THE SUN

LIGHT FOR ALL

Friday, February 16, 1990 Baltimore, Maryland 50 cents

United Cable settlement may bring pair $106 million

By GRAEME BROWNING

Two local black businessmen who claimed that they had been squeezed out of a promised 25 percent share of the partnership that owns United Cable of Baltimore accepted yesterday a cash-and-stock package worth as much as $106 million in settlement of their lawsuit against the partnership's other investors.

The settlement, which brought a three-week trial in Baltimore Circuit Court to an end, is believed to be the largest ever agreed upon in a civil lawsuit in Maryland.

The settlement also means that "in essence [Clarence L. Elder and Oliver Patrick Scott, the plaintiffs] will eventually own 25 percent of the entire [Baltimore cable] system," said Stephen L. Snyder, one of the attorneys who represented Mr. Elder and Mr. Scott in the case.

Expert witnesses for the company that owns the majority interest in the cable system have put the estimated value of the cable system at $375 million by 1995. The settlement provides for cash and shares in the system to be transferred to Mr. Elder and Mr. Scott immediately, and gives them the option to buy more shares later.

"We're glad this has been taken care of," said Marilyn Harris-Davis, community affairs manager for United Cable of Baltimore. "We're looking forward to working with our minority investors."

Begun Jan. 29, the trial was originally expected to take at least five weeks because of its complexity, even the tangle of names involved in the lawsuit can be confusing.

United Cable of Baltimore holds the cable television franchise for the city. It is in turn owned by United Cable Television of Baltimore Limited Partnership, which is composed of a general partner, which owns 1 percent of the group, and limited partners, who own the remaining 99 percent.

Denver-based United Cable Television Corp. owns 75 percent of the general partner while Baltimore-based Universal Telecommunications Inc. (UTI), a local investment partnership, owns 25 percent.

The limited partners are United Cable Television Corp., which owns 95.32 percent of the so-called Class A units of United Cable Television of Baltimore Limited Partnership; United Cable Television Corp. employees, who own 1.57 percent of Class A units; and UTI, which owns the remaining 3.11 percent of the units, which are listed as Class B.

Mr. Elder, an inventor and consultant, and Mr. Scott, a teacher at Suitland High School in Prince George's County, formed UTI with other partners in December 1984 to invest in the cable television franchise that was awarded to United Cable Television Corp. the same month.

The franchise agreement included a city requirement that the franchisee make a good-faith effort to assure that minority individuals or minority-controlled firms have a controlling ownership interest in 25 percent of the cable system.

A representative of United Cable Television Corp. had approached Mr. Elder and Mr. Scott, who are black, and suggested that they form an investment group to take advantage of that requirement.

According to court documents, when the two men and two of their partners, Baltimore doctor H. Garland Chissell and lawyer Robert F. Dashiell, traveled to United's Denver headquarters in early 1985, they were told that UTI would be required to contribute $1 million to own 25 percent of the general partnership.

The four were also assured that individuals would be allowed to purchase limited partnership units on their own if UTI was unable to raise the money. According to the court documents, Mr. Elder and Mr. Scott "also lined up other black investors to participate" in the partnership based on that assurance.

By the end of the year, however, United told UTI that to purchase a 25 percent interest in the limited partner units — thereby assuring that minorities would own a full 25 percent of the Baltimore cable system — UTI would have to pay an additional $6.5 million.

Despite earlier assurances, United's chief operating officer, Fred Vierra, also told Mr. Elder and Dr. Chissell that individuals would not be allowed to purchase partnership units, the court documents say.

Around that time, Dr. Chissell, Mr. Dashiell and Louis V. Manzo, an investment banker who was also an investor, removed Mr. Elder and Mr. Scott as directors of UTI, according to the documents.

Shortly afterward, UTI raised $1 million through an offering of preferred stock and used that money to buy 25 percent of the general partner and 311 of the 10,000 limited partnership units that were available.

Mr. Elder and Mr. Scott filed suit in August 1986 against United, UTI, Dr. Chissell, Mr. Dashiell and Mr. Manzo.

"What happened here," said Gerson Mehlman, who tried the case with Mr. Snyder and Sheldon N. Jacobs, "is that United didn't understand minority set-asides [like the city requirement of 25 percent minority ownership]. They had their eyes opened in this case."

The settlement offer came before attorneys for the two men had finished presenting all of their evidence to the jury, Mr. Mehlman said.

The settlement provides, first, that 2,189 "Class A" units of the limited partnership that owns United Cable of Baltimore will be transferred to Mr. Elder and Mr. Scott along with a payment of $8.7 million in cash.

A second provision requires the partnership to allow Mr. Elder and Mr. Scott to purchase 311 Class B units within the next five years. At the time of the purchase, the two men will receive an additional $3.2 million cash payment.

They will also have the right to pay for their purchase over a period of four years at no interest. The two provisions would bring Mr. Elder's and Mr. Scott's ownership of the cable system to 25 percent.

Depending on the cable system's performance within those five years the settlement could be worth anywhere from $60 million to $106 million, Mr. Mehlman said.