

## BLUESTONE TELEVISION PRIVATE EQUITY CREATES STRONG PLATFORM FOR FUTURE GROWTH

With capital provided by Providence Equity Partners and management expertise from veteran broadcast executive Sandy DiPasquale, BlueStone Television LLC was created in December 2003 to acquire and operate the television group owned by Lamco Communications. A family-owned business, Lamco owned and operated 12 television stations with multiple network affiliations in eight markets nationwide, broadcasting to about 1.2 million households. Its markets included Tri-Cities in Tennessee and Virginia; Greenville, New Bern and Washington in North Carolina; Chico, Redding and Eureka in California; Abilene, Sweetwater and San Angelo in Texas; and Missoula and Butte, Bozeman in Montana.

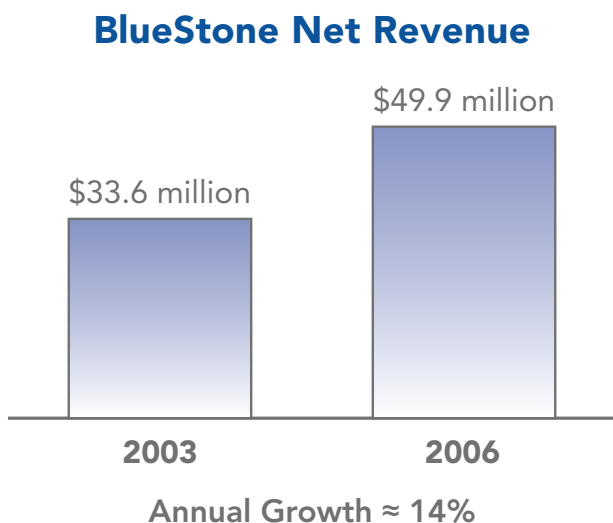
Primarily a publishing company throughout the 1970s, Lamco later began buying television stations. By the end of the 1990s, Lamco was looking to sell its broadcast assets, largely because the Lamade family had not established a clear succession plan. BlueStone acquired the stations for \$133.5 million, recognizing the quality of Lamco's broadcast platform and the potential for growth through more focused management.

BlueStone's strategy with the Lamco stations was to:

- Invest in, improve, and where appropriate expand the news product produced by the stations
- Invest in research and other sales tools to better understand the local broadcast viewership base and provide the sales force with the proper tools to drive revenues
- Effectively manage costs
- Create a sales-driven culture characterized by accountability. BlueStone's strategy did not include reducing headcount or other operating costs upon acquisition — in fact, the company increased expenditures to make the strategic investments described above.

By partnering with DiPasquale as its president and chief executive officer, BlueStone capitalized on his contacts in the industry to attract bright and talented station managers from across the country to execute the strategy.

Under private equity ownership, BlueStone ran the Lamco stations more efficiently, generating more cash flow to make key investments in local news, programming and research. Overall, net revenue grew from \$33.6 million in 2003 to \$49.9 million in 2006, representing annual growth of approximately 14 percent. Meanwhile, broadcast cash flow grew from \$11.8 million in 2003 to \$20.6 million in 2006,





representing annual growth of approximately 20 percent. During this period, the company made significant investments in the operations, including investing over \$1.5 million to improve the quality of its news franchises.

To upgrade the look and feel of its news product, BlueStone hired premiere design and graphics firms such as VDO and FX Group to refresh broadcast graphics and update set design and fabrication. The company also hired leading research firms, including Frank N. Magid Associates, Crawford Johnson & Northcott, and Incwas, to improve its stations news operations. These investments resulted in a local news product that more resembled a large market newscast. Advertising revenue generated by a station with good news product can sometimes account for up to half of a broadcast station's revenues, and the investments made by BlueStone in local news programming paid off handsomely.

### **Positioned for Future Growth**

Under DiPasquale's leadership, BlueStone achieved its planned five-year revenue plan in close to three years. Revenue growth of approximately 14 percent a year was up significantly from the pre-acquisition results.

By 2007, BlueStone's employees numbered 434. In May of that year, Providence Equity sold the company to Bonten Media Group LLC, an affiliate of New York private equity firm Diamond Castle Holdings LLC, for \$230 million, following approval from the Federal Communications Commission. Diamond Castle partnered with Randall D. Bongarten, a veteran broadcasting executive and former president of Emmis Television to acquire BlueStone.

Diamond Castle and Bongarten purchased a set of broadcast assets well-positioned for future growth because of BlueStone's strategy of running efficient operations while making significant investments in local programming.