

Saved By a Lease Purchase Option... Is the Future of KCOH Radio Secure?

Written by Jeffrey L. Boney

Wednesday, 19 December 2012 00:00



Let's Be Clear....Facts matter!

As we have stated before, as a small business that has thrived in the city of Houston for nearly 53 years, the Houston Forward Times is totally supportive of any business owners who make business decisions that are in their best interest, which includes making money.

That is why it is equally important that the Houston Forward Times continue to share facts with the community concerning KCOH Radio with its readers. This is extremely important, not because we are on a witch hunt, but because the African-American community continues to ask questions and deserves to know the facts concerning KCOH Radio.

HERE ARE THE FACTS

Some important facts that the community should be aware of are these:

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1) KCOH ownership announced the sale of the station to La Promesa Foundation, without having had any deal solidified that would allow the KCOH Radio format to continue beyond the sale of the station.

2) A cash offer presented by former Houston Astros player and businessman Enos Cabell was rejected by KCOH owners, but the offer remains on the table.

3) Under the Lease Purchase Option, businessman Jesse Dunn would not own the station, the building on Almeda or the KCOH call letters.

4) The future of KCOH, while promising, is still at risk.

DETAILS OF THE KCOH SALE

The Estate of Michael Petrizzo, the force behind KCOH Inc., is the primary catalyst behind selling KCOH Radio and Thomas (Tom) F. Petrizzo, his son, is the executor signing off on the deal for the sale of the station.

The ultimate value of the KCOH deal with La Promesa Foundation will be \$2.766M. The asset portion amounts to \$2.141M of that, including a `id="mce_marker"00K` escrow deposit, `id="mce_marker".4M` in cash at closing and a note for \$641K.

To better understand this, one must realize that KCOH owners are only receiving a guaranteed `id="mce_marker".5` million in cash towards the purchase of the station. To make up the remaining amount of the sale, KCOH owners will have to personally finance \$641k in the form of a promissory note.

To make things even more plain; the deal that was cut with La Promesa Foundation by KCOH ownership is similar to a person seeking to purchase a house and having the owner of the house agree to sell the home to the buyer and then owner-finance the sales price minus a down

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payment.

Owner financing is the process by which a person who is selling a business extends credit to the person buying it, using the business as collateral. For sellers such an arrangement can facilitate the sale of their business because it can be so difficult for a potential buyer to get a bank loan to purchase a business. For buyers, seeing that an owner is willing to finance the sale of a business can offer an indication that they are confident of the business's ongoing profitability.

Lastly, the KCOH owners will be receiving a donation credit of \$625k. A donation credit is similar to a gift letter, whereby a company can write off this amount on their taxes. It isn't cash or money that will be seen by or given to the KCOH owners.

The donation credit will be provided by La Promesa Foundation, which is the non-profit organization who owns Guadalajara Broadcasting Network. Charitable donations to a registered charity made under a private corporation are taxed differently than an individual. Where an individual gets a tiered tax credit, a corporate donation is simply an expense, and reduces income dollar for dollar.

BLACKS WERE PREPARED TO BUY THE STATION

Several African-American business people came forth to state that they had submitted offers to KCOH radio.

An executive at Radio One stated that they had made offers this year that were rejected, as well as several years ago when they offered the station \$7 million cash and \$2 million in stock.

Michael McCall, a business developer and Dr. John Stanford, a business investor, came forth to state they had been working with the Petrizzo family on a deal to purchase KCOH since 2009 and have made two offers since that time, including this year, that were rejected.

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At a scheduled press conference last Friday morning, Enos Cabell, Houston Astros Hall of Famer and current special assistant to Astros General Manager Ed Wade, stated that he, McCall and Stanford approached KCOH ownership again to make an offer to buy KCOH Radio and keep it on the 1430 AM dial, along with the acquisition of the building.

The press conference, called by U.S. Congresswoman Sheila Jackson Lee who oversees the district where KCOH Radio currently sits, discussed efforts to save KCOH in its current format and ensuring the future of KCOH radio through new ownership that appreciated the rich history of KCOH.

At the press conference, Cabell showed members of the media a copy of the letter from the President of his bank, Spirit of Texas Bank, which showed that Cabell and his group of investors have the money to purchase the station well above the agreed upon sales price to La Promesa.

“Here is the letter from my bank,” said Cabell. “Tom Petrizzo and John Saunders asked me to provide a letter from my bank indicating that we had the money, and I sent it over several days ago and as of this press conference I haven’t heard back from them to tell us anything.”

When asked why Petrizzo opened back up communication to discuss selling the station to them after the sale to La Promesa had been announced, Cabell stated that he thought Petrizzo was serious about making the deal happen.

A “DUNN” DEAL

Prior to the scheduled press conference by Cabell, Petrizzo called into KCOH radio station that morning to speak to KCOH’s Michael Harris, where he made the announcement that Jesse Dunn had executed a lease agreement with “the owners” of 1230 AM, which will allow the current programming to move from 1430 AM to 1230 AM.

Dunn, who submitted several offers in the past, including this year, was never able to secure the adequate financing to purchase the station.

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In speaking with Dunn, he states that the agreement is a lease purchase option that was signed by both parties last Thursday evening.

“We have entered into a lease purchase option which gives us full programming rights without ownership,” said Dunn. “It’s a 2 year option of renewing, with the ability to exercise the purchase option whenever I decide to do so.”

Dunn states that with this agreement, the current owners of 1230 AM would not be able to change the formatting of the station as long as he maintains his lease agreement with them.

Dunn still has to meet with Petrizzo to discuss another lease to utilize the building that currently houses the studios of KCOH.

With this deal, the KCOH call letters and current programming would move to 1230 AM once La Promesa officially takes over 1430 AM, after approval by the Federal Communications Commission.

KQUE 1230 AM is a 1,000-watt radio station, compared to KCOH 1430 AM, which is a 5,000-watt radio station. The FCC will be reviewing the KCOH application for sale and making a decision on it after reviewing the details of the sale and any comments submitted in protest.

Dunn plans to formally begin broadcasting on 1230 AM on March 1, 2013.

NO MORE BLACK OWNERSHIP

While the news of KCOH continuing on a new station is exciting for many in the community, its future is still clouded with questions about its long term sustainability.

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Lingering questions swirl about what will happen to KCOH if the station is sold to a new owner who does not appreciate the rich history of KCOH, and has other plans for the station; or whether the lease will be able to be maintained due to financial constraints. These and many other concerns have many wondering if KCOH, as the community knows it, could be lost forever.

KCOH Radio's roots go as far back as May 5, 1948, when it launched its broadcasting debut. It began programming with the classics and popular dance music which consisted of 80% music and 20% news, sports and public affairs while it focused on limited commercial interruption.

KCOH, whose call letters have been said to stand for "City of Houston," was acquired by businessman Robert C. Meeker in 1953, defining it as the first black owned radio station in Texas, third in the nation and the second oldest AM station in Houston to keep its original call letters.

The station, KQUE 1230 AM, is currently owned by Liberman Broadcasting, who will continue to own the station when the lease to purchase option goes into effect.

Congresswoman Lee, along with several other members of Congress have submitted a letter to the FCC, encouraging them to look into the KCOH sale and to address the clear need to protect existing minority-focused programming and to foster minority ownership and programming diversity.

KCOH Radio has been a crown jewel within the community since 1953 and has been a source of information and inspiration to its listeners for nearly 60 years. The significance of KCOH Radio goes beyond its years of existence and the loss of it would be devastating to the African-American community.

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