

4403

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

CHANCELLOR MEDIA
CORPORATION

and

KUNZ & COMPANY,

Defendants.

Civil Action No. 1:98CV02763

(Judge Kollar-Kotelly)

FILED

APR - 6 1999

NANCY MAYER-WHITTINGTON, CLERK
U.S. DISTRICT COURT

FINAL JUDGMENT

WHEREAS, plaintiff, the United States of America, filed its Complaint in this action on November 12, 1998, and plaintiff and defendants by their respective attorneys, having consented to the entry of this Final Judgment without trial or adjudication of any issue of fact or law herein, and without this Final Judgment constituting any evidence against or an admission by any party with respect to any issue of law or fact herein;

AND WHEREAS, defendants have agreed to be bound by the provisions of this Final Judgment pending its approval by the Court;

W)

AND WHEREAS, the essence of this Final Judgment is prompt and certain divestiture of the outdoor advertising assets in the four counties identified below to ensure that competition is substantially preserved;

AND WHEREAS, plaintiff requires Chancellor and Kunz to make the divestitures for the purpose of maintaining the current level of competition in the sale of outdoor advertising;

AND WHEREAS, Chancellor and Kunz have represented to the plaintiff that the divestitures ordered herein can and will be made and that Chancellor and Kunz will not later raise claims of hardship or difficulty as grounds for asking the Court to modify any of the divestitures contained below;

NOW, THEREFORE, before the taking of any testimony, and without trial or adjudication of any issue of fact or law herein, and upon consent of the parties hereto, it is hereby ORDERED, ADJUDGED, AND DECREED as follows:

I. JURISDICTION

This Court has jurisdiction over each of the defendants hereto and over the subject matter of this action. The Complaint states a claim upon which relief may be granted against the defendants, as hereinafter defined, under Section 7 of the Clayton Act, as amended (15 U.S.C. § 18).

II. DEFINITIONS

As used in this Final Judgment:

- A. "DOJ" means the Antitrust Division of the United States Department of Justice.
- B. "Chancellor" means defendant Chancellor Media Corporation, a Delaware corporation with its headquarters in Dallas, Texas, and its successors, assigns, subsidiaries, divisions, groups, affiliates, partnerships and joint ventures, and directors, officers, managers, agents, and employees, including but not limited to Martin & MacFarlane, Inc. ("Martin"), a California corporation with its headquarters in Dallas, Texas.
- C. "Kunz" means defendant Kunz & Company, a California corporation with its headquarters in Larkspur, California, and its successors, assigns, subsidiaries, divisions, groups, affiliates, partnerships and joint ventures, and directors, officers, managers, agents, and employees.
- D. "Defendants" means Chancellor and Kunz.
- E. "Advertising Assets" means the outdoor advertising display faces owned by:
- (1) Kunz in each of these three counties: Kern County, California; Inyo County, California; and Mojave County, Arizona; and
 - (2) Chancellor in Kings County, California (collectively "the Four Counties").

This includes all tangible and intangible assets relating to these display faces, including all real property (owned or leased); all licenses, permits and authorizations issued by any governmental organization relating to the operation of the bulletins; and all contracts,

agreements, leases, licenses, commitments and understandings pertaining to the sale of outdoor advertising on display faces.

F. "Acquirer" (or "Acquirers") means the entity or entities to whom Chancellor and Kunz divest the Advertising Assets pursuant to this Final Judgment.

III. APPLICABILITY

A. The provisions of this Final Judgment apply to the defendants, their successors and assigns, their subsidiaries, directors, officers, managers, agents, and employees, and all other persons in active concert or participation with any of them who shall have received actual notice of this Final Judgment by personal service or otherwise.

B. The defendants shall require, as a condition of the sale or other disposition of all or substantially all of their outdoor advertising business in any of the Four Counties, that the acquirer or acquirers agree to be bound by the provisions of this Final Judgment.

IV. DIVESTITURE

A. Chancellor and Kunz are hereby ordered and directed in accordance with the terms of this Final Judgment, within four (4) months after the filing of the Complaint in this matter or five (5) days after notice of the entry of this Final Judgment by the Court, whichever is later, to divest the Advertising Assets to an Acquirer (or Acquirers) acceptable to DOJ in its sole discretion.

B. Chancellor and Kunz shall use their best efforts to accomplish the divestitures as expeditiously and timely as possible. DOJ, in its sole discretion, may

extend the time period for any divestiture for two (2) additional thirty (30) day periods of time, not to exceed sixty (60) calendar days in total.

C. In accomplishing the divestitures ordered by this Final Judgment, Chancellor and Kunz promptly shall make known, by usual and customary means, the availability of the Advertising Assets described in this Final Judgment. Chancellor and Kunz shall inform any person making an inquiry regarding a possible purchase that the sale is being made pursuant to this Final Judgment and provide such person with a copy of this Final Judgment. Chancellor and Kunz shall also offer to furnish to all prospective Acquirers, subject to customary confidentiality assurances, all information regarding the Advertising Assets customarily provided in a due diligence process except such information subject to attorney-client privilege or attorney work-product privilege. Chancellor and Kunz shall make available such information to DOJ at the same time that such information is made available to any other person.

D. Chancellor and Kunz shall permit prospective Acquirers of the Advertising Assets to have reasonable access to personnel and to make such inspection of the physical facilities of the Advertising Assets and any and all financial, operational, or other documents and information customarily provided as part of a due diligence process.

E. The defendants shall not take any action that will impede in any way the divestiture of the Advertising Assets.

F. Divestiture of the Advertising Assets may be made to one or more Acquirers,

so long as:

- (1) there is only one Acquirer for any particular county's assets in King and Inyo Counties, California and Mojave County, Arizona;
- (2) there are no more than two Acquirers for the assets in Kern County, California; and
- (3) in each instance it is demonstrated to the sole satisfaction of DOJ that the Advertising Assets will remain viable and the divestiture of such Advertising Assets will remedy the competitive harm alleged in the Complaint.

The divestitures, whether pursuant to Section IV or Section V of this Final Judgment, shall be:

- (1) made to an Acquirer or Acquirers who it is demonstrated to DOJ's sole satisfaction has or have the intent and capability (including the necessary managerial, operational, and financial capability) of competing effectively in the sale of outdoor advertising; and
- (2) accomplished so as to satisfy DOJ, in its sole discretion, that none of the terms of any agreement between an Acquirer (or Acquirers) and Chancellor or Kunz give Chancellor or Kunz the ability unreasonably to raise the Acquirer's (or Acquirers') costs, to lower the Acquirer's (or Acquirers') efficiency, or otherwise to interfere with the ability of the Acquirer (or Acquirers) to compete effectively.

V. APPOINTMENT OF TRUSTEE

A. In the event that Chancellor and Kunz have not divested the Advertising Assets within the time specified in Section IV(A) of this Final Judgment, the Court shall

appoint, on application of the United States, a trustee selected by DOJ in its sole discretion to effect the divestiture of the Advertising Assets.

B. After the appointment of a trustee becomes effective, only the trustee shall have the right to sell the Advertising Assets. The trustee shall have the power and authority to accomplish the divestitures at the best price then obtainable upon a reasonable effort by the trustee, subject to the provisions of Sections IV and X of this Final Judgment, and shall have such other powers as the Court shall deem appropriate. Subject to Section V(C) of this Final Judgment, the trustee shall have the power and authority to hire at the cost and expense of Chancellor any investment bankers, attorneys, or other agents reasonably necessary in the judgment of the trustee to assist in the divestitures, and such professionals and agents shall be accountable solely to the trustee. The trustee shall have the power and authority to accomplish the divestitures of the Advertising Assets at the earliest possible time to an Acquirer or Acquirers acceptable to DOJ in its sole discretion, and shall have such other powers as this Court shall deem appropriate. Chancellor and Kunz shall not object to a sale by the trustee on any grounds other than the trustee's malfeasance. Any such objections by Chancellor and Kunz must be conveyed in writing to the plaintiff and the trustee within ten (10) calendar days after the trustee has provided the notice required under Section VII of this Final Judgment.

C. The trustee shall serve at the cost and expense of Chancellor, on such terms and conditions as the Court may prescribe, and shall account for all monies derived from the sale of the assets sold by the trustee and all costs and expenses so incurred. After

approval by the Court of the trustee's accounting, including fees for its services and those of any professionals and agents retained by the trustee, all remaining money shall be paid to Chancellor or Kunz, as appropriate, and the trust shall then be terminated. The compensation of such trustee and of any professionals and agents retained by the trustee shall be reasonable in light of the value of the divested business and based on a fee arrangement providing the trustee with an incentive based on the price and terms of the divestitures and the speed with which they are accomplished.

D. Chancellor and Kunz shall use their best efforts to assist the trustee in accomplishing the required divestitures, including best efforts to effect all necessary consents and regulatory approvals. The trustee, and any consultants, accountants, attorneys and other persons retained by the trustee, shall have full and complete access to the personnel, books, records, and facilities of the businesses to be divested, and Chancellor and Kunz shall develop financial or other information relevant to the businesses to be divested customarily provided in a due diligence process as the trustee may reasonably request, subject to customary confidentiality assurances. Chancellor and Kunz shall permit prospective Acquirers of the Advertising Assets to have reasonable access to personnel and to make such inspection of physical facilities and any and all financial, operational or other documents and other information as may be relevant to the divestitures required by this Final Judgment.

E. After its appointment, the trustee shall file monthly reports with the parties and the Court setting forth the trustee's efforts to accomplish the divestitures ordered

pursuant to this Final Judgment; provided, however, that to the extent such reports contain information that the trustee deems confidential, such reports shall not be filed in the public docket of the Court. Such reports shall include the name, address and telephone number of each person who, during the preceding month, made an offer to acquire, expressed an interest in acquiring, entered into negotiations to acquire, or was contacted or made an inquiry about acquiring, any interest in the businesses to be divested, and shall describe in detail each contact with any such person during that period. The trustee shall maintain full records of all efforts made to divest the businesses to be divested.

F. If the trustee has not accomplished such divestitures within six (6) months after its appointment, the trustee thereupon shall file promptly with the Court a report setting forth: (1) the trustee's efforts to accomplish the required divestitures, (2) the reasons, in the trustee's judgment, why the required divestitures have not been accomplished, and (3) the trustee's recommendations; provided, however, that to the extent such reports contain information that the trustee deems confidential, such reports shall not be filed in the public docket of the Court. The trustee shall at the same time furnish such report to the parties, who shall each have the right to be heard and to make additional recommendations consistent with the purpose of the trust. The Court shall enter thereafter such orders as it shall deem appropriate in order to carry out the purpose of the trust which may, if necessary, include extending the trust and the term of the trustee's appointment by a period requested by DOJ.

VI. NOTICE

Unless such transaction is otherwise subject to the reporting and waiting period requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, 15 U.S.C. § 18a (the "HSR Act"), defendants, without providing advance notification to DOJ, shall not directly or indirectly acquire any assets of or any interest, including any financial, security, loan, equity or management interest, in any outdoor advertising business:

- (1) in Kern County, California that constitutes the greater of (a) four display faces or (b) \$250,000 in assets over a twelve-month period (beginning when this Final Judgment is entered and continuing for the term of the Final Judgment); for the purposes of this limitation, acquisitions during each twelve-month period shall be aggregated;
- (2) in Inyo County, California; Kings County, California; or Mojave County, Arizona that constitutes the greater of (a) four display faces or (b) \$250,000 in assets in any one of these counties during a five-year period; for the purposes of this limitation, there shall be two consecutive five-year periods. Acquisitions during each of these five-year periods shall be aggregated, with the first period ending five years after the Final Judgment is entered, and the second period beginning immediately upon the expiration of the first-five year period.

Such notification shall be provided to the DOJ in the same format as, and per the instructions relating to the Notification and Report Form set forth in the Appendix to Part 803 of Title 16 of the Code of Federal Regulations as amended, except that the information requested in Items 5-9 of the instructions must be provided only about outdoor advertising operations in the Four Counties. Notification shall be provided at least thirty (30) days prior to acquiring any such interest, and shall include, beyond what may be required by the

applicable instructions, the names of the principal representatives of the parties to the agreement who negotiated the agreement, and any management or strategic plans discussing the proposed transaction. If within the 30-day period after notification, representatives of DOJ make a written request for additional information, defendants shall not consummate the proposed transaction or agreement until twenty (20) days after submitting all such additional information. Early termination of the waiting periods in this paragraph may be requested and, where appropriate, granted in the same manner as is applicable under the requirements and provisions of the HSR Act and rules promulgated thereunder. This Section shall be broadly construed, and any ambiguity or uncertainty regarding the filing of notice under this Section shall be resolved in favor of filing notice.

VII. NOTIFICATION

Within two (2) business days following execution of a definitive agreement, contingent upon compliance with the terms of this Final Judgment, to effect, in whole or in part, any proposed divestitures pursuant to Sections IV or V of this Final Judgment, Chancellor and Kunz or the trustee, whichever is then responsible for effecting the divestitures, shall notify DOJ of the proposed divestitures. If the trustee is responsible, it shall similarly notify Chancellor and Kunz. The notice shall set forth the details of the proposed transaction and list the name, address, and telephone number of each person not previously identified who offered to, or expressed an interest in or a desire to, acquire any ownership interest in the businesses to be divested that are the subject of the binding contract, together with full details of same. Within fifteen (15) calendar days of receipt by

DOJ of notice, DOJ may request from Chancellor or Kunz, the proposed Acquirer (or Acquirers), or any other third party Acquirer (or Acquirers) additional information concerning the proposed divestitures and the proposed Acquirer (or Acquirers).

Chancellor and Kunz and the trustee shall furnish any additional information requested from them within fifteen (15) calendar days of the receipt of the request, unless the parties shall otherwise agree. Within thirty (30) calendar days after receipt of the notice or within twenty (20) calendar days after DOJ has been provided the additional information requested from Chancellor and Kunz, the proposed Acquirer (or Acquirers), and any third party, whichever is later, DOJ shall provide written notice to Chancellor and Kunz and the trustee, if there is one, stating whether or not it objects to the proposed divestitures. If DOJ provides written notice to Chancellor and Kunz and the trustee that DOJ does not object, then the divestitures may be consummated, subject only to Chancellor and Kunz's limited right to object to the sale under Section V(B) of this Final Judgment. Absent written notice that DOJ does not object to the proposed Acquirer (or Acquirers) or upon objection by DOJ, a divestiture proposed under Section IV or Section V may not be consummated. Upon objection by Chancellor and Kunz under the provision in Section V(B), a divestiture proposed under Section V shall not be consummated unless approved by the Court.

VIII. AFFIDAVITS

A. Within twenty (20) calendar days of the filing of the Complaint in this matter and every thirty (30) calendar days thereafter until the divestitures have been completed whether pursuant to Section IV or Section V of this Final Judgment, Chancellor and Kunz shall deliver to DOJ an affidavit as to the fact and manner of compliance with this Final Judgment. Each such affidavit shall include, inter alia, the name, address, and telephone number of each person who, at any time after the period covered by the last such report, made an offer to acquire, expressed an interest in acquiring, entered into negotiations to acquire, or was contacted or made an inquiry about acquiring, any interest in the businesses to be divested, and shall describe in detail each contact with any such person during that period. Each such affidavit shall also include a description of the efforts that Chancellor and Kunz have taken to solicit a buyer for the Advertising Assets and to provide required information to prospective Acquirers.

B. Within twenty (20) calendar days of the filing of the Complaint in this matter, Chancellor and Kunz shall deliver to DOJ an affidavit that describes in detail all actions they have taken and all steps they have implemented on an on-going basis to preserve the Advertising Assets pursuant to Section IX of this Final Judgment. The affidavit also shall describe, but not be limited to, the efforts of Chancellor and Kunz to maintain and operate the Advertising Assets as active competitors, maintain the management, staffing, sales, and marketing of the Advertising Assets, and maintain the Advertising Assets in operable condition at current capacity configurations. Chancellor

and Kunz shall deliver to DOJ an affidavit describing any changes to the efforts and actions outlined in their earlier affidavit(s) filed pursuant to this Section within fifteen (15) calendar days after the change is implemented.

C. Until one year after such divestiture has been completed, Chancellor and Kunz shall preserve all records of all efforts made to preserve the business to be divested and effect the divestitures.

IX. PRESERVATION OF ASSETS

Until the divestitures required by the Final Judgment have been accomplished, Chancellor and Kunz shall take all steps necessary to maintain and operate the Advertising Assets as active competitors; maintain the management, staffing, sales and marketing of the Advertising Assets; and maintain the Advertising Assets in operable condition at current capacity configurations. Defendants shall take no action that would jeopardize the divestitures described in this Final Judgment. Kunz agrees to abide by the above requirements only to the extent that its contractual rights and obligations pertaining to the Advertising Assets to be divested permit it to.

X. FINANCING

The defendants are ordered and directed not to finance all or any part of any purchase by an Acquirer (or Acquirers) made pursuant to Sections IV or V of this Final Judgment.

XI. COMPLIANCE INSPECTION

For purposes of determining or securing compliance with the Final Judgment and subject to any legally recognized privilege, from time to time:

A. Duly authorized representatives of the plaintiff, upon the written request of the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to the defendants made to their principal offices, shall be permitted:

- (1) Access during office hours of the defendants to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of the defendants, who may have counsel present, relating to the matters contained in this Final Judgment; and
- (2) Subject to the reasonable convenience of the defendants and without restraint or interference from any of them, to interview, either informally or on the record, their officers, employees, and agents, who may have counsel present, regarding any such matters.

B. Upon the written request of the Assistant Attorney General in charge of the Antitrust Division, made to the defendants' principal offices, the defendants shall submit such written reports, under oath if requested, with respect to any matter contained in the Final Judgment.

C. No information or documents obtained by the means provided in Sections VIII or XI of this Final Judgment shall be divulged by a representative of the plaintiff to any person other than a duly authorized representative of the Executive Branch of the United States, except in the course of legal proceedings to which the plaintiff is a party

(including grand jury proceedings), or for the purpose of securing compliance with this Final Judgment, or as otherwise required by law.

D. If at the time information or documents are furnished by the defendants to the plaintiff, the defendants represent and identify in writing the material in any such information or documents to which a claim of protection may be asserted under Rule 26(c)(7) of the Federal Rules of Civil Procedure, and the defendants mark each pertinent page of such material, "Subject to claim of protection under Rule 26(c)(7) of the Federal Rules of Civil Procedure," then ten (10) calendar days notice shall be given by the plaintiff to the defendants prior to divulging such material in any legal proceeding (other than a grand jury proceeding) to which the defendants are not a party.

XII. RETENTION OF JURISDICTION

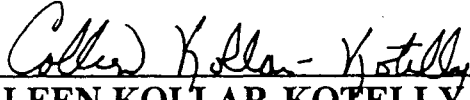
Jurisdiction is retained by this Court for the purpose of enabling any of the parties to this Final Judgment to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the construction or carrying out of this Final Judgment, for the modification of any of the provisions hereof, for the enforcement of compliance herewith, and for the punishment of any violations hereof.

XIII. TERMINATION

Unless this Court grants an extension, this Final Judgment will expire upon the tenth anniversary of the date of its entry; however, all of Kunz's obligations under the terms of this Decree cease once Kunz irrevocably conveys the Advertising Assets (owned by Kunz) to be divested to Chancellor.

XIV. PUBLIC INTEREST

The court has reviewed the Competitive Impact Statement, the procedural requirements pursuant to the APPA, specifically 15 U.S.C. §16 (b)-(d) which have been complied with, the lack of any comments received in response to the published notices, and the proposed final judgment. Pursuant to 15 U.S.C. §16 (e) the court finds when considering the remedy secured in relationship to the allegations in the government's complaint that the enforcement mechanisms are sufficient, that no harm to third parties is apparent, and that the relief is adequate to ensure the public interest.



COLLEEN KOLLAR-KOTELLY
United States District Judge

4/6/99