

Exhibit 18
Request for Continued Satellite Authority for KRII

Quincy Newspapers, Inc. (“QNI”), proposed assignee of KRII, respectfully requests a continuation of the satellite waiver¹ previously granted—twice—to the assignor for its operation of KRII, Chisholm, Minnesota, as a satellite of KBJR-TV, Superior Wisconsin, pursuant to Note 5 of Section 73.3555 of the Commission’s rules. *See* 47 C.F.R. § 73.3555, Note 5.

KRII has been operated continuously as a satellite of KBJR-TV since KRII went on the air in 2002.² As recently as 2007, the Commission recognized the propriety of continuing to operate KRII as a satellite of KBJR under an *ad hoc* analysis of relevant factors.³ For more than fifty years, the Commission has recognized the public interest benefits of permitting satellite service to underserved areas. *See, e.g., Basin Television Company*, FCC 56-994, 13 Rad. Reg. 392, 404 (1956); *Selenka Communications, LLC*, Memorandum Opinion and Order, 25 FCC Rcd 278 (2010) (granting satellite waiver to a wholly-owned subsidiary of QNI to operate WMOW (formerly known as WBIJ) as a satellite of WAOW).

The Commission’s satellite waiver policy provides that an applicant seeking satellite status is entitled to a presumption that the proposed satellite operation is in the public interest if the following three criteria are met: (1) no City Grade contour overlap exists between the parent and the satellite; (2) the proposed satellite station will provide service to an unserved or underserved area; and (3) no alternative operator is ready and able to construct or to purchase and operate the satellite as a full-service station.

QNI respectfully urges the Commission to find, for the reasons set forth below, that KRII qualifies for satellite status under the three-part presumptive waiver test. Alternatively, should the Commission determine that KRII does not meet all elements of the presumptive waiver test, QNI respectfully requests that the Commission “evaluate the proposal on an *ad hoc* basis and grant the application [in light of the] other compelling circumstances that warrant approval.” *Television Satellite Stations Review of Policy and Rules*, Report and Order, 6 FCC Rcd 4212, ¶ 14 (1991) (“*Satellite Order*”).

¹ Implicit in this request is also a request for a continued main studio waiver so that the KRII main studio may remain co-located with the KBJR-TV main studio (which is currently located in Duluth, Minnesota) within the noise limited service contour of KBJR-TV.

² *See Letter from Barbara A. Kreisman to Channel 11 License, Inc.*, May 30, 2007 (granting continued satellite status to KRII in File No. BTCCT-20070214ABL and observing that “[t]he Commission first authorized the licensee to construct and operate KRII(TV) as a satellite of KBJR-TV in August, 2002.”). A copy of the May 30, 2007, letter is attached to the Declaration of Brian Byrnes, which is attached to this exhibit.

³ *See Letter from Barbara A. Kreisman to Channel 11 License, Inc.*, May 30, 2007 (granting continued satellite status to KRII in File No. BTCCT-20070214ABL).

First, there is no City Grade contour overlap between KRII and KBJR-TV. *See Letter from Barbara A. Kreisman to Channel 11 License, Inc.*, May 30, 2007, p.2 (granting continued satellite status to KRII in File No. BTCCT-20070214ABL and acknowledging “that there is no City Grade overlap between the two stations”). While the Commission has acknowledged that the concept of City Grade contours has been largely mooted by the transition of full power television stations to digital-only operations,⁴ the fact remains that the equivalent of a City Grade contour from each station’s analog operation would not overlap because the stations have not moved. In fact, there is a smaller overlap between the two stations’ principal community contours now than there was in 2007 because the digital contour for KBJR-TV covers a smaller area than its analog contour covered. *See KBJR-TV Contour Map*, available at the following URL address: <http://transition.fcc.gov/mb/engineering/maps/images/callsigns/KBJR.gif>. Thus, the first criterion is met.

Second, KRII provides service to an unserved or underserved area. This criterion may be met by either a “transmission test” or a “reception test.” Under the transmission test, which is relevant here, “a proposed satellite’s community of license is considered underserved if there are two or fewer full-service stations already licensed to it. For purposes of this test, stations considered licensed to a community would include all educational, regular TV and TV satellite stations, but would exclude low power television and translator stations.”⁵ KRII is licensed to serve Chisholm, Minnesota, and it is the only full service broadcast station of any kind licensed to this community. In fact, according to the Commission’s CDBS, only one other broadcast station is licensed to Chisholm, and it is an FM translator station. The search results below were returned when Chisholm, Minnesota, was entered in CDBS as the community of license city and state. Thus, the second criterion is met.

Station Search Results					
Call Sign	Facility Id	Service	Licensee	Status	Details
KRII	82698	DT	CHANNEL 11 LICENSE, INC.	LICENSED	Click for Details
W267AO	63343	FX	HEARTLAND CHRISTIAN BROADCASTERS, INC.	LICENSED	Click for Details

Third, no alternative operator is ready and able to construct or to purchase and operate the satellite as a full-service station. In fact, the current licensee made KRII available to purchasers, and, upon information and belief, no potential purchaser bid on the station as a stand-alone operation. Moreover, as discussed in the attached Declaration of Brian Byrnes, it is infeasible

⁴ *See, e.g., Applications of Local TV Holdings, LLC*, Memorandum Opinion and Order, 28 FCC Rcd 16850 (2013), ¶ 33 (“With respect to the first criterion, we note that, following the digital transition, full power television stations have a digital Principal Community Contour that serves a much larger area than their former analog City Grade contour. Thus, the Principal Community Contour is not an equivalent standard to use in determining whether a satellite qualifies for the presumptive satellite exemption to the duopoly rule.”).

⁵ *Satellite Order*, ¶ 19.

that any buyer could be found to operate KRII as a non-satellite, stand-alone station. As described in the Declaration, KRII is not an attractive investment for several reasons, including the small size and relatively low revenue of the market, the lack of an available, viable programming network affiliation, and the station's geographic location within the market relevant to the principle population centers. QNI respectfully submits that the fact that no independent buyer emerged to purchase KRII as a stand-alone station when QNI made its purchase offer combined with the professional opinion of Mr. Byrnes that KRII does not present a viable stand-alone broadcasting opportunity satisfy the third criterion under the presumptive waiver analysis.⁶

* * * * *

⁶ If these factors do not satisfy the third criterion for a presumptive waiver, then QNI respectfully requests consideration under the *ad hoc* framework.

DECLARATION OF BRIAN BYRNES

I, Brian Byrnes, do hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information and belief:

1. I am President of Paramount Media Advisors, Inc., a media and brokerage consulting firm in Chicago, Illinois. I have been with Paramount Media Advisors, Inc. and its predecessor affiliate company for twenty-six years and have over a decade of experience in media brokerage.

2. As the principal of Paramount Media Advisors, I have extensive knowledge of the television industry in general, having owned and operated television properties over a period of thirty years. I have owned and operated television and radio broadcast properties for both my own benefit and for the benefit of public shareholders, such as the Merrill-Lynch Media Partners partnership. I have both consulted for and appraised television stations for a variety of purposes, including acquisitions, divestitures, mergers, financing, and restructuring of debt. In some instances the valuations have formed the basis for testimony in court cases involving bankruptcy, for both petitioners and estates. I have been personally involved in the acquisition or sale of more than 75 television broadcast properties, including stations in large, medium and small markets.

3. I am providing this Statement in support of the efforts of Quincy Newspapers, Inc. ("Quincy") to continue to operate television station, KRIL, Chisholm, Minnesota, which serves a portion of the Duluth, Minnesota, – Superior, Wisconsin, television market ("Duluth-Superior DMA"), as a satellite of KBJR-TV, Superior, Wisconsin. KRIL currently operates, and has always operated, as a satellite of KBJR-

TV, which is an affiliate of the NBC Television Network for the Duluth-Superior DMA. I have reviewed and am familiar with the Commission's 2007 letter decision granting the continued satellite operation of KRIL (copy attached) as well as the 2007 Request for Continued Satellite Authority filed by the proposed Assignor that resulted in the Commission's 2007 grant.¹ If anything, the circumstances are even more compelling in the current climate in 2014 than they were seven years ago for KRIL to remain a satellite of KBJR-TV as proposed by Quincy. For the reasons set forth below, in our opinion, we do not believe that KRIL could be operated profitably as a stand-alone station serving the Duluth-Superior, DMA.

4. KRIL is licensed to Chisholm, Minnesota, a community approximately 65 miles north and west of Duluth, Minnesota. Its coverage pattern does not reach the primary cities of Duluth, Minnesota, and Superior, Wisconsin (the "Twin Port Cities"), which represent the centers of commerce for the area and which would be of primary interest to an advertiser attempting to cover the centers of population.

5. Of the seven commercial² television stations licensed to serve the Duluth-Superior DMA (KBJR-TV, Superior, WI; KCWV, Duluth, MN; KDLH, Duluth, MN; KQDS-TV, Duluth, MN; KRIL, Chisholm, MN; WDIO-TV, Duluth, MN; WIRT, Hibbing, MN), the predicted noise limited service contours of only two—KRIL and WIRT—do not

¹ See File No. BTCCT-20070214ABL, Exhibit 20.

² Two non-commercial television stations also operate in the Duluth-Superior DMA—WDSE-TV, Duluth, MN; WRPT, Hibbing, MN—and the one whose signal does not cover the Twin Port Cities (WRPT) is a satellite of the one whose signal does cover the Twin Port Cities (WDSE-TV).

center on the Twin Port Cities of Duluth and Superior.³ Significantly, both KRII and WIRT are currently operated as satellite stations of full power stations whose signals are centered over the Twin Port Cities, namely KBJR-TV and WDIO-DT⁴ respectively. As such, as demonstrated in the table below, which incorporates population data from the Commission's current DTV mapbooks, the population coverage of KRII is smaller than any other commercial station in the Duluth-Superior DMA by a significant margin. The only station with close to the same population served as KRII is the other satellite in the market, WIRT. On average, KRII's population served is less than 44% of the population served by the other five commercial, non-satellite stations.

Call Sign	Population Served	URL Address of Map with Population Data
KBJR-TV	258,882	http://transition.fcc.gov/mb/engineering/maps/images/callsigns/KBJR.gif
KCWV	204,052	http://transition.fcc.gov/mb/engineering/maps/images/callsigns/KCWV.gif
KDLH	249,218	http://transition.fcc.gov/mb/engineering/maps/images/callsigns/KDLH.gif
KQDS-TV	290,487	http://transition.fcc.gov/mb/engineering/maps/images/callsigns/KQDS.gif
KRII	112,103	http://transition.fcc.gov/mb/engineering/maps/images/callsigns/KRII.gif
WDIO-TV	300,209	http://transition.fcc.gov/mb/engineering/maps/images/callsigns/WDIO.gif
WIRT	122,710	http://transition.fcc.gov/mb/engineering/maps/images/callsigns/WIRT.gif

6. These population data and the relative location of KRII within the Duluth-Superior DMA are significant. At the present time, Paramount Media Advisors is actively marketing five television stations serving four different television markets. Four of the stations we are currently marketing have, much like KRII, deficiencies in their coverage patterns as a result of their inability to reach the major population centers, and as such, we have not been successful in our efforts to locate a potential buyer over a period of many months. All four of the stations are experiencing operating losses. Over

³ This is borne out by the Commission's DTV mapbooks archived at the following URL address: http://transition.fcc.gov/dtv/markets/maps_current/Duluth_MN-Superior_WI.pdf.

⁴ WIRT was most recently granted continuing satellite authority in 1987. See *Hubbard Broadcasting, Inc., WDIO-TV & WIRT*, Letter Decision, 2 FCC Rcd 7374 (1987).

the past five years, in our opinion, the environment for the sale of single stand-alone television stations has generally deteriorated, and it is extremely unlikely that a station with a coverage disadvantage, such as KRII, could be operated at a profit by other than an in-market operator as Quincy proposes to do here.

7. Moreover, the Duluth-Superior DMA has experienced a significant decrease in television revenues since 2007 when the estimated television revenues for the market were \$20,300,000. For the year 2013, the estimated television revenues for the market were \$16,900,000 or almost 17% below the 2007 expenditures. In addition, the firm BIA Kelsey, which has been cited by the FCC as an accurate source of radio and television data used in FCC filings, has estimated that the market revenues will grow less than one-half of one percent annually over the period from 2012 to 2017. These revenue projections represent a downward departure from the more favorable outlook provided in the 2007 Request for Continued Satellite Authority, when growth of more than 4% was expected.⁵ The impact of these economics is probably obvious: if the more favorable data in 2007 was salient in demonstrating the inability for KRII to be operated as a free-standing station, then the current, downwardly revised projections even more convincingly demonstrate that KRII's continued viability is dependent upon its continued status as a satellite of KBJR-TV as proposed by Quincy.

8. A further development which would influence a broadcaster's operations in the Duluth-Superior DMA is the fact that the market has dropped two market rankings over the last four years, moving from a market rank of 137 to a market

⁵ See MARK R. FRATRIK, THE ECONOMIC VIABILITY OF KRII(TV) IF OPERATED AS A FULL-SERVICE TELEVISION STATION IN THE DULUTH, MN-SUPERIOR, WI TELEVISION MARKET, p.4 (attached to Exhibit 20 of File No. BTCCT-20070214ABL).

rank of 139. Television advertising expenditures are allocated toward growth markets where the number of television homes is increasing as opposed to decreasing. This situation makes it increasingly unlikely that a buyer would ever emerge with an interest in operating KRIL as a stand-alone station.

9. As a firm, we have been active in marketing television stations over a period of many years and we are particularly aware of the current overview of acquisition activity in other than unique situations, such as those where a buyer has an established brand and following in a given marketplace and may be able to expand on that brand and following by acquiring an additional outlet in the market, or is a group operator with significant synergies that can be brought to bear on a given acquisition.

10. Over the last several months we have been in contact with a significant number of broadcast operators regarding their interest in a potential acquisition and have noted a complete lack of appetite for stations of any affiliation, unless there is a unique opportunity in connection with the acquisition, such as an in-market situation or other unique situation as noted above.

11. If a party were to attempt to operate KRIL as a stand-alone station, they would be at a loss to affiliate with a broadcast network capable of securing ratings of any level on a consistent basis. All of the networks capable of securing consistent ratings of any levels are currently affiliated with stations serving the Duluth-Superior DMA. Furthermore, all of the existing stations operating in the market have one or more translators or a satellite station serving the market, to cover areas outside of their primary coverage patterns. KRIL would be at a significant disadvantage in its primary

coverage area, as well as its lacking of translators or a satellite to cover the population centers of the existing market.

12. In light of the facts presented above, it is the judgment of Paramount Media Advisors that KRIL could not be operated as a profitable stand-alone television broadcast property serving its city of license or the greater area of the Duluth-Superior DMA, due to the lack of a coverage pattern which would be available to the primary trading area of the market, and a lack of any significant projected television revenue growth over the next several years.

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Executed on this 18th day of February, 2014 at Chicago, Illinois



A handwritten signature in black ink, appearing to read 'B. Byrnes', is written over a solid horizontal line. The signature is stylized and cursive.

Brian Byrnes



Federal Communications Commission
Washington, D.C. 20554
MAY 30 2007

Ref. Rem

Channel 11, License, Inc.
c/o Tom W. Davidson, Esq.
Akin, Gump, Strauss, Hauer & Feld, LLP
1333 New Hampshire Ave, N.W.
Washington, D.C. 20036

SP Granite LLC
c/o Kevin P. Latek
Dow Lohnes PLLC
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Re: KRII(TV), Chisholm, Minnesota, ID No.
82698, Application for Transfer of Control,
File No. BTCCT-20070214ABL.

Dear Applicants:

This is in reference to the above captioned application for transfer of control of Channel 11, License, Inc., licensee of KRII(TV), Chisholm, Minnesota, to SP Granite LLC (SP Granite).¹ In connection with the transfer application, SP Granite seeks a continuing waiver for KRII(TV) to operate as a satellite of KBJR-TV, Superior, Wisconsin. For the reasons stated below, we grant the waiver and the application.

In *Television Satellite Stations*, 6 FCC Rcd 4212, 4215 (1991) (subsequent citations omitted), the Commission established the requirement that all applicants seeking to transfer or assign satellite stations justify continued satellite status by demonstrating compliance with a three-part "presumptive" satellite exemption standard applicable to new satellite stations. The presumptive satellite exemption is met if the following three public interest criteria are satisfied: (1) there is no City Grade overlap between the parent and the satellite; (2) the satellite would provide service to an underserved area; and (3) no alternative operator is ready and able to construct or to purchase and operate the satellite as a full-service station. *Id.* at 4213-14. If an applicant does not qualify for the presumption, the Commission will evaluate the proposal on an *ad hoc* basis, and grant the application if there are compelling circumstances that warrant approval. *Id.* at 4212.

¹ This application is part of a larger group of applications to transfer control of the various licensee entities that were part of Granite Broadcasting Corporation to SP Granite LLC. See KBWB License, Inc., San Francisco, California, File No. BTCCT-20070214ABB, *et al.*

The Commission first authorized the licensee to construct and operate KRII(TV) as a satellite of KBRJ-TV in August, 2002. Regarding the first criteria, SP Granite has submitted a report from BIA Financial Network (BIA) demonstrating that there is no City Grade overlap between the two stations. SP Granite states that its request satisfies the second criteria because KRII(TV)'s community of license is underserved under our "transmission test." Under the transmission test, a community is considered underserved if two or fewer television stations (including commercial, noncommercial and satellite stations) are licensed to it. *Id.* at 4215. KRII(TV) is the only station licensed to Chisholm. Accordingly, Chisholm qualifies as an underserved area, thereby satisfying the second component of the presumption.

Regarding the third criterion, an applicant must show that no alternative operator is ready and able to construct, or to purchase and operate, the proposed satellite as a full-service station. *Id.* Initially, we note that SP Granite does not base its satisfaction of the third criterion on efforts to sell the station.

The application seeks a transfer of control of KRII(TV) in connection with the restructuring of Granite under the U.S. Bankruptcy Code. SP Granite states that because of this, neither it nor the incumbent licensee have attempted to seek a purchaser for KRII(TV). Instead, SP Granite commissioned the expert opinion of BIA Financial Network on the viability of KRII(TV) as a stand-alone, full-service television station. The BIA Report contends that no alternative operator would be ready and able to purchase and operate KRII(TV) as a full-service television station and that it is highly unlikely that a buyer could be found to operate the station on such a basis.

The BIA Report states that the Duluth-Superior television market, in which Chisholm is located, already includes four full-service television stations that are affiliated with the major broadcast networks of ABC, NBC, CBS, and Fox. The report also states that KRII(TV) reaches the smallest percentage of viewers in the market and its coverage does not include the most populous communities within the market. According to BIA, it is therefore doubtful that KRII(TV) could attract adequate advertising revenue to allow it to compete successfully against the other, established television stations in the market or operate on a profitable basis. Similarly, because KRII(TV)'s coverage area includes only a very small number of viewers of Hispanic descent, the BIA Report concludes that such a small potential audience would be insufficient to sustain a full-service Spanish language television station. In addition, the two new broadcast networks, CW and MyNetwork, already are affiliated with the digital multicast channels of two of the Big Four affiliates in the market. Finally, due to the aforementioned dearth of advertising revenue opportunities, the BIA report states that KRII(TV) would not be able to obtain quality syndicated programming or afford to produce original local programming. As a result, the BIA Report concludes that operation as a non-network affiliated, independent station would not be financially feasible for KRII(TV).

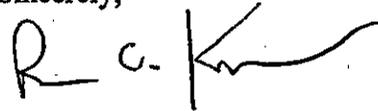
SP Granite argues that, in addition to conquering the market-based barriers noted above, any potential purchaser of KRII(TV) also would need to contend with the costs associated with the transition to digital television. As a post-April 1997 television station, KRII(TV) lacks a paired digital channel. SP Granite states that, regardless of whether the station transitions to full service

status, KRII(TV) will require capital outlays to convert to digital-only broadcast service. It goes on to argue that this significant capital expenditure increases the likelihood that KRII(TV) would not be able to operate profitably or attract a buyer as a full-service station. SP Granite further argues that, until KRII(TV) launches digital service, the station will remain at a competitive disadvantage to the market's Big Four network affiliates, which already offer digital service for local viewers.

Based on our review of the materials submitted, we find that SP Granite has set forth information sufficient to warrant continued satellite operation for KRII(TV) under our *ad hoc* analysis. SP Granite has submitted evidence demonstrating the infeasibility of finding a purchaser willing to operate the station on a stand-alone basis. We, therefore, find that the continued operation of KRII(TV) as a satellite of KBJR-TV would be in the public interest. In view of the foregoing, and having determined that the Assignee is qualified in all respects, we find that a grant of the above-referenced application would serve the public interest, convenience and necessity.

ACCORDINGLY, the request of SP Granite LLC for the continued operation of KRII(TV), Chisholm, Minnesota pursuant to the satellite exception to the duopoly rule, Section 73.3555, Note 5, of the Commission's rules, **IS GRANTED**.

Sincerely,

A handwritten signature in black ink, appearing to read "R. A. Kreisman", with a long horizontal flourish extending to the right.

Barbara A. Kreisman
Chief, Video Division
Media Bureau