Sunflower Broadcasting, Inc.
KWCH-TV, Hutchinson, KS
Facility ID # 66413
KBSH-TV, Hays, KS
Facility ID # 66415
KBSD-TV, Ensign, KS
Facility ID # 66414
KBSL-TV, Goodland, KS
Facility ID # 66416

Exhibit 15
FCC Form 314
Section III, Question 6(b)

Statement in Support of Continued Satellite Status

By this application, Sunflower Broadcasting, Inc. seeks Commission consent to the assignment of the licenses for Stations KWCH-TV, KBSH-TV, KBSD-TV, and KBSL-TV. All of the stations are located in the Nielsen-defined Wichita-Hutchinson, Kansas Designated Market Area (DMA). KBSH-TV, KBSD-TV, and KBSL-TV currently operate as full-power satellite stations of KWCH-TV, and Sunflower Broadcasting requests that the Commission grant it continuing authority to operate those stations as satellites.

These stations have been operated as satellites of KWCH-TV for several decades, and the Commission previously approved their common ownership and operation as satellites in 1982, 1988, 1989, 1992, 1994, and 2000. *See* Letter from Barbara A. Kreisman, Chief, Video Services Division, Mass Media Bureau to John R. Feore, Jr., March 22, 2000, at 4 (a copy of that letter is attached hereto as Attachment 1). Following the Commission's 1999 revisions to its local television ownership rule, a satellite waiver is in fact no longer necessary to permit common ownership of the other stations and Station KBSL-TV. As Appendix 1 to the attached Economic Viability Study prepared by Mark R. Fratrik, Ph.D. (the "Fratrik Study")(Attachment 2) demonstrates, the grade B contour of KBSL-TV does not overlap any of the other stations in this transaction.[1/] Under Section 73.3555(b)(1) of the Commission's Rules, stations in a single DMA may be commonly owned if their grade B contours do not overlap.[2/] Nonetheless, because the Commission has previously granted satellite status for KBSL, out of an abundance of caution, this exhibit will include evidence supporting its continued satellite status as well.

Indeed, the Fratrik Study shows that the areas of grade B overlap between any of the stations are minimal in both area and populations served. Fratrik Study at 8 n.5. The population within the overlap area of KWCH-TV and KBSH-TV is 24,429, only three percent of the total population reached by KWCH. The overlap area of KBSH-TV and KBSD-TV only has a population of 498, far less than one percent of the population reached by each station.

Applications for satellite status are presumed to be in the public interest if three criteria are shown: (1) there is no city-grade contour overlap between the parent station and the satellites, (2) the satellite station serves an "underserved area," and (3) no alternative operator exists who would be able to operate the satellite as a full-service station. *In the Matter of Television Satellite Stations Review of Policy and Rules*, 6 FCC Rcd 4212, 4215 (1991). KBSH-TV, KBSD-TV, and KBSL-TV meet all three criteria.

First, as the contour map in Appendix 1 to the Fratrik Study shows, there is no city-grade contour overlap between KWCH-TV and any of the satellite stations, or indeed among the

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1/ The KBSL grade B contour also does not overlap that of any other station controlled by Sunflower Broadcasting or its parent, Schurz Communications, Inc.

2/ Because the Commission's 2003 revisions to its local television ownership rules were stayed by the Third Circuit, the pre-2003 version of Section 73.3555(b) remains in effect and all references herein are to that version. *See* Public Notice, *Media Bureau to Terminate Temporary Broadcast Station Application Freeze*, 18 FCC Rcd 18631 (2003); *Prometheus Radio Project v. FCC*, 373 F.3d 372 (3d Cir. 2004), *cert. denied*, 125 S. Ct. 2902 (2005).

satellite stations themselves. Compliance with the second criterion – location in an underserved area – can be demonstrated in either of two ways. Under the "transmission test," a "satellite's community of license is considered underserved if there are two or fewer full-service stations already licensed to it." *Id.* None of the three satellite stations are licensed to a community with more than two full-service stations; only one – KBSH-TV – is licensed to a community that even has another full-power station licensed to it. Fratrik Study at 9. Having satisfied the "transmission test," there is no need to examine the alternative "reception test."

The fact that these stations meet the third criterion and are only viable as satellite operations is amply demonstrated by the Fratrik Study.[3/] The Wichita-Hutchinson DMA is the sixth largest television market in the Nation in terms of area. Thus, a single television signal cannot cover the market and signals located outside of the Wichita area – as all of these satellite stations are – can only reach limited numbers of viewers. All of the major network affiliates in the DMA, therefore, use satellite stations to reach audiences across the market.[4/] Indeed, the fact that the three satellite stations each provide grade B coverage to only part of the DMA and would have no established pattern of local service would make it extremely difficult for them to obtain cable carriage across the DMA, further disadvantaging them as full-service operations. *Id.* at 8.

3/ Dr. Fratrik is Vice President of BIA Financial Network, a leading consulting firm concerning the operations and valuations of broadcast properties. Dr. Fratrik was previously the Vice President/Economist at the National Association of Broadcasters. He is widely recognized as a leading expert on the economics of broadcast stations.

4/ If these stations were no longer satellites of KWCH-TV, much of the Wichita-Hutchinson DMA would lose over-the-air access to CBS network service and place KWCH at a competitive disadvantage to competing stations in the market. Fratrik Study at 5.

Dr. Fratrik further points out that all of the English-language television networks (including the two new networks – CW and My Network TV) already have affiliates in the Wichita-Hutchinson DMA. If KBSH-TV, KBSD-TV, and KBSL-TV had to be operated as full-service stations, there would be no English-language network with which they could affiliate. *Id.* at 4-5. While there are no affiliates in the DMA of the Spanish-language television networks, the three satellite stations serve relatively rural portions of the DMA and the Hispanic population of those areas is not large enough to support full-service operations. *Id.* at 8-9.

The Fratrik Study also reveals that television advertising revenue growth in the Wichita-Hutchinson DMA has generally been slower than growth in the average market, and that trend is expected to continue. *Id.* at 5-7. Absent substantial new revenues, additional full-service stations could only survive by taking advertising revenue from existing stations. Without a strong network affiliation or other source of attractive programming not already available in the market, the prospects for a new full-service station (and, in this case, perhaps three new full-service stations) succeeding are remote, at best.

Another reason for concluding that these stations could not be operated as full-service stations is the additional capital investment that full-service operation would require. The Fratrik Study points out that the stations would need to construct master control rooms, purchase production equipment, and other equipment for functions that are now performed at KWCH. Dr. Fratrik estimates those costs to be 1.3 million dollars per station. *Id.* at 10. Further, none of the satellite stations presently operate digital channels since the current licensee elected to flash cut them to digital operation at the end of the transition, as the Commission permitted in Report and Order, *Second Periodic Review of the Commission's Rules and Policies Affecting the Conversion to Digital Television,* 19 FCC Rcd 18279, ¶ 104 (2004). If they became full-service stations, they would have to either comply with or obtain a waiver of the Commission's DTV build-out requirements. The estimated costs of DTV construction for these stations is between 1.6 and 2.3 million dollars per station. Fratrik Study at 10.

Dr. Fratrik points out that it would be extremely difficult to obtain financing to undertake these capital investments and to operate the stations on a full-service basis, particularly given the very weak economic prospects for independent operations. After reviewing the relevant facts, he concludes, "there appears to be no chance that any purchaser of these satellite stations would be able to convert them to full-service stations." *Id.* at 12.

Sunflower Broadcasting, therefore, has demonstrated the continued existence of all three criteria justifying a presumption that satellite service by KBSH-TV, KBSD-TV, and KBSL-TV is in the public interest. Accordingly, the Commission should grant continued satellite status for these stations, consistent with its six prior reviews of these stations.

ATTACHMENT 1

2-B616
Paul

Federal Communications Commission
Washington, D.C. 20554

MAR 22 2000

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Applications for Transfer of Control of Spartan Communications, Inc.

WSPA-TV, Spartanburg, SC	BTCCT-19991217AAF	Fac. ID 66391
WNEG-TV, Toccoa GA	BTCCT-19991217AAG	Fac. ID 63329
WRBL(TV), Columbus, GA	BTCCT- 19991217AAH	Fac. ID 3359
WBTW(TV), Florence, SC	BTCCT-19991217AAI	Fac. ID 66407
WKRG-TV, Mobile, AL	BTCCT-19991217AAJ	Fac. ID 73187
KWCH-TV, Hutchinson, KS	BTCCT-19991217AAK	Fac. ID 66413
KBSD-TV, Ensign, KS	BTCCT-19991217AAL	Fac. ID 66414
KBSH-TV, Hays, KS	BTCCT-19991217AAM	Fac. ID 66415
KBSL-TV, Goodland, KS	BTCCT-19991217AAN	Fac. ID 66416
WJBF(TV), Augusta, GA	BTCCT-19991217AAO	Fac. ID 27140
KIMT(TV), Mason City, IA	BTCCT-19991217AAP	Fac. ID 66402
WMBB(TV), Panama City, FL	BTCCT-19991217AAQ	Fac. ID 66398

Dear Counsel:

This is in reference to Media General Communications, Inc.'s ("Media General") applications to acquire control of Spartan Communications, Inc. ("SCI") and its wholly-owned subsidiary, Spartan Broadcasting Company ("Spartan"), licensee of the twelve above-captioned television stations. Media General also requests continuing satellite authority for four of the stations licensed to Spartan, currently operating under the satellite exemption to the Commission's television duopoly rule: WNEG-TV, Toccoa, Georgia, which operates as a satellite of WSPA-TV, Spartanburg, South Carolina; and KBSD-TV, Ensign, Kansas, KBSL-TV, Goodland, Kansas, and KBSH-TV, Hays, Kansas, which operate as satellites of KWCH-TV, Hutchinson, Kansas. *See* 47 C.F.R. § 73.3555, Note 5.

Pursuant to the Commission's television satellite policy, an applicant seeking to transfer or assign satellite stations must justify continued satellite status by demonstrating compliance with the following three criteria: (1) there is no City Grade overlap between the parent and the satellite; (2) the proposed 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. 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. *See Television Satellite Stations*, 6 FCC Rcd 4212 (1991).

WNEG-TV

As to the first criterion, Media General has submitted an engineering study which demonstrates that there is no City Grade contour overlap between WSPA-TV and WNEG-TV.[1] Based on this showing, we find that Media General has satisfied the first criterion of the presumptive satellite standard. As to the second criterion, applicants may demonstrate that an area is underserved based on one of two tests. The first is a "transmission test," whereby a proposed satellite's community of license is considered underserved if there are two or fewer television stations already licensed to it. The second is a "reception test" that would allow a community of license to qualify as underserved if 25% or more of the area within the satellite station's Grade B contour—but outside the parent's area within the proposed satellite's Grade B contour—receives four or fewer services, not including the proposed satellite service. Media General asserts that Toccoa is underserved based on the transmission test, because WNEG-TV is the sole station licensed to the community and the only other channel allotted to Toccoa has long remained vacant. We find that Media General has demonstrated that WNEG-TV provides service to an underserved community, in satisfaction of the second prong of the presumption test.

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. Media General emphasizes that only two years ago the Commission agreed that it was highly unlikely that Stephens County Broadcasting ("Stephens"), licensee of WNEG-TV prior to Spartan, could find a buyer who would operate WNEG-TV as a full-service station, and that the proposed satellite operation was in the public interest. *See Stephens County Broadcasting Co.*, 13 FCC Rcd 10094 (1997). The Commission found that WNEG-TV had suffered financial losses for years because the area it served, sparsely populated, rural counties, could not support a full service station. The Commission also noted Spartan's extensive but futile efforts to sell WNEG-TV, including the retention of three different brokerage firms to find a buyer over a five-year period. Accordingly, the Commission concluded that Stephens adequately demonstrated the unlikelihood of finding an alternative buyer willing and able to operate WNEG-TV as a full-service stand-alone facility.

Media General maintains that WNEG-TV would still be unable to compete for the advertising revenue necessary to provide local programming as a stand-alone station. Although WNEG-TV is considered a part of the Greenville-Spartanburg-Asheville-Anderson DMA, its Grade B signal only covers approximately 14.4% (or 106,230 out of 737,708) of the DMA television households in the market. In fact, WNEG-TV's Grade B contour does not cover Greenville, Asheville, or Spartanburg, the three largest cities in the DMA. Media General argues that because WNEG-TV does not even cover the three most economically significant cities in its own market, the station lacks the audience necessary to produce any meaningful national sales revenues. Therefore, while coverage of local news and other community activities is key to WNEG-TV's ability to sell advertising time, before becoming a satellite of WSPA-TV, it had to reduce significantly such programming due to the expense of producing it.

[1] Both WSPA-TV and WNEG-TV are assigned to the Greenville-Spartanburg, SC-Asheville, NC-Anderson, SC Designated Market Area.

Media General provides expert support for its request for a continuing satellite exemption in the form of an Economic Viability Study ("Study") from W. Lawrence Patrick, President of Patrick Communications, LLC, a media investment banking and brokerage company. In the study, Mr. Patrick states that WNEG-TV's market currently includes affiliates of each of the "Big Four" networks (ABC, CBS, NBC, and FOX) as well as UPN and WB affiliates. Thus, as an independent, stand-alone station, WNEG-TV would be foreclosed from any opportunity to affiliate with any of the six most economically viable television networks. Given its disadvantaged signal coverage in the Greenville-Spartanburg-Asheville-Anderson television market, Mr. Patrick states that WNEG-TV would have little hope of supporting itself through any of the other programming formats available to it (*i.e.,* PAX TV, religious or independent).

In addition, Mr. Patrick states that WNEG-TV could not likely support itself with Spanish-language programming provided by the Univision or Telemundo networks, because the Spanish-speaking population consists of only 1.1 percent of the market. Mr. Patrick concludes that WNEG-TV will never be able to function as a stand-alone station, because there are no viable programming options and the audience and revenue base are not sufficient to support the station. Notably, Mr. Patrick stated that Patrick Communications, in its capacity as a media brokerage firm, would decline to list WNEG-TV for sale as a stand-alone station.

Media General asserts that continued satellite authority will allow it to maintain local service and ensure over-the-air CBS service to thousands of residents of Toccoa and the surrounding rural communities. In further support of its satellite request, Media General provides a Declaration from John W. West, Executive Vice President of Spartan. Mr. West confirms that WNEG-TV's ability to meet its basic programming needs by rebroadcasting WSPA-TV's programming has enabled WNEG-TV to focus on improving both its local programming and presence in Toccoa, and the surrounding communities. According to Mr. West, WNEG-TV now has a greatly enhanced local newscast, which features locally oriented and produced news stories, sports coverage and weathercasts. Moreover, Spartan has expanded the station's local half-hour newscasts to include original 6:30 a.m., 6:00 p.m. and 11 p.m. broadcasts each weekday. WNEG-TV also produces a half-hour public affairs program that airs once a month.

Mr. West notes that, as promised, Spartan has maintained a local studio and management presence in Toccoa. Specifically, the station currently has a staff of 28 full-time employees (including its own general manager and news director) and 12 part-time employees all working from the WNEG-TV main studio site in Toccoa. Under Spartan's ownership, WNEG-TV's studio has been enhanced by the addition of new studio equipment, and a new interview set, news set, sports set and cooking demonstration set. Finally, Mr. West states that Spartan is making good on its promise to facilitate WNEG-TV's transition to digital television. It has already spent approximately $700,000 in upgrading WNEG-TV's facilities for the transition to DTV. Like Spartan, Media General affirms its commitment to maintaining WNEG-TV's strong local presence in the Toccoa community. Following the merger, Media General states that it intends to retain the station's Toccoa studio and independent staff, and will continue Spartan's financial commitment to facilitate WNEG-TV's transition to digital television.

In addition to allowing WNEG-TV the financial flexibility to improve its local programming, Media General explains that the continued satellite relationship between WNEG-TV and WSPA-TV will also allow the station to maintain the syndicated programming and the news, information and entertainment programming of the CBS Television Network that is currently provided by WSPA-TV. Were it not for WNEG-TV's satellite relationship with WSPA-TV, 138,000 people living in an area encompassing 5,965 square kilometers located between the coverage areas of WGNX-TV, Atlanta, Georgia (the Atlanta CBS affiliate) and WSPA-TV would otherwise be unable to receive over-the-air CBS network service.

Finally, Media General argues that grant of satellite status to WNEG-TV is consistent with Commission precedent. In *Retlaw Broadcasting of Eugene, LLC*, 14 FCC Rcd 6667 (1999), the Commission approved the assignment of the licenses of a parent-satellite combination and granted continued satellite status authority after finding that: (1) the proposed assignee had shown that there was no City Grade overlap between the parent and the satellite; (2) the satellites were the only television stations in their respective communities, and; (3) the satellites were not capable of being operated as independent full-service stations. As in the instant case, the proposed assignee submitted a declaration from a media consultant stating that neither proposed satellite has a reasonable likelihood of finding an alternative operator willing and able to operate the satellite as a financially viable full-service, stand-alone facility.[2]

KBSH-TV, KBSL-TV and KBSD-TV

As to the first criterion, Media General has submitted an engineering study which demonstrates that there is no City Grade contour overlap between KWCH-TV and satellite stations KBSH-TV, Hays, Kansas, KBSL-TV, Goodland, Kansas, and KBSD-TV, Ensign, Kansas.[3] Thus, we find that the first prong of the satellite exemption is satisfied. As to the second criterion, Media General asserts that its satellite proposal satisfies the transmission test because there are two or fewer full service stations licensed to each satellite station's community. Media General indicates that KBSD-TV and KBSL-TV are the only stations allotted to Ensign, Kansas, and Goodland, Kansas, respectively. In addition, only two television stations are assigned to Hays, Kansas, one of which is satellite station KBSH-TV. We find that Media General has demonstrated that KBSH-TV, KBSL-TV and KBSD-TV serve underserved communities.

With respect to the third criterion, Media General asserts that operating KBSH-TV, KBSL-TV and KBSD-TV as full-service independent stations in the Wichita-Hutchinson, Kansas, market is not feasible nor are the prospects for economic viability likely to improve. Media General emphasizes that the Commission has already agreed several times that the operation of KBSH-TV, KBSL-TV and KBSD-TV as satellite stations is in the public interest. The Commission has previously approved satellite exceptions to permit common ownership of these stations in 1982, 1988, 1989, 1992 and 1994.

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[2] *See also Precht Communications, Inc.*, 13 FCC Rcd 8659 (1998), where the Commission, under an *ad hoc* analysis, permitted the continued satellite operation of a station having City Grade overlap with its parent station because the satellite station would have had to compete against ABC, CBS and NBC network affiliates as a stand-alone station with a disadvantaged signal that only covered a small part of the revenue market.

[3] KWCH-TV and satellite stations KBSH-TV, KBSL-TV and KBSD-TV are all assigned to the Wichita-Hutchinson, Kansas DMA.

Media General argues that the totality of economic circumstances in the market demonstrates that Hays, Ensign and Goodland cannot support the operation of full-service stations. This market includes 64 counties (more than any other DMA in the US), representing approximately 70% of the area of Kansas. As indicated in the Economic Viability Study ("Study") prepared by W. Lawrence Patrick of the media brokerage and appraisal firm Patrick Communications, LLC, this sparsely populated and large geographic market is currently served by four primary full-service commercial television stations each licensed to either Witchita or Hutchinson and each affiliated with one of the major networks (ABC, NBC, CBS or Fox) (the "Network Affiliates"). Mr. Patrick explains that in such a vast geographic market, it is almost essential for the network affiliates to have satellite stations that allow them to reach portions of the DMA, which would otherwise go unserved.

Mr. Patrick indicates that each of the network affiliates provides over-the-air signal coverage to between 70% and 77% of the total television households in the DMA. Mr. Patrick notes, however, that each network affiliate has either 2 or 3 satellite stations in the market in order to supplement its signal coverage to the DMA. In comparison, Mr. Patrick states that the over-the-air signal coverage provided by KBSH-TV, KBSL-TV and KBSD-TV ranges from only 4.5% to 8.7% of the television households in the DMA. Mr. Patrick claims that even the two newest stations expected to begin broadcasting in the market, KWCV-TV, Wichita and KAWJ-TV, Hutchinson, are expected to provide over-the-air signal coverage to between 60% and 70% of the television households in the DMA. According to Mr. Patrick, KWCV-TV and KAWJ-TV will be affiliates of the WB and UPN networks, respectively, thereby foreclosing any opportunity for KBSD-TV, KBSH-TV or KBSL-TV to meet their programming needs through a direct affiliation with any of the "Big Four" networks or the two "netlets." Mr. Patrick concludes that the structure of this television market indicates that none of the individual satellite stations has the signal coverage necessary to operate as an economically viable stand-alone, full-service station.

Mr. Patrick contends that since the six most economically viable networks are already present or soon will be, the only remaining options, if the satellite stations were not satellites, would be to operate as religious, PAX-TV affiliates or independent stations. Mr. Patrick points out that Spanish language programming is not viable as a network option because the market has only a 4.5% Spanish-speaking population. Mr. Patrick explains that the remaining programming options (religious, PAX TV, independent) are also not viable given the limited number of households that would be served by KBSD-TV (8%), KBSH-TV (8.7%) and KBSL-TV (4.9%) as stand alone stations in the market. Significantly, Mr. Patrick states that Patrick Communications, in its capacity as a media brokerage firm, would decline to list the satellite stations for sale as stand-alone stations.

Media General argues that the economic conditions that have justified the common ownership of KBSH-TV (Hays), KBSL-TV (Goodland) and KBSD-TV (Ensign) as satellites of KWCH-TV continue to exist. Furthermore, the common ownership and operation of the four stations helps ensure the airing of programs serving the Hays, Ensign and Goodland communities. Finally, as discussed above, Media General argues that grant of satellite status to the KBSH-TV, KBSL-TV and KBSD-TV is consistent with Commission precedent

Based on the foregoing, we conclude that Media General has satisfied all three components of the satellite waiver presumption with respect to WNEG-TV, KBSH-TV, KBSL-TV and KBSD-TV. The improbability of operating these stations as financially viable, stand-alone, full-service television stations demonstrates the unlikelihood of locating an alternative buyer to operate the station on such basis. Given the limited coverage area of the satellite stations and the poor prospects for financial success, the only way the stations can survive are as satellites of full-service stations, such as WSPA-TV and KWCH-TV, which have the necessary financial and programming resources. Accordingly, we find that the continued operation of WNEG-TV, KBSH-TV, KBSL-TV and KBSD-TV as satellite stations would be in the public interest.

Conclusion

Having determined that the applicants are qualified in all respects, we conclude that grant of the twelve above-referenced applications would serve the public interest, convenience and necessity. Accordingly, the above-captioned applications for transfer of control ARE GRANTED.

In addition, the requests for operation of WNEG-TV, KBSD-TV, KBSH-TV and KBSL-TV pursuant to the satellite exemption of Note 5 to Section 73.3555, 47 C.F.R. § 73.3555, ARE GRANTED.

Sincerely,

Barbara A. Kreisman
Chief, Video Services Division
Mass Media Bureau

ATTACHMENT 2

THE ECONOMIC VIABILITY OF KBSD-TV, KBSH-TV, & KBSL-TV IF OPERATED AS FULL-SERVICE TELEVISION STATIONS

Mark R. Fratrik, Ph. D.

Vice President, BIA Financial Network

PREPARED FOR

Sunflower Broadcasting, Inc.

July 27, 2006

BIA Financial network

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THE ECONOMIC VIABILITY OF KBSD-TV, KBSH-TV & KBSL-TV

AS FULL-SERVICE TELEVISION STATIONS

Executive Summary

It is very hard to overstate the present competition facing local, over-the-air television stations. With hundreds of channels offered by local cable systems and satellite services being provided to consumers, over-the-air television stations face a pronounced challenge to attract enough audiences to generate sufficient advertising revenues to remain viable. Within this context, the question of whether satellite stations KBSD-TV, KBSH-TV and KBSL-TV can be operated as full-service television stations is straightforward. Can these stations generate enough revenues in this increased competitive environment within their portions of the Wichita-Hutchinson, KS market to cover the programming, engineering, and other associated operating costs of full-service stations? After reviewing the competitive situation and these stations' positions in that market, we conclude that they cannot. Therefore, they cannot be viable full-service television.

Considering the constraints these satellite stations face within their local service areas and within the larger Wichita-Hutchinson, KS television market, and given the existence of other full-service stations in the market, these stations would have to operate as independent stations unaffiliated with any of the major networks. These stations would also face the challenge of disadvantaged signal coverage areas as compared to the other full-service television stations in the market. Given the anticipated slow growth of revenues in this television market and the costs involved in operating a full-service television station, it almost certain that these stations could not be profitably operated, and that no one would be willing to make the investment required converting these stations into full-service stations. Therefore, we conclude that there would not be an alternative to Sunflower Broadcasting, Inc. who would purchase and operate these stations on a full-service basis.

THE ECONOMIC VIABILITY OF KBSD-TV, KBSH-TV, & KBSL-TV AS FULL-SERVICE TELEVISION STATIONS

Introduction

It is very hard to overstate the present competition facing local, over-the-air television stations. With hundreds of channels offered by local cable systems and satellite services being provided to consumers, over-the-air television stations face a pronounced challenge to attract enough audiences to generate sufficient advertising revenues to remain viable. Within this context, the question of whether satellite stations KBSD-TV, KBSH-TV and KBSL-TV can be operated as a full-service television stations is straightforward. Can these stations generate enough revenues within their portions of the Wichita-Hutchinson, KS market to cover the programming, engineering, and other associated operating and additional capital costs associated with full-service operations?[1]

The purpose of this report is to examine that question under the criteria established by the Commission in *Television Satellite Stations*, 6 FCC Rcd 4212 (1991). First, we will review the competitive situation that would face these three satellite stations if they were to become full-service television stations. As part of that analysis we will examine the signal contour patterns of these stations in order to describe the size and composition of the audiences that they could serve. In providing those contours, we will also examine whether there is any overlap between any of the city-

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[1] The question of whether these specific satellite stations can be economically viable as full-service stations has been examined repeatedly by the FCC. In all instances, the Commission has determined that they could not be economically viable. Since that time, the competitive situation facing over-the-air television stations has only gotten worse, making it even more unlikely that these stations could be economically viable on their own.

grade contours of these satellite stations with its existing "parent" station, KWCH-TV. Finally, when examining the coverage areas served by these three stations, we will analyze what other stations serve these areas in order to see whether these areas are "underserved" according to the FCC definition.

This report will first review the competitive landscape of the Wichita-Hutchinson, KS television market and the affiliation and programming options for these three present satellite stations. Within the coverage area of these three stations, and given the existing stations in this television market, these stations could only be affiliates of Hispanic networks or independent stations. Next we will describe the signal coverage areas of these stations in order to see the size of their potential audiences.

As either independent or Hispanic network affiliated stations serving a limited portion of the Wichita-Hutchinson, KS television market, these three television stations would have restricted revenue bases. At the same time, however, these stations would face substantial costs to operate, especially in securing programming. Additionally, transforming these stations into a full-service television station would require additional equipment and build-out. Finally, these stations have additional costs of converting to full-power digital television stations before February of 2009.[2]

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[2] These three satellite stations elected to flash-cut to digital operations by the February 17, 2009, deadline instead of operating two separate channels in the meantime. If they were no longer satellite stations, they would be obliged to meet the Commission's replication/maximization deadlines applicable to full-service stations.

After reviewing the competitive situation and these stations' positions in that market, we conclude that these three stations cannot be viable full-service television stations without being operated as satellite stations. No rational buyer would be willing to make the investments required to transform these three stations into full-service stations. Therefore, we believe that maintaining these three stations as satellites of KWCH-TV is the only viable option for the communities served by these stations.

Wichita-Hutchinson, KS Television Market

Station Lineup

The Wichita-Hutchinson, KS television market is ranked as the 67th largest television market in terms of the number of households. There are presently six full-service television stations and ten satellite commercial full-power stations in this market. Table 1 below shows these stations with their network affiliations as well as the total population served by each of these stations.

Table 1

Wichita-Hutchinson, KS Television Market Stations

Calls	Channel	Affiliation	Type of Station	Population Served	Percent of Market[3]
KSCC	36	UPN	Full-Service	694,231	60.0%
KAKE-TV	10	ABC	Full-Service	740,762	64.0%
KWCH-TV	12	CBS	Full-Service	825,317	71.3%
KSAS-TV	24	FOX	Full-Service	689,393	59.6%
KSNW	3	NBC	Full-Service	748,732	64.7%
KSCW	33	WB	Full-Service	695,361	60.1%
KLBY	4	ABC	Satellite	48,823	4.2%
KUPK-TV	13	ABC	Satellite	133,746	11.6%
KBSH-TV	7	CBS	Satellite	87,079	7.5%
KBSL-TV	10	CBS	Satellite	42,459	3.7%
KBSD-TV	6	CBS	Satellite	139,018	12.0%
KOCW	14	FOX	Satellite	34,098	2.9%
KAAS-TV	18	FOX	Satellite	134,042	11.6%
KSNC	2	NBC	Satellite	210,783	18.2%
KSNG	11	NBC	Satellite	137,236	11.9%
KSNK	8	NBC	Satellite	52,964	4.6%

As shown, all of the major English-speaking television networks already have affiliates in the market. The recent combination of the WB and UPN network into the CW network, and the entry of the new My Network TV network have not changed that situation as those new networks have already secured affiliates in this market. KSCC will become the local affiliate for My Network TV, and KSCW will become the local affiliate for the CW network.

[3] These populations are the populations within the Grade B contour for each of these stations, and were generated by the Dataworld DataXpert 3 service.

Since all of the English-speaking networks already have affiliates in this market, the three present satellite stations (KBSD-TV, KBSH-TV, and KBSL-TV) would have to be either affiliates of an Hispanic network or operate as independent stations.

Populations Reached by Local Television Stations

As shown in the Table 1, all of the full-service television stations individually reach at least 59% of the local market television households. Further, most of those full-service stations have satellite stations within the market to broaden their over-the-air reach. The need to have satellite television stations is due, in large part, to the size of the Wichita-Hutchinson television market. This market is the sixth largest television market in terms of area, covering 57,016 square miles. Without a series of television signals to cover this market, any operator will find it hard to effectively compete. In fact, if these satellite stations (KBSD-TV, KBSH-TV, and KBSL-TV) were no longer allowed to be satellite stations of KWCH-TV, that station would be placed in a competitively disadvantaged situation as its major competitors would have a much larger reach in the local marketplace. Moreover, much of the market would lose over-the-air access to CBS network service.

Television Advertising Revenues in Wichita-Hutchinson, KS Market

Even though the Wichita-Hutchinson, KS television market is ranked 67th in terms of households, the total market revenue is less than might be expected and the market is only ranked 72nd in terms of total television advertising revenues.[4] In recent years, the local market revenues have not kept up with the average growth across all television markets. According to BIA*fn's* estimates, between 2000 and 2005, the Wichita-Hutchinson, KS local television market revenues

4 *Investing in Television, 2006, 2nd edition,* BIA Financial Network.

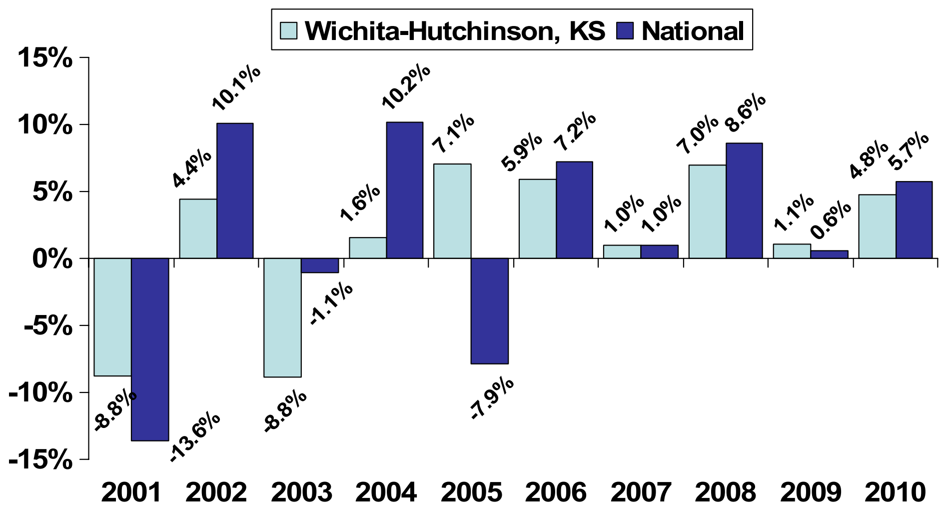
grew at a -1.1% compounded annual growth rate, as compared to -0.9% for the average television market.

While market revenue growth is expected to increase, that growth will not be substantial to support additional full-service television stations. From 2005 through 2010, the market television advertising revenues are expected to grow at a 3.9% compounded annual growth rate, as compared to 4.6% for the average television market. Figure 1 below shows the annual growth rates for the Wichita-Hutchinson, KS market along with the average for all television markets.

As seen in that chart, even though the local Wichita-Hutchinson, KS television market had a strong growth in 2005, its future is not as promising as the average market over the next five years. This somewhat tepid growth rate for this market could provide a substantial challenge for any new television station that would enter the market. Any new station would have to steal advertising revenues from one of the existing television stations in order to attempt to become viable.

Figure 1

Television Advertising Growth Rates – Wichita-Hutchinson, KS vs. National Average



Reach of the Three Satellite Stations

Overlaps

Appendix 1 provides a map detailing both the city-grade and Grade B contours for the three satellite stations (KBSD-TV, KBSH-TV, and KBSL-TV) as well as their corresponding parent station, KWCH-TV. As can be seen there is no overlap of the satellite stations' city grade contours with the city-grade contour of KWCH-TV. There are slight overlaps between the Grade B contour of KBSH-TV with its parent station KWCH-TV and with KBSD-TV, another satellite station.[5] There is no Grade B overlap between KBSL-TV and any of the other stations in this transaction.

Populations Served

The three satellite stations individually reach between 42 and 139 thousand people within their Grade B contours, corresponding to between 3.7% and 12.0% of the entire local television market. These populations are significantly less than the populations reached by any of the other full-service stations in this market. Having such a smaller over-the-air reach would significantly disadvantage these stations if they became full-service television stations. The reach of the other present full-service television stations would be more than five to ten times greater than these stations. Due to their limited Grade B coverage and the lack of established programming service, these stations would also face great difficulty in obtaining market-wide carriage on cable television systems, further lessening their viability other than as satellite stations.

Included in the populations reached by these three satellite stations are people of Hispanic descent who may be attracted to Spanish-language programming. At present, there are no local affiliates airing the over-the-air Spanish networks in this market. Yet, given the small size of the populations served, there is little likelihood that they would become full-service affiliates of these Spanish language networks. The Hispanic populations reached by these satellite stations range from

[5] The total population within the overlap between KBSH-TV and KWCH-TV is 24,429, corresponding to 3.0% of the entire population reached by KWCH-TV, and 28.1% of the entire population reached by KBSH-TV. The total population within the overlap between KBSH-TV and KBSD-TV is 498, corresponding to 0.6% of the entire population reached by KBSH-TV and 0.4% of the entire population reached by KBSD-TV.

2,457 for KBSL-TV to 46,222 for KBSD-TV.[6] Even though KBSD-TV reaches over 40 thousand Hispanics that is too small a total potential audience to support an economically viable full-service station.

Consequently, these present satellite stations would be forced to program as pure independents for the foreseeable future. Pure independent stations typically are relegated to inferior programming (like evergreen series) that do not attract very large audiences, and subsequently, do not generate substantial advertising revenues. Typically, they are unable to generate sufficient revenues to support local news or other local public affairs programming. Furthermore, given their small over-the-air market reach, these stations would have great difficulty in generating enough revenues to become viable at all as independent stations.

Served Communities

The areas served by these three satellite stations are located a substantial distance away from the core market city of Wichita, KS. None of the full-service stations located in that city reach these areas without the help of their own satellite stations. For all three satellite stations, there are only two or fewer full-service stations licensed to their communities of license. In fact, in only one of the cases – KBSH-TV, Hays, KS – is there even one other full power television station licensed to that community, KOOD-TV, a PBS affiliated station. Hence, under the FCC's "transmission" test, these stations serve underserved areas.

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[6] Demographic information for populations covered under the Grade B contour was generated by Dataworld, Inc.

Additional Capital Costs for Digital Transmission and Full-Service Conversion

In addition to the very limited revenue possibilities for these stations as full-service stations and the resulting very limited possibilities for these stations to become economically viable on an operating basis, are the significant additional capital costs that these stations already face in the next few years to convert to digital transmission. These satellite stations have elected to flash cut to digital operations before the February 2009 deadline instead of operating a second channel during the transition period. These satellite stations have not purchased any of the capital equipment necessary for digital transition. Hence, these stations are each expected to spend between $1.6 to $2.3 million each to acquire the necessary equipment and new tower to start transmitting a digital signal even as a satellite television station.

These digital conversion costs are in addition to the added capital costs that these stations would incur to convert from satellite stations to full-service. Those costs include necessary improvements to the master control room, commercial and field production equipment, and other ancillary equipment that is necessary to operate as a full-service station, in addition to the costs of local news production, if they chose to offer that service. In an earlier study analyzing another satellite station, we estimated that the typical conversion costs for a satellite station to become a full-service station to be over $1.3 million.[7]

In addition to the obstacles described earlier in this report and the considerable capital expenditures detailed above, any new owner of these stations trying to convert these stations to full-

[7] "The Economic Viability of Operating WTTK-TV as a Full-Service Television Station," Mark R. Fratrik, May 2, 2002, attachment to the application for the assignment of license, FCC File No. BALCT - 20020502AAQ.

service stations would have extreme difficulty securing investment capital for such a risky venture. Since these stations reach a very limited population base and would have to enter the market as independent stations, potential lenders would be very hesitant in providing the necessary funds. This difficulty in securing investment funds to purchase these stations and convert them to independent full-service stations further reduces their viability as full-service operations. In our judgment, there would not be any alternative purchasers of these stations as full-service operations.

Conclusion

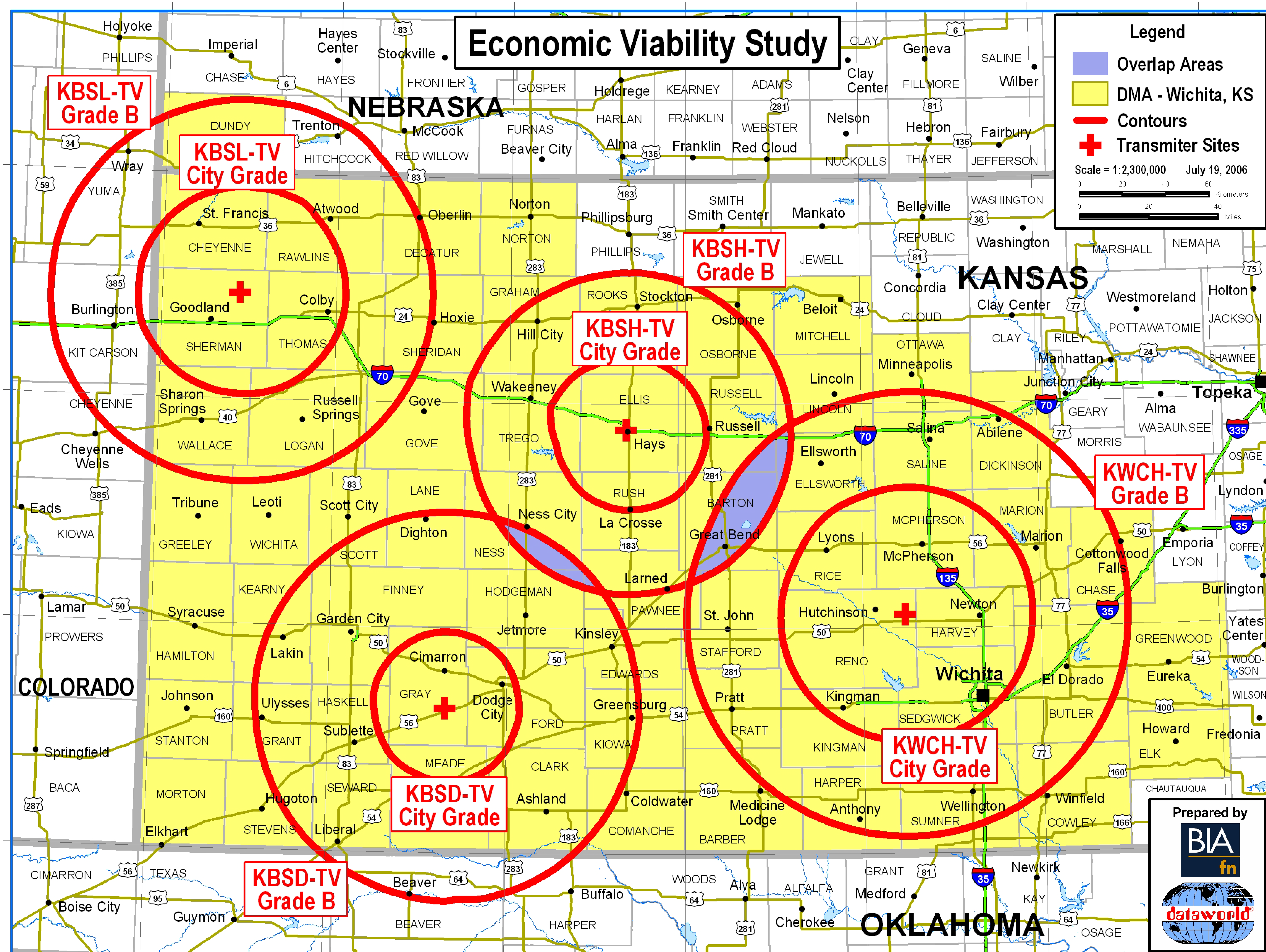
Operators of local television stations face tremendous pressures as they attempt to serve their local communities. With increased video choices now available to consumers, local television stations see smaller audiences than in previous years. At the same time, there is also increased competition in the advertising marketplace with local cable systems more aggressively selling local advertising spots airing on the larger number of national cable networks. Additional new local competition is coming from the Internet with more sites focused on local content.

In this context, new television stations face considerable obstacles to become economically viable competitors. First, it is usually impossible to secure an affiliation with one of the major over-the-air television networks as those networks typically already have affiliates in most markets. Second, there are significant operating costs that are incurred when operating an independent television station. Finally, there are large capital costs for new full-service television stations, especially those stations that have to convert to digital transmission.

Under these conditions, whether any of these satellite stations could become economically viable is very questionable. First, the over-the-air reach of these stations within the local Wichita-Hutchinson, KS television market would be much less than any of the other full-service stations.

Second, there is no available network affiliation from any of the English-language over-the-air networks and little likelihood that it would make sense for them to become affiliates of the Spanish-language networks. Finally, there are substantial capital expenditures that would be incurred if these stations were converted to full-service stations. Therefore, there appears to be no chance that any purchaser of these satellite stations would be able to convert them to full-service stations. As a result, the only over-the-air service that these areas could enjoy is by television stations that are satellite facilities of other stations in this market.

Appendix 1 – City Grade and Grade B Contours of Parent and Satellite Stations



Economic Viability Study
Legend
Overlap Areas
DMA - Wichita, KS
Contours
Transmiter Sites
Scale = 1:2,300,000
July 19, 2006
Kilometers
Miles
KBSL-TV Grade B
KBSL-TV City Grade
KBSH-TV Grade B
KBSH-TV City Grade
KBSD-TV City Grade
KBSD-TV Grade B
KWCH-TV Grade B
KWCH-TV City Grade
NEBRASKA
KANSAS
COLORADO
OKLAHOMA
Prepared by
BIA fn
dataworld

Qualifications

QUALIFICATIONS OF MARK R. FRATRIK, Ph.D.

Mark R. Fratrik, Ph.D. is vice president with BIA Financial Network (BIAfn), the premier financial consulting firm specializing in the appraisal and fair market valuation of broadcasting, cable, and telecommunications properties and preparation of bank presentations for communications clients.

As Vice President, Dr. Fratrik is involved in conducting industry studies on the broadcasting and related industries, as well as consulting clients in these industries about their strategic directions. He has also been involved in the estimation of values for assets owned by broadcast stations.

Prior to coming to BIAfn, Dr. Fratrik worked at the National Association of Broadcasters (NAB) for nearly 16 years as vice president/economist. While there, he conducted primary research about the broadcasting and related industries and was responsible for the annual financial and biennial salary and fringe benefits study conducted by the association. He is the author several publications concerning the radio and television industries both from financial and strategic perspectives. He has also spoken at numerous conferences on the status of the broadcasting industries, and their future business prospects.

Before joining NAB in 1985, Dr. Fratrik worked for the Federal Trade Commission in the Bureau of Economics where he spent five years conducting analyses of industry practices to evaluate overall economic impact. Also, Dr. Fratrik has worked closely with broadcasters in determining what opportunities lay in the spectrum as well as exploring regulatory matters concerning the spectrum.

Dr. Fratrik received his Ph.D. and MA in Economics from Texas A& M University, and BA in Economics (Honors) and Mathematics from State University of New York. He is the author of several articles in academic and business trade journals.