles. At the time the conference report was published, 1979, Blacks, Hispanics, Native Americans, and Asian Americans owned less than 1% of the broadcast properties in the U.S. although they represented 20% of the population. This examination of problems of minority acquisition of broadcast properties resulted from more than 100 interviews conducted with the broadcast industry, including minority broadcasters, station brokers, and banking officials (Federal Communications Commission, 1979).

The report found no overt discrimination against minorities in the marketplace, but its structure made entry difficult for minorities. The minority entrepreneur had difficulty learning that a particular station was for sale and encountered problems in locating financing for a station. Small lending institutions were not familiar with the industry and viewed broadcast loans as risky. Large institutions dealt in amounts that were greater than those needed to purchase one station (Federal Communications Commission, 1979).

The conference identified two obstacles for minority entrepreneurs who wanted to own and operate broadcast stations. Minorities wanting to enter the industry found it difficult to obtain financing. In addition, established minority broadcasters had difficulty competing because their audiences were consistently underestimated by rating services because of the type of survey methods used (Federal Communications Commission, 1979).

The FCC objective was to increase the number of minority-owned broadcast stations so that minority participation in broadcasting more closely resembled minority representation in the population. The conference findings were 1) minority groups wanting to buy properties were at a disadvantage because they had little knowledge or experience with the complex financial arrangements required for broadcast facilities; 2) lending institutions had little knowledge of financing minority businesses or broadcast properties; 3) minorities as a group lacked managerial and broadcast operational experience that would lead institutional lenders to finance acquisition of broadcast stations; 4) minority groups already operating broadcast stations were at competitive disadvantage because major broadcast audience rating services employed survey methods that underestimated the audiences of minority-owned and minority-formatted broadcast stations; and 5) major broadcast advertising agencies and advertisers were frequently reluctant to purchase time on minority-owned and minority-formatted broadcast stations. The conference recommended that the FCC study ways to increase minority broadcast ownership, the financial community reevaluate its attitude toward financing minority acquisitions, the advertisers research the purchasing power and buying habits of minority groups, and audience rating services develop survey techniques to guarantee accurate estimates of the audiences of minority-formatted stations (Federal Communications Commission, 1979).

The conference report included a model financing proposal and provided instructions for preparing a business plan and financing plan. It also included ideas on presenting audience and market information, company structure, and revenue and expense projections to prospective financiers (Federal Communications Commission, 1979).

CHAPTER III

APPLYING FOR A TAX CERTIFICATE

Tax Certificates

The tax certificate program is an integral part of the FCC's policies to promote minority ownership. When the Commission issues a tax certificate, the buyer may receive as much as a 20% discount on the purchase price because of the tax savings accruing to the seller (Rubin, 1990). Due to the problems minorities face in financing a property, the lower purchase price is important (Federal Communications Commission, 1979).

In the late 1970s, the black entrepreneur was restricted when purchasing broadcast properties. At the time, minorities formed 20% of the population, but controlled fewer than 1%, 56 in number, of the nation's 8,500 radio and television broadcast stations. Advertisers did not want to advertise on black-owned stations because they felt they would not reach the consumer they had targeted for their product. The National Association of Black-Owned Broadcasters proposed a trust fund to aid minorities in the purchase of stations. During this period, the average cost of a radio station was $500,000 with $140,000 required as a cash down payment. This money and financing were not available to the average black or Hispanic entrepreneur.

The Carter administration approved the trust fund and set a $15 million goal. Even the major networks contributed to the fund (Lovenheim, 1979).

Section 1071 of the Internal Revenue Code

Section 1071 of the tax code authorizes the Federal Communications Commission to certify that a sale or exchange of property will carry out the policies of the Commission in regards to the ownership and control of broadcasting stations (Appendix A). The certificate enables the seller to defer tax on the gain from a sale if the proceeds are reinvested in qualified replacement property. Section 1071 is unique because it involves both the Federal Communications Commission and the Internal Revenue Service (IRS). The FCC issues the certificate, but its use involves application of the Internal Revenue Service's rules. The FCC does not concern itself with how the the tax certificate will be used; the IRS does not second-guess the FCC's determination that the transaction qualifies for a tax certificate (Blake & McKenna, 1980).

Eligibility Requirements for a Tax Certificate

For the purposes of the tax certificate policy, the term minority includes Blacks, Hispanics, American Indians, Alaskan Natives, Asians, and Pacific Islanders. The term Hispanic includes a person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture or origin, regardless of race or whether the individual has a

Hispanic surname. The Commission has also issued tax certificates for sales to companies controlled by natives of India who have become naturalized United States citizens (Rubin, 1990).

To qualify under the policy, the purchasing company must be minority-controlled. Corporations must have 50% of the voting stock owned by minorities and limited partnerships must have a minority general partner that owns at least 20% of the partnership's total equity (Krasnow et al., 1988). The Commission reviews tax certificate requests on a case-by-case basis. The Commission does not require that the minority owners operate the station daily, but it does require that minorities control the overall decision-making of the organization. The Commission assumes that minority ownership and/or decision-making will promote program diversity (Federal Communications Commission, 1978).

Applying for a Tax Certificate

A tax certificate may be obtained by filing a request with the Federal Communications Commission with a description of the transaction and why it qualifies for tax certificate treatment. This request is filed by the seller. Usually the Federal Communications Commission issues the tax certificate after receiving written confirmation that the transaction has been closed (Blake & McKenna, 1980). Therefore, sellers want assurances from the buyer that the Commission will grant the tax certificate before a seller enters into a contract to sell the property. In the past, the Commission has issued advance rulings that a proposed transaction will qualify for a tax certificate, or it has approved issuance of a tax certificate but withheld release of the certificate until the transaction has been closed. This waiting for assurances can delay the transaction and the parties may find the wait unacceptable. Most transactions involving the sale of a broadcast property require a great deal of legal and sometimes financial work. Therefore, the additional paperwork and inconvenience involved in filing for a tax certificate can be difficult for the parties involved (Krasnow et al., 1988).

Some investment bankers do not believe that tax certificates have reduced prices in every transaction. Although in some examples the savings are apparent, these investment bankers have seen proposed sales in which the price was not reduced because of the time and paperwork involved in the tax certificate application process (Krasnow et al., 1988).

Tax Reform Act of 1986

The Tax Reform Act of 1986 consolidated tax rates for ordinary income and capital gains. This act repealed the General Utilities Doctrine, a Supreme Court decision that no gain is realized when a corporation distributes appreciated property to its shareholders. With the Tax Reform Act changes, sellers searched for ways to minimize taxes.

Therefore, the value of tax certificates was enhanced. In 1987, the year after the changes, the Federal Communications Commission issued 31 tax certificates in regards to broadcast property sales to minority buyers; twice the number issued in any previous year (Krasnow et al., 1988).

To illustrate the value of a tax certificate to a seller, assume that the seller's basis in a station is $1 million and he or she sells the station for $2 million. If the buyer is a minority company, the seller can defer all tax on the $1 million gain from the sale. On the other hand, if the sale does not quality for tax certificate treatment, the IRS would assess taxes for at least $280,000. If the seller is a corporation subject to double taxation, the tax liability would be over $500,000 (Krasnow et al., 1988).

The Transaction

Minority companies interested in using tax certificates deal with sellers who may not know of the advantages of tax certificates. Unless the buyer knows the seller's basis in the property, information that sellers do not readily disclose, it is difficult to value the tax certificate. The Federal Communications Commission's public records have the price that the seller paid for the property and that may help establish an estimate. However, the amounts paid in public records are often only the amount of debt assumed by the buyer in the case of a broadcast property that does not have profitable operations. Brokers can help explain the value and the process of the tax certificate to sellers. Information about tax certificates can be sent to the seller's accountant and the accountant can compute the value of the tax certificate for the seller (Krasnow et al., 1988).

If a minority buyer is bidding for a property against non-minority buyers, it is essential that the minority buyer know that the seller understands how a tax certificate works and the value of the tax deferral. In some cases, a tax certificate may not be worthwhile to a seller because the seller will not realize a gain or does not want to reinvest the proceeds in qualified replacement property. However, the tax certificate does enable a seller to defer paying capital gains tax on the transaction for two years, which may be a benefit even if the seller does not reinvest in replacement property (Krasnow et al., 1988).

Since 1982, the Federal Communications Commission has issued tax certificates to investors who provide start-up capital to minority companies. To qualify, the investment must meet three guidelines. First, the investor must have provided funds to the minority enterprise within one year of the acquisition of a broadcast property. Second, the investor must have sold his or her interest in the company. Third, the company must qualify as a minority company under the tax certificate policy both before the investor purchases the interest and after the investor sells the interest in the company (Krasnow et al., 1988).

The Commission designed this policy to help minority companies attract equity investors. To illustrate, assume shareholder A, a minority, owns 70% of a corporation, and shareholders B and C each own 15%. If B and C purchase their shares before or within one year after acquisition of a license, they can later sell their interest and be eligible to receive a tax certificate. Whether B and C and/or the subsequent buyers are minorities does not matter. B and C provided funds for a minority-owned or minority-controlled company that acquired a broadcast or cable property and increased minority ownership in the market. Therefore, a minority company can offer a tax certificate to the seller of the broadcast property and to investors who will realize tax deferral benefits upon the subsequent sale of their interests in the company (Krasnow et al., 1988).

One-Year Holding Rule

A minority company that obtains a broadcast station through the benefit of a tax certificate must keep the station for at least one year. The Commission has determined that "the repaid resale of such a station to a non-minority at a profit would subvert the goal of increasing minority ownership of broadcast stations"

(Krasnow et al., 1988, p. 3). This rule does not apply, however, if the minority company proposed to sell the station to another minority company within the one-year period (Krasnow et al., 1988).

Aspects of the Benefits of Tax Certificates

To defer tax that would be due on the gain from the sale of property certified by the FCC, the seller must make an election under Section 1071. The seller files written statements with its federal income tax return for the year in which the sale takes place. Gain from the sale is not reported on the return and tax on the gain is not due. A seller has three options in applying the tax deferral benefit. First, the proceeds may be applied to reduce the basis of other property of the seller. Second, the proceeds may be invested in qualifying replacement property. Third, the proceeds may be used in a combination of the above two options. The seller has two years following the year of the sale to reinvest. An extension can be requested if the taxpayer can show cause for not reinvesting within the statutory period (Krasnow et al., 1988).

The replacement property must be similar or related in service or use to the property sold. It allows the seller to reinvest in different types of electronic media of mass communication. Thus, qualifying replacement property under

Section 1071 may consist of assets or stock in a corporation whose income is primarily derived from broadcasting or cable operations (Rubin, 1990).

Reinvesting the proceeds from the sale of a television station in radio station assets qualifies under the policy. Similarly, reinvesting the proceeds of a radio or television sale in a cable television system would qualify. But reinvesting the proceeds of a television or radio sale in a newspaper would not qualify. Neither would investment in a closed circuit hotel television system or a wireline telephone company (Krasnow et al., 1988).

CHAPTER IV

RECENT DEVELOPMENTS

The minority policies of the FCC have had criticism from within the Commission and from sources outside the Commission. The license preference policy and the distress sale policy have been litigated in the courts. The tax certificate policy, though never litigated, has become a focus the Congressional session that began in January 1995 (Stern, C. 1995, January 23).

Supreme Court Hearings

Beginning in 1987, the commission decided to question the constitutionality of its policies. In 1990, the Supreme Court heard cases involving the policies.

In January 1987, FCC Chairman Mark Fowler challenged the validity of the Commission's preferences for minorities. Chairman Fowler said no factual record existed to support the assumption that increasing minority ownership added to program diversity. However, Congress claimed the record was established in congressional proceedings which led to the policies and pressured the Commission to back down ("Fowler defends," 1987, January 5).

Overriding the Office of Management and Budget (OMB), the FCC made it mandatory in early 1987 for broadcasters to respond to a Minority Ownership Report (MOR). The MOR was issued to determine whether there was any connection between granting minorities preferences and more diverse programming. The OMB wanted responses to be voluntary, but the FCC wanted to use information from the report in its study of the constitutionality of its minority policies ("FCC overrules," 1987, April 20).

The FCC was forced to keep its minority programs under the Senate appropriations bill in October 1987. The appropriations bill forced the agency to end the review of its minority policies and continue them (Vise, 1987, October 2; "FCC to revive," 1988, January 6; "FCC reinstates," 1988, January 16). James L. Winston, executive director of the National Association of Black-Owned Broadcasters at that time, said Congress's stopping the FCC from spending any money to discard its minority policies was "one of the most significant actions to come out of Congress in quite some time " ("Blacks, FCC and Boesky," 1988, p. 36). One of the programs, the distress sale, allowed broadcasters in danger of losing their license for violating FCC rules to sell their stations to minorities at 75% of market value. A station offered for sale under this rule was an Oklahoma City station owned by arbitrageur Ivan F. Boesky. Because the FCC said Boesky improperly transferred ownership of the station to his wife, minority businessmen were interested in acquiring the station valued at between $12 and $14 million.

Winston said the number of minorities who acquired their own stations grew from 100 in 1979 to 250 in 1986 ("Blacks, FCC and Boesky," 1988).

In October 1987, the U.S. Court of Appeals said it would hear Winter Park vs. FCC. Winter Park Communications was one of three competing applicants for a UHF license in the Orlando area. Winter Park lost its original request for a diversity preference because all three stations would serve Metro Orlando. That left only minority preferences as a basis for awarding a license. Winter Park had a 10% part-time integration credit, Rainbow Broadcasting had a 90% full-time participation credit, and Metro Broadcasting had a 79.2% credit for full-time and a 19.8% credit for part-time participation. An administrative law judge awarded the license to Metro, but the FCC reviewed the case and gave the license to Rainbow. Winter Park then sued the FCC over the minority preference policy ("Minority ownership continues," 1988).

The FCC's minority policies were not only receiving dubious support from the Commission at this time, but the Department of Justice regarded them as unconstitutional. In 1988, a U.S. Court of Appeals panel heard arguments in the Winter Park case and indicated it saw no reason to find preferences unconstitutional ("Arguing over," 1988, November 28). Another panel of the U.S. Court of Appeals in April 1989 declared the FCC's distress sale policy unconstitutional. The apparent conflict in these decisions did nothing to provide the Commission with guidance in dealing with other cases. ("Court muddies," 1989, April 24).

In May 1989, the FCC asked for a hearing before the entire U.S. Appeals court that held the Commission's distress sale policy as unconstitutional. It said it would not seek rehearing in the Winter Park case that upheld the policy of awarding minority preferences in comparative hearings. Chairman Dennis Patrick dissented because he wanted the court to rehear both cases to help alleviate confusion and conflict about the policies ("FCC appeals," 1989, May 22). However, one of the losing applicants in Winter Park requested the entire court to review its case. Therefore the court of appeals would review both cases ("Minority policy review," 1989, June 19). In the distress policy case, an appeals court panel sided with Alan Shurberg, a white businessman who sued to block the $3.1 million sale of a Hartford TV station to Astroline Communications, a minority-owned company. In the other case, the panel upheld the FCC policy which gave minorities preference in awarding new broadcast licenses in the Winter Park case. The discordant rulings from the same court were frustrating to supporters of the FCC programs (Williams, 1989).

In September 1989, a Senate subcommittee said it was going to propose a spending bill to maintain the FCC's minority programs. The future of the policies were in question because of the conflicting court decisions. The Senate expressed concern about allegations the policies were being abused by sham applicants ("Minority policies pushed," 1989, September 18). Later that month, when Andrew Barrett was appointed a commissioner, Black broadcasters became optimistic about the retention of the FCC's minority policies (McAdams, 1989).

In January 1990, the Supreme Court agreed to decide the constitutionality of the FCC's programs aimed at increasing the number of stations owned by minorities. For the first time since a conservative majority had gained control of the court's civil rights agenda, the justices considered what limits the Constitution placed on the federal government in devising programs which gave minorities a preference in competing for government benefits. At issue were precedents dating from the late 1970s in which the court held that increasing racial diversity was an important goal of public policy. The Bush administration tried to avoid the debate, urging the court in briefs filed not to hear either of the two cases. The Commission's policy had been the focus of a prolonged dispute between Congress and the executive branch. The policy was adopted in President Carter's administration. Under the Reagan administration, which opposed many affirmative action programs, the Commission disavowed the policy and said they planned to dismantle the programs. But in 1987, as part of an appropriations bill, Congress forbade the Commission to spend money to reexamine or repeal the policy. That prohibition was renewed many times (Greenhouse, 1990; and "FCC and Justice," 1990, February 12).

In January 1990, the only FCC's minority program not under attack in the Supreme Court was the tax certificate program ("A good place," 1990, January 13.) The National Black Media Coalition (NBMC) suggested it was unfortunate that the FCC cases reached the Supreme Court. They blamed the Commission under former chairmen Mark Fowler and Dennis Patrick. NBMC said any policy diverting ownership from white males should be affirmed ("Supreme Court will," 1990, January 15).

Briefs filed with the Supreme Court by the FCC and the Department of Justice differed on whether minority policies were constitutional. The Department of Justice said any governmental classification based on race was suspect. The FCC said minority ownership benefited the public interest and brought a minority perspective on programming which was lacking in an industry dominated by white males ("Minority policies put," 1990, March 12). The Senate took offense at the Bush administration suggesting FCC policies favoring minorities were unconstitutional. The Senate said its directives to the Commission were measured attempts to overcome inequities toward minorities in communications ("Senate defends," 1990, March 12).

The hearings were conducted by the Supreme Court in March 1990 on the FCC's minority policies. One Justice asked if the Commission had studies to determine the programming benefits of its affirmative action policies. Since adopted in the late 1970s, the number of stations owned by minorities increased from less than 1% to 3.5% and could have been as low as 2%. The attorney for the Shurberg case said programming decisions were market driven and there was no connection between the goal and the policy ("Minority preferences have," 1990, April 2). The Supreme Court upheld the FCC's minority policies in a 5-4 vote on June 27, 1990, and said the policies were approved and even mandated by Congress. In addition, the court said the policies had overriding significance because they served the important governmental objective of broadcast diversity. The FCC general counsel said the victory was an incredible surprise ("Broadcast minority," 1990, July 2).

<u>Tax Certificate Transactions</u>

Several transactions involving tax certificates received attention in the industry publications. In 1987, a tax certificate was awarded to Gaylord Broadcasting when it sold its Tampa television station WTVT-TV for $365 million to a corporation controlled by Clarence McKee and George Gillett.

Because McKee was a member of a minority ethnic group, Gaylord received a tax certificate allowing deferral of tens of millions of dollars in taxes and McKee received a sales price of about $100 million less than other bidders. McKee did not place any money of his own in the company; he did receive 21% of the stock and 51% of the voting shares. Gillett received an option to buy out McKee in two years for $1 million. If he didn't exercise the option, McKee could buy out Gillett. At this time it was the largest sale tax certificate granted under the FCC's program. McKee, a former FCC lawyer, helped to develop the tax certificate program. McKee said there was a lack of capital available to blacks and without Gillett he would not have been able to buy in a major market. McKee said he would gain experience in broadcasting; and if he was bought out, he could invest in another station. The chairman of the National Black Media Coalition said he believed there should be eight to ten deals a year like this one. Because Gaylord purchased the station for $4 million in 1956, the taxes could have exceeded $100 million (Vise, 1987, July 12).

In December 1988, an AM radio station in Washington, D.C., WMDO-AM, was purchased by a group of Cuban Hispanics for $1 million. The seller, Lotus Communications, received a tax certificate for selling to a minority (Yorke, 1988).

In January 1989, the New York Times Company sold its cable system to a minority-controlled partnership and obtained a tax certificate said to be worth $55 million. Bruce Llewellyn, a Black businessman from Philadelphia, was the leader of a partnership controlling the $420 million, 162,000 subscriber cable system. Tax certificates were gaining acceptance because of changing tax laws and growing comfort with minority ventures by investors. "Tax certificate policy is the greatest contributor to minority ownership over the past year," said James Winston, the executive director of the National Association of Black-Owned Broadcasters ("The latest buying," 1989, February 13, p. 66). The usefulness of tax certificates had become widely known since the Tax Reform Act of 1986 which eliminated the favorable tax rate for capital gains. After tax reform, sales of broadcast and cable assets were subjecting sellers to taxation of as much as 52.28% of the gain ("The latest buying," 1989, February 13).

In January 1989, the FCC granted a tax certificate to St. Louis City Communications, a minority-owned company sold its assets to Tele-Communications, Inc. The decision allowed St. Louis to reinvest the proceeds from the $35 million sale in qualified replacement property. The FCC said it was the functional equivalent of the tax certificate because it benefited a minority company. However, critics said it was a decision to grant a certificate for a sale to a non-minority ("The latest buying," 1989, February 13).

WOL-AM, Washington, was broadcasting programs in 1990 that addressed issues of particular concern to the station's largely black audience. Executives and experts in broadcasting said this programming directed at an audience not regularly addressed by mainstream radio was precisely what the FCC was seeking in 1978 when it instituted minority policies. Cook Inlet, a group of Aleut and Eskimo shareholders, purchased 11 radio stations and 2 television stations through the FCC's tax certificate program. That group spent more money for public service programs on the stations they purchased. WKBW-TV in Buffalo, where there was a 28% minority population, had a locally produced community affairs program with increased reporting on subjects of concern to Buffalo residents. WKBW-TV became the nation's largest black-owned television station in 1986 when it was bought from Capital Cities by Queen City Broadcasting (Gerard, 1990, August 1).

In October 1990, the FCC expanded the scope of its tax certificate program when it granted tax certificates to the minority owners of WKBW-TV in Buffalo, covering the capital gains they made when they sold a 45% stake in the station to Prudential Insurance. The owners of the station who benefited from the certificates included record producer/composer Quincy Jones and professional athletes Julius Erving, Patrick Ewing, O.J. Simpson, and Dave Winfield. The certificates permitted the holders to defer capital gains if they reinvested in other media properties. The tax certificate program helped the owners acquire the station in 1986 ("FCC extends," 1990, October 8).

Tak Communications purchased network-affiliated television stations in Buffalo, Honolulu, and Madison, Wisconsin, through the tax certificate program. Tak also bought WUSL-FM, one of Philadelphia's top-rated radio stations, and radio station in Miami and Champaign. The properties were worth between $160 and $200 million. The owner, Sharad Tak, came to America from India in 1968 as a graduate student (Sloan, 1991).

The biggest tax certificate beneficiaries of television deals have been Granite Broadcasting, Cook Inlet Partners, and Tak Communications. Granite bought four network affiliates using tax certificates. Cook Inlet acquired a 49% interest in WTNH-TV, New Haven, in 1988 for $170 million from CapCities and WSMV-TV, Nashville, for $125 million from Gillett Broadcasting. Cook also bought an 11-station radio group from First Media Corporation for $175 million in 1987. Tak Communications, a broadcast group, has benefited from tax certificates through the purchase of 12 broadcast properties. Four television stations in Wisconsin were purchased in 1985 for a total of $22 million from Liberty Communications ("Top three," 1991, April 8).

Washington Redskins owner Jack Cooke sold $600 million in cable television systems and was granted a tax certificate allowing deferral of taxes on his gains. Cooke was one of the major beneficiaries of the tax certificate program. In what was one of the largest transactions, the FCC was asked by Times Mirror Company to grant it $80 million in tax breaks. Times Mirror sold four television stations to a group headed by a Hispanic businessman Ibrahim Morales. Morales had the right to sell his stake to his non-minority partner within a year for stock worth $1 million (Vise & Farhi, 1993).

Internal Revenue Service (IRS) officials questioned the FCC's leniency in granting tax breaks under the program. The IRS cautioned FCC officials that expansion of the program could lead to IRS and Congressional scrutiny. The transactions raising questions were deals valued at more than $70 million where minority buyers put very little of their own money down and bought stations in partnership with others who put up the bulk of the funds. To satisfy FCC rules, the minority partner received voting control of the partnership acquiring the stations, but the minority investor was given the right to sell his holding to his partners for as much a $1 million after a year. At the same time, the non-minority partners typically had the right to buy out the minority partner at the same amount. Cooke received tens of millions of dollars of tax breaks from the FCC using this program four times (Vise & Farhi, 1993).

Frank Washington, an African-American who worked on the tax certificate program while on the Commission staff, headed minority groups that bought media properties including two acquisitions from Cooke. Washington was still a partner in all of his original purchases. Clarence McKee received a profit of $1 million after he sold his stake in a Tampa television station to his non-minority partner. McKee said the policy served its purpose because it put him in a financial position to buy another station. Mark Fowler, a deregulation advocate who was chairman of the FCC, called the deals in which control can be sold quickly a scheme by the buyer and seller that cost the treasury tax dollars (Vise & Farhi, 1993).

Granite Broadcasting contracted to purchase two network television stations from Meredith Corporation for $32 million and a tax certificate. The tax certificate applies if Meredith buys another station within two years ("Granite buys," 1993 October).

Donaldson, Lufkin and Jenrette's (DLJ) leveraged buyout fund sold four television stations to New World Communications. DLJ owned the stations for a year and sold them for $717 million. DLJ had a $350 million profit.

Times Mirror Company sold the stations to DLJ and received a tax break. According to Rudnitsky (1994) about $700 million in tax benefits was awarded through the tax certificate program.

Frank Washington and Viacom were expected to close a sale which would be the largest ever under the tax certificate program. Viacom would get a tax deferral of $400 million by selling its cable system to a Washington-led partnership ("Frank Washington," 1995, January 9). Frank Washington, an African-American, would own 21% of the cable systems and the balance would be held by a partnership of which John Malone of Tele-Communications Inc. would own 25%. Viacom said it would have asked for a higher price if it were not getting the tax break (Lewyn, 1995, January 16).

Effect of the Minority Programs

The numbers reported in industry publications on the gains in minority ownership showed increases in number of stations owned, but the gain was never significant. In December 1989, 13 of the 1,100 television stations were Black-owned and 170 of the 9,000 commercial radio stations were owned by Blacks; less than 2% of the properties in the country. FCC rules designed to help minorities purchase broadcast stations were under attack, and securing capital was becoming more difficult for minorities (Gite, 1989).

An increased demand and a decreased supply of quality broadcast properties became the reason why FCC minority ownership policies were under attack, according to FCC Commissioner Andrew Barrett. He said FCC figures showed that as of March 26, 1990, 38 stations were acquired in distress sales, 209 broadcast and 12 cable systems were purchased with tax certificates. Barrett said the total number of minority-owned properties rose to over 300 from the fewer than 50 minorities owned prior to the implementation of the policies. He suggested that the continued tight financing market would reduce minority broadcast opportunities ("Barrett cites," 1990, April 30).

In July 1990, radio and television executives said the FCC policies which gave special consideration to minority applicants for broadcast licenses resulted in a modest increase in the diversity of programming. That diversity was the Commission's goal in establishing the policies in 1978, and the Supreme Court's reason for upholding them in a decision. The court found the programs had an impact on news coverage and editorial points of view, especially in matters of particular concern to minorities. In addition, they impacted how images of minorities were presented (Gerard, 1990, July 7).

One of the FCC's policies, the tax certificate policy, resulted in minority ownership or control of dozens of television and radio stations. A survey examined the ownership of stations bought using minority tax certificates. The survey reviewed the ownership of 45 stations representing about 20% of the 241 stations which changed hands with tax certificates. Only three of the 21 television stations bought were no longer in the hands of the minority responsible for the certificate being issued. One of those was the Gillett/McKee purchase of WTVT in Tampa that drew criticism as a case of non-minorities abusing the policy. Only four of the 24 top 50 FM and AM-FM combinations had been resold. The FCC had not tracked the ownership of stations bought and sold with certificates. Tax certificates have a limited appeal now, because the owner must have a sizable gain to protect which limits opportunities to stations bought before 1980 ("Minority tax," 1991, April 8).

Figures released in September 1991 showed minority ownership of broadcast properties declined substantially over the period of the previous two years. FCC numbers indicated there were only six distress sales since 1980. Tax certificates were not helping because properties on the market were not likely to see sizable capital gains which made tax certificates attractive ("Study to show," 1991, September 23).

The FCC minority tax certificate resulted in the authorization of 300 certificates since 1978. Proposals arose to expand the versatility of the certificate and to make its standards more rigorous. The native American tribal corporation, Cook Inlet, filed a request with the FCC to not grant a tax certificate in the sale of the Times Mirror television stations (Foisie, 1993).

In August 1994, FCC Chairman Reed Hundt released numbers on minority employment in broadcasting and cable. He said African-Americans were 11% percent of the work force, but accounted for only 2.8% of the management positions in the industry. The FCC's goal was to ensure the industry reflected the work force. Hundt said 490 of 98,000 telecommunications firms were controlled by minorities; 300 of 10,000 commercial radio stations were controlled by minorities; 20 of 1,000 television stations were minority controlled; and 9 of 7,500 cable operators were minorities (Stern, 1994, August 1). Hundt said it was time for the FCC to renew the social compact between the public and the broadcasting industry. He believed broadcasters should commit to serving minority views and children and look for local issues for diversity of programing (McAvoy, 1994, August 1).

Fabrikant suggested in 1994 it would take more than the support of the FCC programs to create minority ownership because of daunting economic hurdles. Minorities were having difficulty getting capital. Fabrikant said Blacks owned 19 television stations, Hispanics owned 7, Asians owned 1. Blacks owned 110 AM radio stations, Hispanics owned 63, Native Americans owned 2. Blacks owned 71 FM radio stations, Hispanics owned 22, Asians owned 2, and Native Americans owned 3. Deregulation hurt minorities because it allowed large firms with deep pockets to acquire additional licenses (Fabrikant, 1994). During their monthly meeting, FCC commissioners voted to look at allowing minority radio owners to have a 25 AM and 25 FM limit compared to 20 for others (McAvoy, 1994).

During the same period of time, other views about minority policies and their effectiveness appeared in industry publications. In March 1987, a group of minority Congress members held a news conference criticizing the Commission's EEO enforcement for broadcasters. Congress was considering hiring standards legislation because a Commission study released indicated there was no appreciable gain in the number of minorities hired by television and radio stations in the five years prior to 1987. In this news conference, Congress admonished the Commission's weak enforcement record and said it wanted the names of stations that did not met EEO requirements and those whose minority hiring declined ("Minority issues," 1987, March 30).

Differing Viewpoints

In early 1987, two attorneys commented on the policies for the industry publication Television/Radio Age. Anne Jones, a former FCC commissioner appointed after the decision to award preferences, and David Tillotson, a former

National Radio Broadcaster Association attorney, both agreed the U.S. Supreme Court upheld the idea of preferences and quotas to redress past discrimination against minorities. Tillotson opposed preferences and Jones spoke in favor of them. According to Tillotson, any sort of preferences for minorities were unconstitutional and bad policy. Tillotson thought he could debate convincingly that FCC preferences could not pass constitutional muster because "they are not practical in achieving a goal. In all of the cases where the Supreme Court has upheld a system of preference to deal with an imbalance they have had a requirement that the policy be reasonably related to the objective to be attained. The policy bears no rational relationship to the ultimate objective" ("Licensing preferences," 1987, May 11, p.89). Both attorneys suggested a three-year holding rule would help the policies ("Licensing preferences," 1987, May 11).

In 1988, Fred Harris, a member of the Kerner Commission and a former United States senator, presented a report to the Subcommittee on Civil and Constitutional Rights as an update on the recommendations made by the Kerner Commission (United States Congress, 1988). According to Harris, at the time of the Kerner Commission report, the Civil Rights Act, Voting Rights Act, and the War on Poverty were young. There was a rising gross national product, low inflation, and low unemployment. Economic progress and political power did come to some minorities, but did not make a significant difference for poor minorities. For those who were still poor 20 years later, life was even harder than it was in 1968. On the 20th anniversary of the Kerner Report, a citizens group was established and called the 1988 Commission on the Cities. Its mission was to assess the 1988 situation of minorities (United States Congress, 1988).

Harris said after the Kerner Commission and through the mid-1970s, progress was made. Then there had been a series of economic shocks: recessions, manufacturing closings, and a reduction in real wages. There were determined efforts under presidential administrations to cut education, housing, job training, other social programs. The 1988 Commission on the Cities requested Congress enact legislation to propose jobs, tax laws that favor the working poor, national standards for welfare, stronger fair housing laws, vigorous enforcement of EEO laws, and national health insurance to help minorities (United States Congress, 1988).

In 1989, some minority Congressmen proposed that advertisers who discriminated in their ad placements should be barred from deducting advertising expenses from their taxes. They believed this would stop advertisers who were excluding minority media outlets. James Winston, executive director of the National Association of Black-Owned Broadcasters, said this proposal would revolutionize the way advertising was bought. Minority media owners were convinced using the tax code was the only way to motivate the advertising industry to stop discrimination. Minority owners said the bias limited their ability to employ people, service their debt, and provide the community programming their constituency needs. A counter proposal was presented that allowed companies to deduct advertising expenditures spent on minority outlets at a higher rate than other media purchases (Lallande, 1989).

The basis for the FCC's preferences, said Hirrel (1989), is the inability of the broadcast spectrum to accommodate everyone who wants to broadcast. For that reason, he said, courts have held that policies to promote diversity of broadcast ownership are constitutional. Such policies increase the public access to different points of view despite the limitations of the spectrum. Broadcast ownership remains largely a white male preserve and a certain homogeneity of perspective follows this. According to Hirrel (1989) a major reason minorities are underrepresented in broadcast ownership is they are less likely to have capital to construct or buy new stations. However, a minority applicant who receives a license is permitted to abandon all promises to operate the station. These policies do not promote a diversity of broadcast voices but result in enrichment of the minority applicant, which is not an objective of the communications act. Hirrel (1989) suggested that because the FCC grants preferences in order to promote minority broadcast voices, it should require applicants who receive preferences to go on the air and stay on the air for at least three years.

The FCC never said its minority programs were a remedy for discrimination but a tool of diversity. As of March 1990, minorities owned less than 3% of broadcast stations. Greater media diversity has a constructive purpose and this purpose should be recognized as a compelling interest (Hirrel, 1990).

M. Kinsley said in 1990 that of all forms of discrimination policies the FCC policies were the least justifiable. Of all minorities in society, Kinsley (1990) said the ones least likely to need help were those who were in a position to own a broadcast company. He said two categories of people were taking advantage of the rules: the well-to-do and those fronting for white businessmen. Inequalities of income, wealth, and status were inevitable in a capitalist system, Kinsley said. He thought too much energy and time was spent quarreling over the distribution of advantages in society and not enough asking whether any particular advantage was necessary in the first place (Kinsley, 1990).

The chairman of the FCC considered a minority advisory committee similar to the one the Commission used for on high definition television. The committee would be used to assess the implications of the Supreme Court decision in the

Shurberg case and consider proposals to increase the use of tax certificates. One minority in the industry said they would like the goal for minority ownership to be 10%. At the time, minorities owned 3% ("Sikes to consider," 1990, March 5).

When the FCC considered new radio ownership limits, it proposed to allow broadcast groups to own up to 50 AMs and 50 FMs and minority-owned groups to acquire more. However, it complied with Congressional pressure and adopted lower limits of 18 each with no increase for minorities. For proponents of policies aimed at boosting minority ownership, it appeared the FCC preferred policies that would do little good and not ones that might actually increase the number of minority-owned stations. Minorities said the rules were a part of the FCC's benign neglect toward boosting minority ownership and employment that began when President Reagan appointed Mark Fowler chairman in 1981 and continued with Bush-appointed Alfred Sikes (Flint, 1992).

According to Gahr (1993), the FCC logic that diversity in ownership is reflected on the airwaves was flawed. Even proponents admitted market forces played a larger role, but they did say ownership affects things like hiring and overall sensitivity. Managers at minority-owned television stations said ownership made no difference at network affiliates because most programming is determined by the networks. Programs that get the highest ratings were being aired in order to sell to advertisers. However, radio could be more geared toward minority audiences, but economics was still a factor. Frequent criticism of the FCC's programs was they allowed minorities to front for non-minority owners (Gahr, 1993).

The 1995 Congress and Tax Certificates

In the 1995 Congressional session, tax certificates became an issue. Viacom's plan to take advantage of the minority tax certificate caught the attention of the Congress. Congress said it may consider repealing the program because of the reports the Viacom tax certificate will be worth $285 million to $400 million in capital gains deferrals. A hearing has been scheduled. Recent reports about the use both in terms of types of properties covered and the size of the tax benefits being granted suggested the program had been expanded beyond its original intent and the Treasury was being deprived of revenue. The Viacom tax certificate would be the largest ever granted. The second largest was to Times Mirror Company when it sold its cable operations to a minority business (Stern, 1995, January 23).

The tax certificate policy came under fire from Congressional critics who said the policy allows big companies to enjoy tax benefits with only nominal participation by minorities. Congress was critical that the FCC could award the certificates without taking into consideration the cost to the taxpayers. It said no other federal agency had as much authority to decide a tax-related issue. The average sales price in a tax certificate sale has been $38 million for television stations and $3.5 million for radio stations (Stern, 1995 January 30). On February 21, 1995, the House voted 381 to 44 to eliminate the tax break for companies that sell broadcast properties to minorities ("Washington Week," 1995, February 26). On March 7, 1995, the Senate scheduled hearings for the FCC. The FCC was trying to save the tax certificate program by recommending substantial changes to it. Viacom said it will abandon the sale of its cable systems without the certificate (Aversea, J. 1995, March 7).

The Senate Finance Committee voted to end the FCC's minority tax certificate program. This followed the House's vote to end the program retroactive to January 17, 1995. Viacom announced the sale of its cable systems a few days later. Viacom and 19 other sales were awaiting approval from the FCC. The tax certificate program may be the first casualty of a Republican Congress's effort to eliminate almost all federal affirmative action programs (Stern, C. 1995, March 20).

The FCC's Proposed Rulemaking

Before the Viacom deal brought the tax certificate program to the forefront of Congress's agenda, the FCC initiated a study of providing minorities with opportunities to enter the mass media industry, broadcast, cable, wireless cable, and low power TV. The FCC invited comments on whether it should modify its existing minority programs and adopt new initiatives to further the Commission's goal of maximizing diversity of points of view available to the public. The FCC said Congress had promoted minority ownership since fiscal year 1988 when it included in appropriations legislation language requiring the minority policies to remain. The courts recognized the line between minority ownership and diversity of viewpoints (Federal Communications Commission, 1995, January).

The tax certificate has been the most frequently utilized program. As of October 1994, the FCC issued 281 certificates in sales of AM, FM, and TV stations and 25 for sales of cable operations. The distress sale policy was implemented 42 times since it was adopted. However, the overall representation of minorities among broadcast stations or cable remains below their presence in the population and the labor force. Minorities were 20% of the population in 1978 and owned less than 1% of the 8,500 stations. As of June 1994, minority members made up 23% of the workforce, but controlled 2.9% (32) of 11,128 commercial radio and tv stations and 0.2% (15) of 7,500 cable operations. The FCC wanted data and comments on lack of access to capital and on an incubator program. That program would give existing entities incentives to encourage current owners to help minorities get started in broadcast ownership. The FCC's advisory committee said financing was the single greatest obstacle for minority ownership of broadcasting stations and requested comments on how the Commission could modify and make rules to increase minority access to capital. The FCC said its tax certificate program was the most frequently used and suggestions to enhance the policy could be made if the Commission and the IRS set up a working group to look at changes (Federal Communications Commission, 1995, January).

CHAPTER V

RESULTS OF THE LEGISLATION

When the Communications Act of 1934 was passed, the Federal Communications Commission was formed to regulate broadcasting. The act contained language that said the FCC had the authority to determine that the public interest would be served when granting licenses to broadcast. Public interest has been defined over the years by the courts, the Commission, Congress, and the executive branch. The Kerner Commission Report in 1968 found portrayals of minorities by the media were a social problem. Thus, the FCC was faced with a regulatory problem of "what should be." Equal employment and affirmative action were introduced in the 1960s and the FCC used these tools in shaping broadcast regulation and believed employment of minorities would bring diversity in programming.

In 1977, National Association of Broadcasters (NAB), the National Black Media Coalition, the National Telecommunications and Information Administration of the U.S. Department of Commerce, and the Congressional Black Caucus encouraged the Federal Communications Commission to extend a tax certificate policy that had existed since 1943 and change it to promote minority ownership. In 1978, the

Federal Communications Commission adopted such a policy. The FCC thought the ownership policies would be another means of providing diversity.

The Commission's program was based on two types of tax certificates to promote minority ownership. The first type was for sales of a broadcast or cable property to a minority-owned or controlled company. The seller was permitted to defer taxes on the gain. The second type was to reward investors in a minority broadcast or cable venture. The FCC issued certificates to investors who provided start-up capital to minority companies within the first year of operation.

As of October 1994, 281 tax certificates had been issued by the Commission in connection with the sale of broadcast properties to minorities: 188 to Blacks, 68 to Hispanic, 2 to American Indians, 25 to Asian-Americans, 1 to Aleuts, and 12 to Alaskan Natives. The number per year ranged from four in 1978 to 39 in 1989. The numbers obtained in information received from the Commission do not match. The individual lists have 281 items. The listing by minority totals 296 and the listing by year equals 308 (Appendix B). Cable operations were included in the program in 1982 and 25 tax certificates were issued for those sales (Appendix C).

The minority policies of the FCC have received criticism from several sources including presidential administrations. Several criticisms resulted from the one-year holding rule which allowed deals to be structured to buy out the minority. The license preference policies and the distress sale policies were litigated in the courts from 1987 to 1990. The tax certificate policy, though never litigated, has become a focus of Congress in the session that began in January 1995. Both committees in the House and in the Senate have voted to recommend to Congress to repeal the program.

In 1978, minorities were 20% of the population and owned less than 1% of the 8,500 stations. As of June 1994, 23% of the workforce were minorities and they controlled 2.9% (32) of 11,128 commercial radio and tv stations and 0.2% (15) of 7,500 cable operations.

Minorities admit market forces play a large role in program diversity, but they said ownership affects hiring and overall sensitivity. Managers at minority-owned television stations said network affiliates have programming decisions determined by the networks. Radio is different from television and can be directed toward a minority audience.

The lack of financing available for minorities is a deterrent to minority ownership. Although the FCC can help minorities obtain the license, they cannot help with the financing.

Because the Congress in 1987 forbade the FCC from spending appropriations to review and track the success of its minority programs, the FCC has not kept statistics on turnover, the impact on programming and other information that would help to determine whether the program has accomplished its goals. In addition, had statistics been kept the FCC might be in a better position to defend the program today.

In terms of percentages of ownership, minority ownership has increased from less than 1% in 1978 to about 3% in 1994. However, a link between this increase in ownership and diversity in programming was not apparent. Portrayals of minorities have improved, but there was no evidence in this study that minority ownership was the reason. It is more likely a result of society's changing attitudes.

In this age of balanced budgets and federal program cuts, the tax certificate may be repealed. Committees in both the House and Senate have voted to recommend repeal. A focus on taxpayer dollars and their use is an issue voters are interested in and Congress is aware of that. In addition, affirmative action is being attacked on several fronts today.

It is ironic that in following Congress's mandate not to spend money on statistics about the tax certificate program, the FCC is now faced with a lack of information on which to defend them to that same body. If the tax certificate program is repealed by Congress, future research might focus on how minorities are acquiring broadcast and cable properties without the program.

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APPENDIX A

PART V—CHANGES TO EFFECTUATE F.C.C. POLICY

§ 1071. Gain from sale or exchange to effectuate policies of F.C.C.

(a) **Nonrecognition of gain or loss.**—If the sale or exchange of property (including stock in a corporation) is certified by the Federal Communications Commission to be necessary or appropriate to effectuate a change in a policy of, or the adoption of a new policy by, the Commission with respect to the ownership and control of radio broadcasting stations, such sale or exchange shall, if the taxpayer so elects, be treated as an involuntary conversion of such property within the meaning of section 1033. For purposes of such section as made applicable by the provisions of this section, stock of a corporation operating a radio broadcasting station, whether or not representing control of such corporation, shall be treated as property similar or related in service or use to the property so converted. The part of the gain, if any, on such sale or exchange to which section 1033 is not applied shall nevertheless not be recognized, if the taxpayer so elects, to the extent that it is applied to reduce the basis for determining gain or loss on sale or exchange of property, of a character subject to the allowance for depreciation under section 167, remaining in the hands of the taxpayer immediately after the sale or exchange, or acquired in the same taxable year. The manner and amount of such reduction shall be determined under regulations prescribed by the Secretary. Any election made by the taxpayer under this section shall be made by a statement to that effect in his return for the taxable year in which the sale or exchange takes place, and such election shall be binding for the taxable year and all subsequent taxable years.

(b) Basis.—

For basis of property acquired on a sale or exchange treated as an involuntary conversion under subsection (a), see section 1033(b).

(Aug. 16, 1954, c. 736, 68A Stat. 311; Sept. 2, 1958, Pub.L. 85-866, Title I, § 48(a), 72 Stat. 1642; Oct. 4, 1976, Pub.L. 94-455, Title XIX, §§ 1901(b) (31)(E), 1906(b)(13)(A), 90 Stat. 1800, 1834.)

APPENDIX B

DISTRESS SALES APPROVED

The following is a list of distress sales approved since the adoption of the FCC's May 1978 Statement of Policy on Minority Ownership of Boardcasting Facilities, 68 FCC 2d 979. An asterisk (*) indicates that the transfer of control or assignment of license has not yet been granted.

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
1)	WAEO-TV	Rhinelander, Wisconsin	Black
2)	WDAS-AM	Philadelphia, Pennsylvania	Black
3)	WDAS-FM	Philadelphia, Pennsylvania	Black
4)	WKYO-AM	Caro, Michigan	Amer. Indian
5)	WIDL-FM	Caro, Michigan	Amer. Indian
6)	WTUP-AM	Tupelo, Mississippi	Black
7)	WVAM-AM	Altoona, Pennsylvania	Black
8)	WVAM-FM	Altoona, Pennsylvania	Black
9)	WUEZ-AM	Salem, Virginia ---- Sale Not Consummated	
10)	KBSA-TV	Guasti, CA	Hispanic
11)	WIZR-AM	Johnstown, New York	Black
12)	WIZR-FM	Johnstown, New York	Black
13)	KMOM-TV	Monahans, Texas	Hispanic
14)	KWAB-TV	Big Spring, Texas	Hispanic
15)	KLBK-TV	Lubbock, Texas	Black
16)	KTXS-TV	Sweetwater, Texas	Black
17)	WXLS-FM	Willimantic, Connecticut	Black
18)	WKND-AM	Windsor, Connecticut	Black
19	WOL-AM	Washington, D.C.	Black
20)	KJAZ-FM	Alameda, California	Black
21)	WHAV-AM	Haverhill, Massachusetts	Asian-Amer.
22)	WHAV-FM	Haverhill, Massachusetts	Asian-Amer

DISTRESS SALES APPROVED Page 2

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
23)	KDEW-AM	DeWitt, Arkansas	Black
24)	KDEW-FM	DeWitt, Arkansas	Black
25)	KLSN-FM	Brownwood, Texas	Hispanic
26)	WAVS-AM	Ft. Lauderdale, Forida---Case Dismissed 9/81	
27)	WXKO-AM	Ft. Valley, Georgia	Black
28)	WXXR-AM	Cullman, Alabama	Black
29)	WTJH-AM	East Point, Georgia	Black
30)	WJIZ-FM	Albany, Georgia	Black
31)	WMJM-AM	Cordele, Georgia	Black
32)	WFAV-FM	Cordele, Georgia	Black
33)	WHCT-TV	Hartford, Connecticut	Hispanic
34)	WALG-AM	Albany, Georgia	Black
35)	WKAK-FM	Albany, Georgia	Black
36)	WOZW-AM	Monticello, Maine	Hispanic
37)	WOZI-FM	Presque Isle, Maine•	Black
38)	*KOZN-FM	Imperial, California	Hispanic

TOTAL DISTRESS SALES APPROVED:

BLACK: 25

HISPANIC: 7

AMERICAN INDIAN: 4

ASIAN-AMERICAN: 2

* Not consummated

--updated October 5, 1994 by FCC Public Service Division, Office of Associate Managing Director for PIRS

APPENDIX C

MINORITY OWNERSHIP LISTS

STATIONS THAT HAVE ELECTED TO SEEK DISTRESS SALE RELIEF
DISTRESS SALES APPROVED

TAX CERTIFICATES ISSUED
(Broadcast Stations and Cable Television Facilities Lists)

TOTAL DISTRESS SALES APPROVED	TOTAL TAX CERTIFICATES ISSUED
1978: 0	1978: 4
1979: 3	1979: 12
1980: 22	1980: 10
1981: 2	1981: 15
1982: 0	1982: 15
1983: 0	1983: 10
1984: 6	1984: 11
1985: 2	1985: 17
1986: 2	1986: 16
1987: 0	1987: 31
1988: 1	1988: 32
1989: 0	1989: 39
1990: 0	1990: 42
1991: 0	1991: 17
1992: 0	1992: 10
1993: 0	1993: 17
1994: 0 (as of 10/94)	1994: 10 (as of 10/94)

(updated October 5, 1994 by FCC Public Service Division Office of Associate Managing Director for Public Information and Reference Services)

TAX CERTIFICATES ISSUED

Since the adoption of the FCC's May 1978 Statement of Policy on Minority Ownership of Broadcasting Facilities, 68 FCC 2d 979, tax certificates have been issued in connection with the sales of the following stations to minorities.

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
1)	WYCH-FM	Hamilton, Ohio	Black
2)	WAWA-AM	West Allis, Wisconsin	Black
3)	WAWA-FM	Milwaukee, Wisconsin	Black
4)	WBRB-FM	Mt. Clemens, Michigan	Black
5)	WADO-AM	New York, New York	Hispanic
6)	KKTT-AM	Los Angeles, California	Black
7)	KUTE-FM	Glendale, California	Black
8)	WHEC-TV	Rochester, New York	Black
9)	KJLB-FM	Compton, California	Black
10)	KFOX-FM	Redondo Beach, California	Black
11)	KODA-AM	Houston, Texas	Hispanic
12)	WPDQ-AM	Jacksonville, Florida	Black
13)	WJNJ-FM	Atlantic Beach, Florida	Black
14)	KIRL-AM	St. Charles, Missouri	Black
15)	WQIZ-AM	St. George, S. Carolina	Black
16)	WQIZ-FM	St. George, S. Carolina	Black
17)	WYLD-AM	New Orleans, Louisiana	Black
18)	WYLD-FM	New Orleans, Louisiana	Black
19)	WESY-AM	Leland, Mississippi	Black
20)	WEIM-AM	Providence, Rhode Island	Black
21)	WILD-AM	Boston, Massachuesetts	Black
22)	KZON-AM	Santa Maria, California	Hispanic

TAX CERTIFICATES ISSUED

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
23)	KIQI-AM	San Francisco, California	Hispanic
24)	WTWF-FM	Moncks Corner, S. Carolina	Black
25)	KEYN-AM	Wichita, Kansas	Black
26)	KEYN-FM	Wichita, Kansas	Black
27)	KTNQ-AM	Los Angeles, California	Hispanic
28)	WMJK-AM	Kissimmee, Florida	Hispanic
29)	WKTQ-AM	Pittsburgh, Pennsylvania	Black
30)	WCDL-AM	Carbondale, Pennsylvania	Black
31)	WCDL-FM	Carbondale, Pennsylvania	Black
32)	KNAC-FM	Long Beach, California	Black
33)	WBCI-AM	Williamsburg, Virginia	Black
34)	WBCI-FM	Williamsburg, Virginia	Black
35)	WTLC-FM	Indianapolis, Indiana	Black
36)	KNSE-AM	Ontario, California	Hispanic
37)	KYDE-AM	Pine Bluff, Arkansas	Black
38)	WNAD-AM	Norman, Oklahoma	Amer. Indian
39)	KQIN-AM	Burien, Washington	Black
40)	KATZ-AM	St. Louis, Missouri	Black
41)	WZEN-FM	Alton, Illinois	Black
42)	WHYZ-AM	Greenville, S. Carolina	Black
43)	WYAZ-AM	Yazoo City, Mississippi	Black
44)	WNAB-AM	Bridgeport, Connecticut	Black

TAX CERTIFICATES ISSUED

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
45)	WENN-AM	Birmingham, Alabama	Black
46)	WENN-FM	Birmingham, Alabama	Black
47)	WAZE-AM	Clearwater, Florida	Hispanic
48)	WOKO-AM	Albany, New York	Black
49)	WGOE-AM	Richmond, Virginia	Black
50)	WSMX-AM	Winston-Salem, N. Carolina	Black
51)	WUNO-AM	San Juan, Puerto Rico	Hispanic
52)	WMAK-FM	Hendersonville, Tennessee	Black
53)	WQKS-AM	Columbus, Georgia	Black
54)	WFXE-FM	Columbus, Georgia	Black
55)	WCIN-AM	Cincinnati, Ohio	Black
56)	KDCE-AM	Espanola, New Mexico	Hispanic
57)	KVSF-AM	Santa Fe, New Mexico	Hispanic
58)	WRZR-AM	Raleigh, North Carolina	Black
59)	WHTT-AM	Miami, Florida	Hispanic
60)	KAYC-AM	Beaumont, Texas	Black
61)	KAYD-FM	Beaumont, Texas	Black
62)	KYNN-AM	Omaha, Nebraska	Black
63)	KYST-AM	Texas City, Texas	Hispanic
64)	WJAM-AM	Marion, Alabama	Black
65)	WTMP-AM	Tampa, Florida	Black
66)	KICA-AM	Clovis, New Mexico	Hispanic
67)	KEZO-FM	Omaha, Nebraska	Black

TAX CERTIFICATES ISSUED

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
68)	WITT-FM	Tuscola, Illinois	Black
69)	WDZZ-FM	Flint, Michigan	Black
70)	WACR-AM	Columbus, Mississippi	Black
71)	WACR-FM	Columbus, Mississippi	Black
72)	WJQY-FM	Chickasaw, Alabama	Hispanic
73)	KCLF-AM	New Roads, Louisiana	Black
74)	KQXL-FM	New Roads, Louisiana	Black
75)	KTBY-TV	Anchorage, Alaska	Asian-Amer.
76)	KIQO-FM	Atascadero-San Luis Obispo, California	Hispanic
77)	WSTA-AM	Charlotte Amalie, St. Thomas, Virgin Is.	Black
78)	WITH-AM	Baltimore, Maryland	Black
79)	WAOW-TV	Wausau, Wisconsin	Asian-American
80)	WQOW-TV	Eau Claire, Wisconsin	Asian-American
81)	WXOW-TV	LaCrosse, Wisconsin	Asian-American
82)	WKOW-TV	Madison, Wisconsin	Asian-American
83)	KCAS-AM	Slaton, Texas	Hispanic
84)	WANT-AM	Richmond, Virginia	Black
85)	WJLY-AM	Braddock, Pennsylvania	Black
86)	KSGR-AM	Windsor, Colorado	Hispanic
87)	KZLA-AM	Los Angeles, California	Hispanic
88)	KKCI-AM	Liberty, Missouri	Black
89)	WRNG-FM	Newnan, Georgia	Black
90)	KDAB-FM	Ogden, Utah	Black

TAX CERTIFICATES ISSUED

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	STATION	CITY OF LICENSE	OWNERSHIP GROUP
91)	WXLL-AM	Decatur, Georgia	Black
92)	WGBS-AM	Miami, Florida	Hispanic
93)	WSKQ-AM	Newark, New Jersey	Hispanic
94)	KCSJ-AM	Pueblo, Colorado	Black
95)	KIXI-AM	Mercer Island, Washington	Black
96)	KIXI-FM	Seattle, Washington	Black
97)	WROD-AM	Daytona Beach, Florida	Hispanic
98)	WKBW-TV	Buffalo, New York	Black
99)	WTNH-TV	New Haven, Connecticut	Aleut
100)	WRIF-FM	Detroit, Michigan	Black
101)	WSSV-AM	Petersburg, Virginia	Black
102)	WPLZ-FM	Petersburg, Virginia	Black
103)	WLVW-FM	Salisbury, Maryland	Hispanic
104)	WESL-AM	East St. Louis, Illinois	Black
105)	KNWZ-AM	Palm Desert, California	Black
106)	WAKR(AM)	Akron, Ohio	Black
107)	WONE(FM)	Akron, Ohio	Black
108)	WCMQ-AM	Miami Spring, Florida	Black
109)	WCMQ-FM	Miami Spring, Florida	Black
110)	KGFJ(AM)	Los Angeles, California	Black
111)	WOKS-AM	Columbus, Georgia	Black
112)	WFXE-FM	Columbus, Georgia	Black
113)	WTHB-AM	Augusta, Georgia	Black
114)	WFXA-FM	Augusta, Georgia	Black

TAX CERTIFICATES ISSUED

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
115)	WUSL-FM	Philadelphia, Pensylvania	Black
116)	WINQ-FM	Winchendon, Massachusetts	Asian-American
117)	WSAI-FM	Erlanger, Kentucky	Black
118)	KITV(TV)	Honolulu, Hawaii	Asian-American
119)	KHVO(TV)	Hilo, Hawaii	Asian-American
120)	KMAU(TV)	Wailuku, Hawaii	Asian-American
121)	WTVT(TV)	Tampa, Florida	Black
122)	WVOI-AM	Toledo, Ohio	Black
123)	WBLQ-AM	Erie, Pennsylvania	Black
124)	KBEA-AM	Mission, Kansas	Black
125)	KXTR-FM	Kansas City, Missouri	Black
126)	WKWQ (FM)	Batesburg, South Carolina	Black
127)	KYEA (FM)	West Monroe, Louisiana	Black
128)	KAEZ (FM)	Oklahoma City, Oklahoma	Black
129)	WKYD	Andalusia, Alabama	Black
130)	WKYD-FM	Andalusia, Alabama	Black
131)	WPGC	Morningside, Maryland	Alaskan Native
132)	WPGC-FM	Morningside, Maryland	Alaskan Native
133)	KFMY	Provo, Utah	Alaskan Native
134)	KFMY-FM	Provo, Utah	Alaskan Native
135)	KOPA	Scottsdale, Arizona	Alaskan Native
136)	KSLX (FM)	Scottsdale, Arizona	Alaskan Native
137)	WZGC (FM)	Atlanta, Georgia	Alaskan Native
138)	KFMK (FM)	Houston, Texas	Alaskan Native

TAX CERTIFICATES ISSUED

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
139)	WZLX (FM)	Boston, Massachusetts	Alaskan Native
140)	WUSN (FM)	Chicago, Illinois	Alaskan Native
141)	KUBE (FM)	Seattle, Washington	Alaskan Native
142)	KNOB-FM	Longbeach, California	Hispanic
143)	WSAY-AM	Salem, Virginia	Black
144)	WJQY (FM)	Ft. Lauderdale, Florida	Black
145)	WZRC (FM)	Des Plaines, Illinois	Black
146)	WMOD (TV)	Melbourne, Florida	Black
147)	WKSG (FM)	Mt. Clemens, Michigan	Black
148)	WEZS(FM)	Richmond, Virginia	Black
149)	KCNW(AM)	Fairway, Kansas	Hispanic
150)	WYLO(AM)	Jackson, Wisconsin	Hispanic
151)	WDCT(AM)	Fairfax, Virginia	Hispanic
152)	KWJS(AM)	Ft. Worth, Texas	Hispanic
153)	KTEK(AM)	Alvin, Texas	Hispanic
154)	KUXL(AM)	Golden Valley, Minnesota	Hispanic
155)	WZJY(AM)	Mt. Pleasant, S.C.	Black
156)	WCFR-AM	Springfield, Vermont	Black
157)	WCFR-FM	Springfield, Vermont	Black
158)	WGRZ-TV	Buffalo, New York	Asian-American
159)	WPZZ(FM)	Franklin, Indiana	Black
160)	WDIA-AM	Memphis, Tennessee	Black
161)	WHRK-FM	Memphis, Tennessee	Black
162)	KFMN(FM)	Lihue, Hawaii	Asian-American

TAX CERTIFICATES ISSUED

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
163)	WORL(AM)	Eatonville, Florida	Black
164)	WDAO(AM)	Dayton, Ohio	Black
165)	KXGF-AM	Great Falls, Montana	Black
166)	KAAK-FM	Great Falls, Montana	Black
167)	WBXT(AM)	Canton, Ohio	Black
168)	WFDF	Flint, Michigan	Black
169)	WDZZ(FM)	Flint, Michigan	Black
170)	KWZD(FM)	Hamlin, Texas	Black
171)	KIKM(AM)	Sherman, Texas	Hispanic
172)	WYIS(AM)	Phoenixville, Pa.	Hispanic
173)	KMZQ(FM)	Henderson, Nevada	Hispanic
174)	WXTR-FM	La Plata, Maryland	Black
175)	KEST(AM)	San Francisco, Ca.	Black
176)	KMAX(FM)	Arcadia, Ca.	Black
177)	WCMC(AM)	Wildwood, NJ	Black
178)	WXZL(FM)	Wildwood, NJ	Black
179)	WMDO(AM)	Wheaton, MD	Hispanic
180)	KLTV(TV)	Tyler, TX	Black
181)	KTRE-TV	Tyler, TX	Black
182)	KTEN(TV)	Ada, OK	Amer. Indian
183)	WSMV-TV	Nashville, TN	Alaskan Native
184)	WKYS(FM)	Washington, D.C.	Black
185)	WWRV-AM	New York, New York	Hispanic
186)	KLFA(FM)	King City, California	Hispanic

TAX CERTIFICATES ISSUED

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
187)	WOWI(FM)	Norfolk, Virginia	Black
188)	WRXJ(AM)	Jacksonville, Florida	Black
189)	WCRJ-FM	Jacksonville, Florida	Black
190)	WPTA(TV)	Ft. Wayne, Indiana	Black
191)	WLVH(AM)	Manchester, Connecticut	Hispanic
192)	WELO(AM)	Tupelo, Mississippi	Black
193)	WZLQ(FM)	Tupelo, Mississippi	Black
194)	WXLE(FM)	Johnstown, Ohio	Black
195)	WRAW(AM)	Reading, Pennsylvania	Black
196)	WRFY(FM)	Reading, Pennsylvania	Black
197)	WMGR(AM)	Bainbridge, Georgia	Black
198)	WJAD(FM)	Bainbridge, Georgia	Black
199)	WOFM(FM)	Moyock, North Carolina	Black
200)	WARR(AM)	Warrenton, North Carolina	Black
201)	WTIS(AM)	Tampa, Florida	Hispanic
202)	KCCV(AM)	Independence, Missouri	Black
203)	WAKR(AM)	Akron, Ohio	Black
204)	WONE(FM)	Akron, Ohio	Black
205)	KNTV(TV)	San Jose, California	Black
206)	WRXJ(AM)	Jacksonville, Florida	Black
207)	WCRJ(FM)	Jacksonville, Florida	Black
208)	KDFT(AM)	Ferris, Texas	Black
209)	KFXZ(FM)	Maurice, Louisiana	Black
210)	WYYN-AM	Tallahassee, Florida	Hispanic

TAX CERTIFICATES ISSUED

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
211)	WTNT-FM	Tallahassee, Florida	Hispanic
212)	WDSR(AM)	Lake City, Florida	Hispanic
213)	WNFB(FM)	Lake City, Florida	Hispanic
214)	WFTH(AM)	Richmond, Virginia	Black
215)	KEBE(AM)	Jacksonville, Texas	Black
216)	KOOI(FM)	Jacksonville, Texas	Black
217)	KVLG(AM)	La Grange, Texas	Asian-American
218)	KBUK(FM)	La Grange, Texas	Asian-American
219)	KLVU(AM)	Haynesville, Louisiana	Black
220)	KLVU-FM	Haynesville, Louisiana	Black
221)	WAMT(AM)	Titusville, Florida	Hispanic
222)	KRTX-FM	Galveston, Texas	Asian-American
223)	WBZN(AM)	Racine, Wisconsin	Black
224)	WBZN(FM)	Racine, Wisconsin	Black
225)	WGAR(AM)	Cleveland, Ohio	Black
226)	WSKQ-FM	New York, New York	Hispanic
227)	KHEY-AM	El Paso, Texas	Black
228)	KHEY-FM	El Paso, Texas	Black
229)	WBTE(AM)	Windsor, North Carolina	Black
230)	WMLO (FM)	Havana, Florida	Black
231)	WXRI(FM)	Windsor, Virginia	Black
232)	KVOZ(AM)	Lardeo, Texas	Black
233)	KOYE(FM)	Lardeo, Texas	Black
234)	KSMS(TV)	Monterey, California	Hispanic

TAX CERTIFICATES ISSUED

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
235)	WKBW(TV)	Buffalo, New York	Black
236)	KOKL(FM)	Okmulgee, OK	African-American
237)	KANI(AM)	Wharton, Texas	Black
238)	WKSO(FM)	Orangeburg, South Carolina	Black
239)	WBLX(AM)	Fairhope, Alabama	Afro-American
240)	WBLX(FM)	Mobile, Alabama	Afro-American
241)	WAPA(AM)	San Juan, Puerto Rico	Hispanic
242)	KJUN(AM)	Puyallup, Washington	Asian
243)	WKZN(AM)	Gorham, Maine	Black
244)	WLBM(TV)	Meridian, Mississippi	Black
245)	WMTR(AM)	Morristown, New Jersey	Black
246)	WDHA(FM)	Dover, New Jersey	Black
247)	WXTR(FM)	Waldorf, Maryland	Black
248)	KHOZ(AM)	Harrison, Arkansas	Hispanic
249)	KHOZ(FM)	Harrison, Arkansas	Hispanic
250)	WPTT (TV)	Pittsburgh, PA	Afro-American
251)	KRCA (TV)	Riverside, CA	Hispanic
252)	KQNG (AM)	Lihue, HI	Hispanic
253)	KQNG (FM)	Lihue, HI	Hispanic
254)	KDOS (AM)	Laredo, TX	Hispanic
255)	WXTR (FM)	Waldorf, Maryland	Black
256)	WMXB (FM)	Richmond, Virginia	Black
257)	KWIZ (FM)	Santa Ana, CA	Black
258)	WFRL (AM)	Freeport, Illinois	Asian-Amer.

TAX CERTIFICATES ISSUED

	STATION	CITY OF LICENSE	OWNERSHIP GROUP
259)	WXXQ (FM)	Freeport, Illinois	Asian-Amer.
260)	WURB (FM)	Windsor, North Carolina	Black
261)	KWIZ (FM)	Santa Ana, CA	Black
262)	WTRR (AM)	Sanford, FL	Hispanic
263)	WSLM (FM)	Salem, IN	Black
264)	KJDJ (AM)	San Luis Obispo, CA	Hispanic
265)	KIEZ (AM)	Carmel Valley, CA	Hispanic
266)	KKLF (FM)	Gonzales, CA	Hispanic
267)	KRRG (FM)	Laredo, TX	Hispanic
268)	KARU (FM)	Raymondville, TX	Hispanic
269)	KFOX (FM)	Redondo Beach, CA	Asian-American
270)	KNTA (AM)	Santa Clara, CA	Hispanic
271)	KSOL (FM)	San Mateo, CA	Hispanic
272)	WSDR (AM)	Sterling, IL	African-American
273)	WSSQ (FM)	Sterling, IL	African-American
274)	WBKZ (AM)	Jefferson, GA	African-American
275)	KRRS (AM)	Santa Rosa, CA	Hispanic
276)	KJPN (AM)	Waipahu, HI	Asian
277)	WLLV (AM)	Louisville, Ky	African-American
278)	KALI (AM)	San Gabriel, CA	Asian-American
279)	KURS (AM)	San Diego, CA	Hispanic
280)	KMYC (AM)	Marysville, CA	Hispanic
281)	KRFD (FM)	Marysville, CA	Hispanic

TOTAL TAX CERTIFICATES ISSUED IN CONNECTION WITH SALES OF BROADCAST STATIONS TO MINORITIES:

BLACK:188
HISPANIC: 68
AMERICAN INDIAN: 2
ASIAN-AMERICAN: 25
ALEUT: 1
ALASKAN NATIVE: 12

--updated October 5, 1994 by the FCC Public Service Division Office of Associate Managing Director for Public Information and Reference Services

APPENDIX D

SINCE THE ADOPTION OF THE FCC'S 1982 "POLICY STATEMENT ON MINORITY OWNERSHIP OF CABLE TELEVISION FACILITIES," 52 RR 2d 1469, TAX CERTIFICATES HAVE BEEN ISSUED IN CONNECTION WITH THE SALE OF THE FOLLOWING CABLE TV SYSTEMS:

1) Tax certificates were issued (March 1986) in connection with the sale of stock in a cable franchise in East Cleveland, Ohio. The sale of common stock of TBA, Inc. by Benjamin F. Davis, Jr., Zakee Ameer Rashid, and Syncom Capital Corporation was necessary or appropriate to effectuate the FCC's Rules and policies encouraging minority ownership of cable TV systems. TBA, Inc. is minority-controlled (Black).

2) On November 14, 1985, the FCC granted its consent to the merger of Capital Cities Communications, Inc. and the American Broadcasting Companies, Inc. (ABC). As a result, cable TV systems in Michigan owned by Omnicom of Michigan, Inc. and Clear Cablevision, Inc. were sold to N-Com Limited Partnership. N-Com Limited Partnership is minority- controlled (Black), and thus tax certificates were issued (April 1986).

3) Tax certificates were issued on April 23, 1987, in connection with the sale of stock in Connection Communications Corporation, a cable franchise in Newark, New Jersey. Connection Communications Corporation is minority-controlled (Black) and thus the sale of stock furthers the Commission's policy of encouraging minority ownership of cable TV systems.

4) On October 21, 1987, the FCC issued tax certificates to Columbia Cable, Inc, in connection with an Asset Purchase Agreement to sell its system to N-Com Holding Corporation, a Michigan corporation controlled by a Mr. Harcharan S. Suri, a native of the country of India and a naturalized citizen of the U.S. Thus the sale of the stock furthers the Commission's policy of promoting minority ownership in the field of cable television.

5) On November 22, 1988, the FCC issued a tax certificate in connection with the sale of a cable television system by Spacecoast Cablevi- sion, Inc. to Brevard Spacecoast Cablevision, Ltd. The sole general partner of Brevard Spacecoast Cablevision, Ltd. is East/West Partners, Inc., a Florida corporation whose sole shareholder is Chien-Ying Jeresa Hren, an Asian-American woman and thus furthers the Commission's policy of promoting minority ownership of cable TV systems .

6) On April 27, 1989, the FCC issued a tax certificate in connection with the sale of a cable television system by The New York Times Company to Garden State Cablevision, L.P. The sole general partner of Garden State Cablevision is Garden State Cablevision Inc. Garden State Cablevision, L.P. is minority controlled (Black), and thus tax certificates were issued.

7) On May 5, 1989, the FCC issued a tax certificate in connection with the sale of a cable television system by Specchio Developers, Ltd., to Specchio Pay Television, L.P. The sole general partner of Specchio Pay television, L.P., is Gap Communications, Inc. Specchio Pay Television is minority controlled (American Indian), and thus tax certificates were issued.

8) On June 16, 1989, the FCC issued a tax certificate in connection with the sale of a cable television system by Callais Cablevision, Inc. to Terrebonne Cablevision, L.P. Terrebonne is a New Jersey limited partnership controlled by Swapan K. Bose, a native of India and a naturalized United States citizen, and thus tax certificates were issued.

9) Tax certificates were issued on July 27, 1989, in connection with the sale of stock in Barden Cablevision of Inkster, Inc. BCI is a minority-owned entity (Black) and thus the sale of stock furthers the Commission's policy of encouraging minority ownership of cable television.

TAX CERTIFICATES ISSUED: CABLE TELEVISION FACILITIES

10) On October 27, 1989 the Commission issued a tax certificate in connection with the sale of a cable television system by Hearst Cablevision of California, Inc. to Brenmor Cable Partners, L.P. Brenmor is a limited partnership. The sole general partner is Hernandez Communications, Inc., (HCI) wholly-owned by Ray Hernandez, a Hispanic-American and thus tax certificates were issued.

11) On November 9, 1989 the Commission issued a tax certificate in connection with the sale of a cable system by Cooke Media Group Inc., to Robin Cable Systems, L.P. The sole general partner is Mitgo Corporation, a Deleware Corporation. Mitgo is minority controlled (Black American) and thus tax certificates were issued.

12) On January 22, 1990 the Commission issued a tax certificate in connection with the sale of a cable system by United Artists Holdings, Inc. to Melanie Cable Partners, L.P. Melanie Cable is a limited partnership whose sole general partner is Mitgo-Melanie Corporation, a Delaware Corporation. Melanie is minority controlled (Black American) and thus tax certificates were issued.

13) On April 2, 1990 the Commission issued a tax certificate in connection with the sale of a cable system by Louis A. Smith d/b/a Smith Electronics Cable to AMW Cablevision, L.P., a Colorado Limited Partnership. AMW Cablevision is minority-controlled (Black) and thus furthers the Commission's policy of encouraging minority ownership of cable TV systems.

14) Tax certificates were issued on June 11, 1990 in connection with the sale of cable television systems by Jack Kent Cooke Inc.; Cooke Media Group, Inc. and subsidiaries to Falcon Community Ventures II Limited Partnership. The sole general partner is Falcon Community Enterprises, Inc., wholly owned and controlled by six members of minority groups and thus tax certificates were issued.

15) Tax certificates were issued on June 11, 1990 in connection with the sale of cable television systems by Jack Kent Cooke Inc.; Cooke Media Group, Inc. and subsidiaries to Falcon Community Ventures I Limited Partnership. The sole general partner is Falcon Community Enterprises, Inc., wholly owned and controlled by six members of minority groups and thus tax certificates were issued.

16) Tax certificates were issued on September 20, 1990 in connection with the sale of cable television systems by Jack Kent Cooke Inc., Cooke Media Group Inc., and subsidiaries to SVHH Cable Acquisition, L.P. The sole general partner is SVHH Holding Inc., wholly owned and controlled by Clarence Xi-Hun, Koo, an Asian American.

17) Tax certificates were issued on July 30, 1991 in connection with the sale of cable television systems from Cablevision Management, Inc., to United Cable, Inc. The sole general partner is UCI, wholly owned and controlled by Richard Mays, a Black American.

18) Tax certificates were issued on April 7, 1992 in connection with the sale of cable television systems from N-Com Holding Corporation, Irish Hills Cablevision Limited Partnership to Ominicom CATV Limited Parnteship. The sole general partner is N-Com II, wholly owned and controlled by Harch-a ran S. Suri, an Asian-American.

19) Tax certificates were issued on April 23, 1992 in connection with the sale of cable television systems by Jack Kent Cooke Inc.; Cooke Media Group, Inc., and subsidiaries to RCS-II. The sole general partner is Mitigo Corporation, whose president is Frank Washington, a Black American.

20) A tax certificate was issued on September 22, 1992 in connection with the sale of cable television systems from First Cablevision, Inc., to TCI Cablevision of Georgia,Inc. The sole general partner is Mitgo Corporation, whose president is Frank Washington, a Black American.

TAX CERTIFICATES ISSUED: CABLE TELEVISION FACILITIES

21) A tax certificate was issued on March 10, 1993 in connection with the sale of cable television systems from Mile Hi Cablevision Associates, LTD to Mile Hi Cable Partner (MHCP). The sole general partner of MHCP is P&B Johnson Corp. whose president is Robert L. Johnson, a Black American.

22) A tax certificate was issued on June 7, 1993 in connection with the sale of cable television systems from Television Enterprises, Inc. to WT Acquisition Corp. (WTAC). The major stockholder of WTAC is Alexander Green, an African American.

23) A tax certificate was issued on January 6, 1994 in connection with the sale of cable television systems from Time Warner Entertainment Company, L.P. to River Valley Cable Limited Partnership whose general pertner is Cali-Zona Limited Partnership (Cali-Zona). The sole general partner of Cali-Zona is Red Mountain Cable, Inc. whose president is John Smith, a Japanese-American.

24) A tax certificate was issued on April 29, 1994 in connection with the sale of cable television systems from Liberty Cable Partner, Inc. to Mile Hi Cable Partners, L.P. (MHCP). The sole general of MHCP is P&B Johnson Corp. whose president is Robert L. Johnson, a Black American.

25) A tax certificate was issued on July 22, 1994 in connection with the sale of cable television systems from WT Acquisition Corporation (WTAC) to Transwestern Video, Inc. (TW). Alexander Green, an African American. The major stockholder of WTAC is Alexander Green, an African American.