

Waiver Request

This exhibit amends the above-captioned applications for consent to assignment (the “Assignment Applications”) of the licenses of Television Stations WBNG-TV, WEEK-TV, KRIL, KBJR-TV WPTA, KDLH and WISE-TV (the “Stations”) for the purpose of requesting a waiver of Section 73.3555(b) of the FCC’s Rules (the “Rule”) and/or a waiver of the processing guideline contained in the Commission’s *Public Notice* issued March 12, 2014 (the “Processing Guideline”),¹ to the extent necessary to permit a grant of the above-referenced applications for assignment.²

The Parties Request a Very Limited Waiver.

The waiver that the parties seek is very limited. The parties do not propose to create any new joint sales arrangements (and, indeed, the parties propose to terminate existing JSA arrangements among the Stations). Rather, grant of the application requires waiver only to the extent that the Commission may interpret its new JSA rule as precluding, even for a temporary period, the assignment of an existing attributable JSA subject to the two-year grace period for termination. Similarly, the parties require waiver of the Processing Guidelines only to the extent necessary for the Commission to review the Assignment Applications in the unique context of their having been filed just before the Commission announced and began to implement its new, enhanced regulatory review of assignments and transfers involving financial and sharing arrangements among same-market licensees. The parties submit that, when seen in this light, grant of the Assignment Applications as modified not only would accord fully with all of the Commission’s published and promulgated standards, but also would advance the objectives underlying the Commission’s recent policy changes. Declining to grant the applications, would in contrast, maintain for the maximum permissible period the *status quo* that the Commission sought to alter by its recent decision on JSA attribution.³

¹ See *Processing of Broadcast Television Applications Proposing Sharing Arrangements and Contingent Interests*, Public Notice, DA 14-330 (Mar. 12, 2014).

² Through conversations with the Commissioners, their staffs and the Chief and staff of the Media Bureau on April 23 and May 8, 2014, and the Chairman and his chief legal advisor on May 29, 2014, it has become clear that the Commission believes that a waiver of either the Rule or the Processing Guideline is necessary to grant the above-captioned applications and allow the parties to consummate the transactions as proposed. Representatives of the applicants orally requested any waiver deemed necessary by the Commission during our various meetings with Commissioners and their staff. While the applicants believe that the proposed transaction complies with the Communications Act of 1934, as amended, the FCC’s Rules, and prior decisions, they nevertheless are filing this amendment at the suggestion of the Media Bureau staff.

³ In the Commission’s April 15, 2014, *Report and Order, 2014 Quadrennial Regulatory Review—Review of the Commission’s Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996*, Further Notice of Proposed Rulemaking and Report and Order, FCC 14-28 (released Apr. 15, 2014) (hereinafter, “2014

The Assignment Applications Are Otherwise Ready for Grant.

As an initial matter, except for the circumstances addressed in this waiver request, the Assignment Applications are ripe and ready for grant. No petition to deny or other protest is pending against them. A grant would benefit the public interest in each of the local television markets involved, as demonstrated by the PowerPoint presentation attached hereto as Exhibit A. Moreover, the Federal Trade Commission granted early termination to the proposed transaction on March 4, 2014, within seven (7) days after submission of the Hart-Scott-Rodino (HSR) filing, evidencing an expert agency's determination that consummation of the transaction would not adversely affect competition in the relevant markets. An Application for Review filed in January 2005 against the assignment of Duluth market station KDLH from NVG-Duluth II, LLC to a subsidiary of Malara remains pending, but intervening events have rendered it moot. *See* Application for Review filed by KQDS Acquisition Corp. and WDIO-TV, LLC, in *Application of NVG-Duluth II, LLC (Assignor) and Malara Broadcast Group of Duluth Licensee LLC (Assignee)*, FCC File No. BALCDT-20040504ABU (Jan. 13, 2005). The Application for Review challenged the December 13, 2004, grant of a television license assignment to a Malara entity because the Commission treated the Malara entity's proposed joint sales arrangements with Granite as non-cognizable under Commission ownership rules. By its recent adoption of new rules that classify those arrangements as attributable, the Commission effectively has granted the relief that the Application for Review sought. Moreover, neither Granite nor Malara have the same owners as they did at the time of the Application for Review, Malara's former controlling principal having died and Granite having gone through bankruptcy, with its former lender, the investment firm Silver Point, receiving a controlling interest in Granite's equity in the court-approved reorganization. Accordingly, its proponents having received by rule change the relief they sought and the former licensee principals having departed, the Application for Review has no further relevance to the Stations or to the Assignment Applications and may be dismissed.

The Waiver Addresses Unique Transitional Issues That Will Not Arise in Subsequently Filed Assignment and Transfer Applications.

In performing its "hard look" review of the Assignment Applications under its new Processing Guidelines, the Commission also should give a "hard look"⁴ at the unique

Quadrennial Review"), the Commission invited "parties that believe that the application of our attribution rules to their particular circumstances would not serve the public interest . . . to seek a waiver" and acknowledged that "the Commission has an obligation to take a hard look at whether enforcement of a rule in a particular case serves the rule's purpose or instead frustrates the public interest. *2014 Quadrennial Review*, ¶ 364; *see also WAIT Radio v. FCC*, 418 F.2d 1153 (1969), *cert. denied*, 409 U.S. 1027 (1972).

⁴ *See WAIT Radio v. FCC*, 418 F.2d 1153 (1969), *cert. denied*, 409 U.S. 1027 (1972) ("[A] general rule, deemed valid because its overall objectives are in the public interest, may not be in the "public interest" if extended to an applicant who proposes a new service that will not undermine the policy, served by the rule, that has been adjudged in the public interest. An agency need not sift pleadings and documents to identify such applications, but allegations . . . stated with clarity and accompanied by supporting data, are not subject to perfunctory treatment, but must be given a 'hard look.'").

circumstances supporting this waiver request, which involves transitional applications submitted before the adoption of the Processing Guideline or the new JSA rules. The parties signed their Asset Purchase Agreement on February 10, 2014, and filed the Assignment Applications on February 21, 2014. Both of these events involved substantial labor, planning and expense on the part of the parties. All this work began in the summer and autumn of 2013 and occurred prior to the issuance of the new Processing Guideline. The Media Bureau issued the Processing Guideline on March 12, 2014. There was no “signal” given before the “turn” represented by the new Processing Guideline. The Processing Guideline was not the subject of notice and comment rule making under the Administrative Procedure Act.⁵ Few if any other applicants will have had so many months of good faith negotiations and investments so frustrated by this change, and no additional applicants will face this burden going forward.

However the Commission may choose to interpret its Processing Guideline and its new JSA rule in processing future applications, the Commission—when it applies those new policies to transitional filings such as the Assignment Applications—should accord substantial weight to the parties’ legitimate reliance interest in the continuity of the Commission’s policies. Thus, even if the Commission intends its Processing Guideline to block future transactions with any service-sharing element or assignment of JSA rights subject to grace period, it would be arbitrary and capricious for the Commission to do so for transitional applications like the Assignment Applications, particularly if—as is the case here—denial of a waiver would undermine rather than advance the objectives purportedly served by the new rules.

Grant of the Requested Waiver Will Advance the Policy Goals of the Processing Guideline and the New JSA Rule.

Here, grant of the waivers necessary for grant of the Assignment Application would advance the goals underlying the Processing Guideline and the new JSA rule. In terms of those goals, the proposal in the Assignment Applications marks a major advance over the *status quo*. For example, the Commission—by its recent rule change—seeks to curtail the use of same-market JSAs to advance goals of competition and program diversity. A waiver to permit grant of the Assignment Applicants, as the exhibits to the Assignment Application explain, would terminate the JSAs between Granite and Malara entities in Duluth, Minnesota, and Fort Wayne, Indiana. The SagamoreHill entities proposed as the assignees of KDLH and WISE-TV have committed in the Assignment Applications to operate the stations with sales staffs separate and independent of any same-market station licensee.

In addition, Granite station WEEK-TV currently provides sales services to WAOE and WHOI in Peoria, Illinois, pursuant to existing joint sales arrangements. Although Quincy proposes to take an assignment of these agreements, the consummation of the transactions described in the Assignment Applications will result in the termination of those JSA agreements

⁵ See 5 U.S.C. § 553.

well before the end of the two-year grace period in the Commission's new JSA rule—by December 31, 2014, for the WAOE JSA and within nine months of closing for the WHOI JSA.⁶

Grant of the Assignment Applications also would place the Stations, which have a troubled financial history,⁷ in the hands of broadcasters with records of success in operating stations in similarly sized markets and with the demonstrated capacity independently to direct the programming, personnel and finances of the licensees they propose to control. For example, as set forth in greater detail in Exhibit A, SagamoreHill's highly experienced principal Mr. Louis Wall has owned and operated multiple local television stations and has served as the head of broadcast operations for major group owners. He currently owns and operates network-affiliated stations KZTV(TV), Corpus Christi, Texas; KXLT-TV, Rochester, Minnesota; and KASW(TV), Phoenix, Arizona, and is President of and an investor in the licensees of network-affiliated stations WLTZ(TV), Columbus, Georgia, and WNCN(TV), Montgomery, Alabama.

Furthermore, a waiver to permit grant of the Assignment Applications would increase program diversity and improve public interest program service, particularly in Duluth, Minnesota, and Fort Wayne, Indiana, where stations operated by Malara currently rebroadcast newscasts that first air on the Granite stations in those respective markets. Following consummation of the transactions described in the Assignment Applications, however, SagamoreHill's stations in those markets will begin airing live, original newscasts that will be produced in Quincy's state-of-the-art facilities, under SagamoreHill's control and in accord with SagamoreHill's specifications.⁸ In addition, citizens in Ft. Wayne, Peoria and Duluth would gain the benefits of needed public interest program services, such as life-saving, sophisticated weather tracking and reporting technology that the present licensees do not provide.

⁶ Granite has received a termination notice concerning the WHOI JSA in which Sinclair has exercised its right to terminate the JSA within 270 days of the closing of the assignment of WEEK-TV to Quincy.

⁷ Financial hardships for the stations now held by Malara entities led to the establishment of joint sales arrangements between the Malara stations and same-market licensee subsidiaries of Granite in 2004. The current licensees of Granite stations WBNG-TV, WEEK-TV, KRIL, KBJR-TV and WISE-TV went through a bankruptcy in 2006 after complications caused by the realignment of stations in connection with the formation of The CW network. Because of the bankruptcy process, holders of Granite's stock lost their equity, and the company's former lender—an investment fund known as Silver Point Capital—became Granite's controlling stockholder.

⁸ Quincy will not be brokering time on the Ft. Wayne and Duluth stations and these newscasts will not constitute more than fifteen percent (15%) of the broadcast time per week on the other station. Moreover, SagamoreHill will be free to produce its own newscasts if it should desire to do so in the future. Under the proposal in the Assignment Applications, there would be new, competing, live newscasts in Ft. Wayne and Duluth on weekday mornings, weekday evenings at 10:00 p.m. and weekends. These measures will serve the Commission's goals of diversity and localism. The provision of additional diverse sources of local news and public affairs programming is a clear public interest benefit flowing from approval of the transaction.

In sum, in contrast to maintenance of the *status quo*, Commission grant of a waiver for the Assignment Applications would advance substantially the Commission's goals of competition, program diversity, enhanced public service, and licensee independence that underlie both the Processing Guideline and the new JSA rule. Two existing JSA arrangements, in place since 2004, would terminate upon closing, with a third ending by year's end and the fourth a few months later. Otherwise, given the characteristics of these markets, these JSA arrangements almost assuredly would continue until the end of the current two-year grace period plus any further permissible period granted by the Commission or imposed by a court.⁹ Furthermore, during that period, the Stations would remain in the hands of investors seeking to sell rather than

⁹ Even if Section 310(d) of the Communications Act did not forbid the Commission from evaluating the proposal in the Assignment Applications against hypothetical or alternative applicants' proposals with more elements favored by the Commission, there would be no reason to expect a proposal that would offer more in the way of public interest benefits than the modified proposal in the Assignment Applications. The stations involved in the proposed transaction are located in small television markets. Ft. Wayne is in market 109 as rated by Nielsen. Its 267,680 TV households cover 0.231% of U.S. TV households. Peoria is market 117. Its 249,220 TV households cover 0.215% U.S. of TV households. Duluth is in market 139. Its 172,410 TV households amount to 0.149% of U.S. TV households. (Binghamton is market 159 with 135,230 TV households, which comprise 0.117% of U.S. TV households. The proposed transaction involves no same-market stations in Binghamton, so waiver of Rule 73.3555(b) or the Processing Guideline is not required for this market.) Taken together, the same-market stations involved in this transaction serve 689,310 TV households covering just 0.595% of U.S. TV households. See Nielsen, Local Television Market Universe Estimates, available at

<http://www.nielsen.com/content/dam/corporate/us/en/docs/solutions/measurement/television/2013-2014-DMA-Ranks.pdf> (last visited July 29, 2014).

As the Commission has recognized, the economics of small market television are demonstrably different from those of larger markets. See *2002 Biennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996*, Report and Order and Notice of Proposed Rulemaking, 18 FCC Rcd 13620, 13697-98, ¶ 201 (2003) (“The record demonstrates that owners of television stations in small and mid-sized markets are experiencing greater competitive difficulty than stations in larger markets. . . . The data demonstrate that there are fewer stations in smaller DMAs; but, as the average number of stations declines, the reduction in the number of stations is outpaced by the decline in average gross revenues. Thus, small market stations are competing for disproportionately smaller revenues than stations in large markets. . . . We find these data probative of the different economics of station ownership depending on market size. The data confirm that the ability of local stations to compete successfully in the delivered video market is meaningfully (and negatively) affected in mid-sized and smaller markets.”), *vacated in part and remanded on other grounds by Prometheus Radio Project v. FCC*, 373 F.3d 372 (3rd Cir. 2004); see also Comments of the Coalition to Preserve Local TV Broadcasting, MB Docket Nos. 09-182 and 07-292, pp. 3-15 (Mar. 5, 2012); Comments of Smaller Market Television Stations, MB Docket No. 09-182, pp. 6-10 (July 12, 2010).

established and expanding broadcasters prepared to invest in facilities and programming to revitalize the Stations. Indeed, the assignees under the Assignment Applications propose to spend more than twenty million dollars (\$20,000,000) on capital expenditures and related station improvements—a figure amounting to more than ten percent of the total transaction price.

Grant of the Waiver Will Not Conflict with Any Rule, Order, or Promulgated Policy of the Commission.

Furthermore, grant of the waiver request would not conflict with any rule or promulgated policy of the Commission. As explained above, grant of the Assignment Applications requires a waiver only to the extent that the Commission may interpret the Processing Guidelines or the new JSA rules to impose certain restrictions beyond those expressly set forth in their respective texts.¹⁰ The Assignment Application proposes that Quincy will provide specified back office, engineering, news production, equipment and real estate services to SagamoreHill pursuant to a Shared Services Agreement; (2) an option by which Quincy might acquire the assets of the SagamoreHill stations in Ft. Wayne and Duluth; and (3) Quincy’s commitment to provide a guaranty of SagamoreHill’s bank financing. There is no provision of the Commission’s Rules that prohibits or treats any of these three such relationships as attributable either individually or collectively. Indeed, Section 73.3555 (note 2(e)) of the Commission’s rules makes clear that “holders of debt and instruments such as warrants, convertible debentures, options, or other non-voting interests with rights of conversion to voting interests shall not be attributed unless and until conversion is effected.”¹¹ Further, this Commission has expressly held that a *bona fide* loan guarantee, like the one proposed here, is not attributable.¹² Guarantees and un-exercised options “do not provide the interest holder with the incentive and means to exert influence over the core operations of a licensee.”¹³ The Commission intended these rules “to establish, as far as possible, a bright-line test that avoids the uncertainty of case-by-case review, and to premise the [equity/debt plus] rule on whether the extent of financial interest is significant and is coupled with a relationship between the investor and the licensee that gives the investor an incentive to

¹⁰ The Processing Guideline, by its terms, purports not to change any rule or policy. *See Public Notice*; *see also* Statement of William Lake, Chief, Media Bureau on Processing Guidance for Future Proposed Broadcast TV Transactions (Mar. 12, 2014). Thus, the Commission presumptively should apply it in a fashion consistent with the existing FCC ownership attribution rules and long-standing precedent. *See, e.g.*, 47 C.F.R. § 73.3555 (note 2(e)).

¹¹ 47 C.F.R. § 73.3555 (note 2(e)).

¹² *Review of the Commission Regulations Governing Attribution of Broadcast and Cable/MDS Interests*, Memorandum Opinion and Order on Reconsideration, 16 FCC Rcd 1097, 1112 (2001) (“*Attribution Reconsideration*”).

¹³ Chelsey Broadcasting Company of Youngstown, LLC, Letter, 22 FCC Rcd 13905, 13908 (M.B. 2007).

exert influence.”¹⁴ Based on the FCC’s rules and years of precedent, no such incentive or ability exists here to influence the operation of the stations SagamoreHill proposes to acquire.

Similarly, the provision of back office, engineering, equipment and leased real estate is not forbidden or otherwise attributable under any FCC Rule or policy. Moreover, Quincy’s provision of news programming services to SagamoreHill will be non-attributable under Section 73.3555 (note 2(j)).¹⁵ The Commission routinely has approved similar arrangements over the past decade,¹⁶ including the December 20, 2013, approval for the Gannett/Belo transaction. As the Commission stated in its order granting assignment consent in that proceeding,

The Commission, in particular, examines the policies governing station programming, personnel, and finances. The Commission has long held that a licensee may delegate day-to-day operations without surrendering *de facto* control, so long as the licensee *continues to set the policies governing these three indicia of control. Thus, entering into one or multiple cooperative agreements with a same-market entity does not in itself indicate an unauthorized transfer of control. All of the agreements contain provisions asserting that the relevant licensee . . . will control the operations of the station they own consistent with FCC rules.*

The Commission’s rule-based attribution benchmarks, which are set forth in Note 2 to Section 73.3555 of the Commission’s rules and related precedent, have a slightly different purpose in that they seek to identify those ownership interests that subject the holders to compliance with the multiple and cross-ownership rules because they confer a degree “of influence or control such that the holders have a realistic potential to affect the programming decisions of licensees or other core operating functions.”

¹⁴ *Attribution Reconsideration*, 16 FCC Rcd at 1113.

¹⁵ 47 C.F.R. § 73.3555 (note 2(j)).

¹⁶ See, e.g., *Applications of Local TV Holdings, LLC, Transferor, and Tribune Broadcasting Company II, LLC, Transferee*, Memorandum Opinion and Order, 28 FCC Rcd 16850 (Dec. 20, 2013) (hereinafter, “*Local TV/Tribune*”); *Applications for Consent to Transfer of Control from Shareholders of Belo Corp. to Gannett Co., Inc.*, Memorandum Opinion and Order, 28 FCC Rcd 16867 (Dec. 20, 2013) (hereinafter, “*Gannett/Belo*”). *Free State Communications, LLC*, Letter, 26 FCC Rcd 10310 (MB 2011); *ACME Television Licenses of Ohio, LLC*, Letter, 26 FCC Rcd 5198 (MB 2011); *SagamoreHill of Corpus Christi Licenses, LLC*, Letter, 25 FCC Rcd 2809, 2814 (MB 2010); *Nexstar Broadcasting, Inc.*, Letter, 23 FCC Rcd 3528, 3533, 3535 (MB 2008); *Piedmont Television of Springfield License LLC*, Memorandum Opinion and Order, 22 FCC Rcd 13910 (2007); *Chelsey Broadcasting Company of Youngstown, LLC*, Letter, 22 FCC Rcd 13905 (MB 2007); *Malara Broadcasting Group of Duluth Licensee LLC*, Memorandum Opinion and Order, 19 FCC Rcd 24070 (2004).

The Commission has stated in the past that SSAs covering technical and other back-office operations typically do not raise an issue under the Commission's attribution rules. The Commission has determined that the contingent interests applicable to all the overlap markets in this case, the guarantee and option, are not attributable unless exercised. . . .

There will be no programming component to the relationship between Gannett and Sander in the Phoenix market as has become common in more recent SSAs. In Tucson, the existing SSA between Raycom and Belo that Sander and Tucker will assume does provide for joint production of news programming, but such programming is limited to 15% of weekly broadcasting time and thus is not attributable under our rules. The Commission has approved applications for consent to television station transactions involving a combination of joint sales agreements, other types of shared services agreements, options and similar contingent interests, and guarantees of third-party debt financing, and has found these cooperative arrangements not to rise to the level of an attributable interest. We find the combination of interests presented here falls within those combinations previously approved. . . .

*The parties to this transaction have relied on an expectation, generated by prior decisions in the broadcast context, that conformity of individual elements of the transaction to our rules and to other transactions previously approved would warrant approval here.*¹⁷

The parties to the Assignment Applications, which were filed prior to the issuance of the Processing Guideline or the promulgation of the new JSA rule, likewise “have relied on an expectation, generated by prior decisions in the broadcast context, that conformity of individual elements of the transaction to our rules and to other transactions previously approved would warrant approval.”¹⁸

The modified proposal in the Assignment Applications, moreover, conforms to the text of both the Processing Guideline and the new JSA rules. Even if the Commission should interpret its Processing Guideline as a substantive change in its rules to narrow the window provided

¹⁷ *Gannett/Belo*, ¶¶ 25-27, 29 (internal citations omitted, emphasis added).

¹⁸ *Id.* SagamoreHill's independence as an operator is evident in the transaction documents. All of the agreements make plain that SagamoreHill management will be solely in charge of programming, personnel and finances of WISE-TV and KDLH. As the Commission noted in *Gannett/Belo*, “all of the agreements contain provision assessing that the relevant licensee . . . will control the operations of the stations they own consistent with FCC Rules.” See *Gannett/Belo* at ¶ 25. The agreements between Quincy and SagamoreHill contain the same provisions. To treat Quincy and SagamoreHill any differently than Belo and Gannett or Tribune and Local TV would be unlawful. See, e.g., *Melody Music, Inc. v. Federal Communications Commission*, 345 F.2d 730 (D.C. Cir. 1965).

under current rules and case law for acceptable sharing arrangements,¹⁹ it nevertheless would be arbitrary and capricious for the Commission to decline to waive that requirement in this instance to permit grant of the Assignment Applications. If the Commission should deny the Assignment Applications, a similar and already existing set of option, financing, and shared services agreements would remain in effect at the Stations, and multiple JSA arrangements that otherwise would have terminated at closing or within a few months afterward instead would continue for the full two-year grace period plus any extension. In short, if the Commission believes what it has written and adopted about the public interest benefits of curtailing same-market television JSA agreements, it would be unreasonable for the Commission to deny a waiver request that expedites that benefit in multiple markets, confers multiple other public interest benefits, and in every respect improves upon the *status quo*.

* * *

Conclusion.

The foregoing premises considered, the undersigned hereby respectfully request that the Commission grant its approval to the above-captioned applications. If the Commission deems it either necessary or appropriate, a waiver of 47 C.F.R. § 73.3555(b) of the Rules and/or of the Processing Guideline is requested.

¹⁹ Such an approach would be legally questionable, of course, since the Administrative Procedures Act generally contemplates that agencies will change substantive rules only through notice and comment rule making proceedings.

Exhibit A



**Public Interest Benefits of Acquisition of
Granite Broadcasting Corp. and Malara
Broadcast Group Stations by Quincy
Newspapers, Inc. and SagamoreHill
Broadcasting, LLC**

Overview of Transaction

- Granite and subsidiaries will sell to Quincy:
 - WBNG, Binghamton, NY
 - KBJR, Superior, WI & satellite KRIL, Chisholm, MN
 - WEEK, Peoria, IL
- Malara and subsidiary will sell to Quincy:
 - WPTA, Ft. Wayne, IN

Overview of Transaction

- Granite and subsidiaries will sell to SagamoreHill Broadcasting :
 - WISE, Ft. Wayne, IN
- Malara and subsidiary will sell to SagamoreHill Broadcasting:
 - KDLH, Duluth, MN

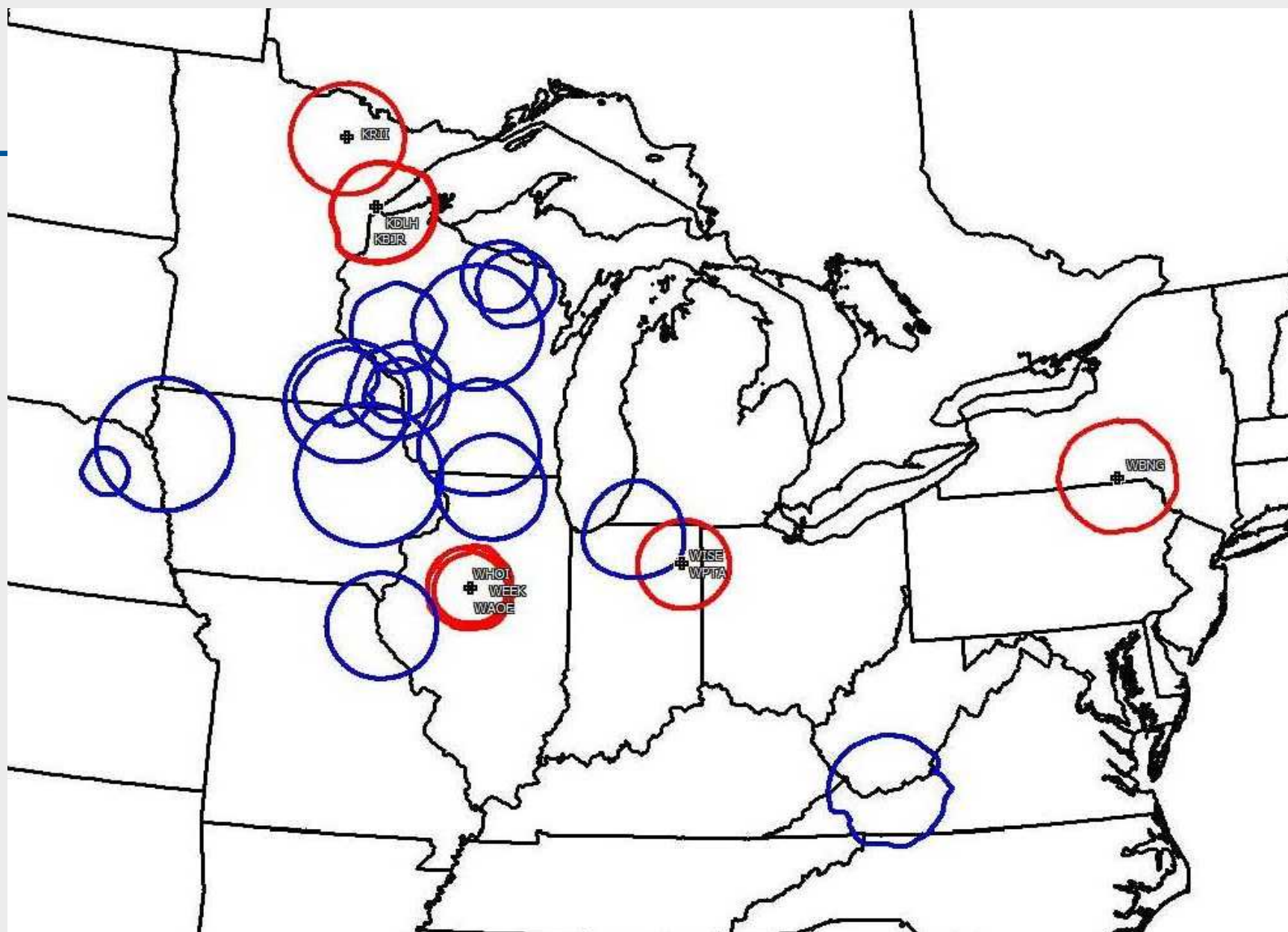
Transaction Summary

- Stations in Ft. Wayne and Duluth have been operated with SSAs and JSAs for over nine (9) years now. Stations in Peoria for five (5) years (WHOI) and nine (9) years (WAOE).
- Post-bankruptcy secured creditors out / long-time local broadcasters in
- Existing joint sales arrangements to be eliminated in Ft. Wayne and Duluth
- Competing, non-duplicative, live, local news to be added
- Public affairs programming to be added
- Life-saving weather tracking and reporting technology to be added
- Commitment to capital and other expenditures in excess of \$20 million or more than 10% of the total consideration involved in the transaction
- Public interest in diversity, competition and localism advanced

Overview Of Small Markets Involved

- The transaction involves TV stations in Nielsen markets numbered 109, 117, 139 and 159.
- The communities involved aggregate 824,540 US TV households or .712 percent of US TV households. [Source: Nielsen TV Household Rankings 2013-14.]
- The transaction is about improving local television service in small- to medium-size markets.





Who Is Quincy Newspapers, Inc.

- A privately-held fifth and sixth generation family-owned media company.
- Still owns the first cluster of stations it put on the air in Quincy, IL, starting with WQDI (now WGEM-FM) in 1947 and WGEM-TV, which launched in 1953. Never sold a television station once acquired.
- Not an investor but a long run operator committed to the communities and regions it serves by providing the best in local news, community affairs and entertainment.
- Quincy has a strong history of supporting social service and non-profit organizations in its markets and will similarly support such enterprises in the communities served by the Granite and Malara stations.

What People Say About Quincy

“Quincy is a major employer in Iowa, and owns KWWL, Waterloo-Cedar Rapids; KTIV, Sioux City in the state of Iowa; and KTTC in Rochester, Minnesota, a station which also has coverage in my Congressional district in the state of Iowa. Quincy stations have been a part of our communities for years, and have a strong record of providing substantive and helpful news coverage. . . . The Quincy team provided substantive coverage [during severe tornado and flooding emergencies in Iowa in 2008] which included warnings that helped save lives, and worked 24/7 to provide the affected communities, responders and viewers with clear, accurate information during and after these events.

The Quincy management team are quality broadcasters, and have shown a deep appreciation for strong, local coverage.”

U.S. Rep. Bruce Braley (D-IA), in a letter to FCC Staff, April 22, 2014

What People Say About Quincy

“Quincy Newspapers has a long history of commitment to quality news coverage. They have shown real dedication to covering the issues important to West Central Illinois and have continued to show community support for the areas they serve. Quincy Newspapers has a respected reputation across my district for the way they run their business and how they treat their employees in radio, television and print media. It is great to see that many of these stations will once again be locally owned.”

U.S. Rep. Aaron Schock (R-IL), following announcement of the proposed transaction

What People Say About This Transaction

“Quincy is a family-owned company. There hasn’t been a family-owned broadcaster in Fort Wayne since the 1970s.” The advantage of family-owned stations is officials tend to have a better pulse on the community and are more responsive

“They’re not in some big office in New York[.]”

*Steve Shine, local citizen and
communications attorney in The Journal
Gazette (Ft. Wayne), March 16, 2014*

Who is SagamoreHill Broadcasting

- Owned and managed by Louis Wall, a broadcast TV veteran with 40+ years of experience.
- Former station group head of Benedek Broadcasting; founder (with private equity funding) of multi-station, small-market TV group owner.
- Currently, owner and operator of: KZTV, Corpus Christi, TX; KXLT, Rochester, MN; and WLTZ, Columbus, GA. Also, President of WNCN(TV), Montgomery, AL
- Application to acquire KASW, Phoenix, AZ, pending



More About SagamoreHill

Mr. Wall and SagamoreHill have a proven track-record of promoting local service:

- “Northern Colorado 5” launched as a multicast channel on KGWN-TV, Cheyenne, WY.
- WLTZ(TV), Columbus, GA, added 4 hours of daily news.
- KGNS-TV, Laredo, TX, launched Spanish language programming to a large, but underserved, audience.
- While at WJBF(TV), Augusta, GA, Mr. Wall created a children’s show featuring educational activities at local schools.

SagamoreHill's Independence

- SagamoreHill will sign financial instruments with its lender to finance the purchase of KDLH and WISE-TV. SagamoreHill will be fully liable for repayment of the funds.
- Quincy and SagamoreHill will not consolidate financials.
- Mr. Wall is an entrepreneur who operates stations as an owner with no sharing partners, and as an owner who utilizes sharing arrangements. He decides which arrangements best suit his business opportunities.
- Mr. Wall is already engaged in a partnership with Quincy in Rochester, MN, and has found that it benefited his company to do so.
- Mr. Wall expects he will invest profits of KDLH and WISE-TV back into local programming for the benefit of viewers in Duluth and Ft. Wayne.
- The transaction documents make clear that Mr. Wall and SagamoreHill will control and make all decisions about their stations' programming, personnel, and finances.

Quincy & SagamoreHill In Rochester, MN

- Quincy and SagamoreHill have previously operated as partners in a small local TV market with success.
- Quincy and SagamoreHill have collaborated in the Rochester, MN market for nearly 10 years. The local community has benefited from this collaboration.
- Quincy station KTTC's provision of services to SagamoreHill station KXLT has increased the amount and quality of news offered to Rochester viewers.
- KTTC and KXLT provide independently produced newscasts, coverage of events, and public service campaigns.
- \$4.5 million has been invested to upgrade KXLT's infrastructure and equipment.

What The Community Says About The Quincy-SagamoreHill Operation Of KTTC-KXLT In Rochester

“We have had the amazingly good fortune to be the beneficiary of KTTC and FOX’s [KXLT’s] generosity in their charitable giving. For over 25 years the station has supported our special events, ‘hot topic’ story coverage, and have always welcomed our calls for partnering opportunities. . . .

Both stations are actively involved in their support of our organization. The entire team from both stations . . . have all contributed to the success of our fundraising and disability awareness efforts.

Without KTTC and FOX’s support, our work in the community would not be as recognizable as it is. Their outreach and viewership in so many areas is fantastic in telling ‘our story’”.

Theresa Thompson

Director of Development & Communications

Hiawatha Homes Foundation, Rochester, MN

Approval Of Granite/Malara Transaction Is In The Public Interest

Contributes to Diversity

- ✓ Ft. Wayne and Duluth will experience an increase in diversity of voices through new, competitive, non-duplicative, live, local newscasts Quincy will bring to market.
- ✓ Ft. Wayne and Duluth will experience an increase in diversity of ownership as programming and advertising in the sharing markets will be untethered from each other – SagamoreHill will make its own programming and sales decisions.
- ✓ Quincy's shareholders include substantial ownership by women.
- ✓ Quincy strives to find and develop female and minority employees through the "Quinternship" program (discussed below) and other efforts.

Approval Of This Transaction Is In The Public Interest

Fosters Competition

- ✓ Sales competition will exist in markets where it has not before.
- ✓ Increasing the quantity and quality of local news and weather and investing in station operations and infrastructure will improve and increase viewers' choices in each market.
- ✓ Other stations in the market will need to “up their game” -- to the benefit of viewers -- to stay competitive.

Approval Of This Transaction Is In The Public Interest

Promotes Localism

Quincy and SagamoreHill will:

- ✓ Substantially expand independent live coverage of local news and weather in each market, increasing public safety in the case of emergency weather coverage
- ✓ Provide HD programming where it is not currently offered
- ✓ Offer on-the-job training to local students
- ✓ Invest in their communities through charitable events and giving
- ✓ Quincy will invest \$20.3 million in capital and other improvements in Peoria, Duluth, Ft. Wayne and Binghamton

QUINCY'S TECHNICAL AND OPERATIONAL PLANS FOR NEW MARKETS



WEEK-WHOI-WAOE
Peoria, IL
Nielsen DMA # 117

Peoria Today

- Quincy proposes to acquire WEEK. WEEK currently provides services to Peoria stations WHOI (Sinclair) and WAOE (Four Seasons).
 - WEEK has joint sales and shared services arrangements with each station
 - WEEK has an option to purchase WAOE (but not WHOI)
 - WHOI arrangements expected to terminate 9 months after closing
 - WAOE arrangements scheduled to expire December 2014
- WEEK's local news is in widescreen SD. WEEK's network programming is in SD.

Quincy Will Improve Peoria's Emergency Coverage

On November 17, 2013, the Peoria market experienced an EF4 Tornado that caused unfathomable damage to Washington, IL, east of Peoria. Both WEEK and WHOI lacked sophisticated weather forecast and storm tracking software. The coverage was not thorough or timely:

<http://www.youtube.com/watch?v=aiBIFDLfWCY>

Peoria With Quincy

- Quincy plans immediately upon acquisition to purchase and install WSI's Max Weather and Max Storm real-time, live storm tracking software along with Max Traffic for real-time traffic conditions. This system will cost \$135,000. Quincy will also invest in staff training on covering weather-related emergencies.
- Quincy will invest \$50,000 to install Newsroom Solutions NewsTicker system, the industry leader in rapid weather alerts, school closings, and emergency content distribution over the air and Internet.
- Quincy will spend \$2.3 million to upgrade WEEK with a state-of-the-art Production Control Room for producing news programming and complete HD Master Control for airing syndicated programming and commercial content in HD.

Peoria With Quincy

- Quincy also plans to invest \$140,000 to update the facility with a modern IT Network and Phone system to better serve the stations and allow for better content sharing between other Quincy stations and better communications with the Public.
- After the IT Network upgrade WEEK will move to a more efficient News script writing, HD editing system, which will cost an estimated \$400,000.
- Quincy will invest \$25,000 to install CALM compliant audio processors.

Peoria With Quincy

- Quincy will install a new \$68,000 DTV Imagine Communications (formerly Harris) Selenio Encoder. The new encoder replaces one that is over ten years old and not efficient.
- In total, Quincy will invest \$4,541,000 in capital improvements in the Peoria market.



KBJR-KDLH-KRII
Duluth, MN
Nielsen DMA # 139

Duluth Today

- Quincy proposes to acquire KBJR and provide services to KDLH, which SagamoreHill proposes to acquire.
- Currently, there is an Advertising Representation Agreement in place between KBJR and KDLH.
- Master control is SD 16 x 9.
- Much of KDLH news programming is simulcast from KBJR, and KDLH has no weekend news. From 5-7 am KDLH rebroadcasts the AccuWeather weather channel with L Bar (time and temperature).

Duluth With Quincy

- Quincy and SagamoreHill will eliminate the joint sales arrangement currently in place between KBJR and KDLH. Each station will have its own sales staff.
- Quincy will duplicate in Duluth all the capital expenditures being made in Peoria – new weather systems, newsticker, HD master control, IT network and phone, CALM compliant audio, DTV encoder.
- Quincy will invest \$4,659,000 in capital improvements in the Duluth market.

Duluth With Quincy

- Quincy will offer more extensive, live, non-simulcast news programming for SagamoreHill station KDLH.
- KBJR and KDLH will broadcast simultaneous local newscasts competitive with each other.



WISE-WPTA
Ft. Wayne, IN
Nielsen DMA # 109

Ft. Wayne Today

- Quincy proposes to acquire WPTA and provide services to WISE, which SagamoreHill proposes to acquire.
- Currently, there is an Advertising Representation Agreement in place between WPTA and WISE.
- Master control is HD 16 x 9.
- The majority of newscasts on WISE are pre-recorded.

Ft. Wayne With Quincy

- Quincy and SagamoreHill will eliminate the joint sales arrangement currently in place between WPTA and WISE. Each station will have its own sales staff.
- Quincy plans to spend \$2 million to construct a new studio at the current WPTA location that will allow both WPTA and WISE to broadcast simultaneous newscasts competitive with each other.

Ft. Wayne With Quincy

- Also, duplicate in Ft. Wayne all the capital expenditures being made in Peoria – new weather systems, newsticker, HD master control, IT network and phone, CALM compliant audio, DTV encoder.
- In total, Quincy will invest \$5,694,000 in capital improvements in the Ft. Wayne market.
(SagamoreHill will pay a license fee to Quincy for access to and use of certain facilities in Ft. Wayne.)



WBNG
Binghamton, NY
Nielsen DMA # 159

Binghamton Today

- Quincy proposes to acquire WBNG, a stand-alone station. No JSA or SSA issue present in this market.
- Master control is SD 16 x 9.
- Currently only news is broadcast in HD.

Binghamton With Quincy

- Quincy will duplicate in Binghamton all the upgrades being made in Peoria to core broadcast equipment.
- All WBNG content will be broadcast in HD.
- In total, Quincy will invest \$3,216,000 in capital improvements in the Binghamton market.

Summary

Quincy plans to spend \$20.3 million (\$18 million in capital equipment and \$2.3 million in other improvements) to upgrade these stations to better serve the public not only on a day-to-day basis but under the most difficult life-threatening conditions. This does not include planned replacement items such as cars, cameras, office equipment and other facilities investments.



QUINCY'S INTERACTIVE PLANS FOR NEW MARKETS

Quincy Interactive

- Despite its small size, Quincy operates state-of-the-art facilities using the best technology available.
- That commitment is very evident in Quincy's Interactive Division, which now represents nearly 5% of its employment base.
- Quincy stations are connected to their viewers not only through on-air efforts, but also on every portable wireless device.

Quincy Interactive Plans In New Markets

Here are a few examples of what current Quincy stations do and what will be brought to Peoria, Ft. Wayne, Duluth, and Binghamton:

- In Duluth, Ft. Wayne and Peoria, the stations under sharing agreements have one website. Independent and competitive websites will be created for each station.
- Quincy will add the position of Internet Director at all stations in Peoria, Ft. Wayne, Duluth, and Binghamton. The position does not exist presently. This will increase and improve the quantity and quality of news and information provided online.
- Quincy will move online platforms to Responsive Design technology, creating a better and easier consumer experience on tablet and mobile devices. Current websites do not have Responsive Design.

More Quincy Interactive Plans

- Quincy will introduce several industry-leading tools to be more effective and efficient in delivering vital information.
- In addition to investing in weather equipment for broadcast, Quincy will also serve the new communities with industry leading weather apps and Next Generation weather content on the new Responsive Design websites.
- The stations in the Peoria, Ft. Wayne, Duluth, and Binghamton markets – and their viewers – will benefit from being connected with other stations in the region owned by Quincy, thereby strengthening news, sports, weather, and community information online.

Summary

In addition to its \$18 million capital investment, Quincy plans to spend \$2.3 million to install state-of-the-art interactive technology through apps, new platforms, etc. to reach and inform citizens in Peoria, Ft. Wayne, Duluth, and Binghamton online and on their mobile devices.



QUINCY'S COMMUNITY INVOLVEMENT PLANS FOR NEW MARKETS

“Quinternship” Programs

- A paid internship program that Quincy started 3 years ago for college students to learn hands-on broadcast skills. If agreed to by their schools, academic credit may be earned.
- Quinterns may work in the news, sales, production, promotion, marketing, digital media and engineering departments in any Quincy station – including Peoria, Ft. Wayne, Duluth, and Binghamton.
- Many Quinterns have been hired for full-time employment.
- Profiled in *HR Magazine*:
<http://www.shrm.org/Publications/hrmagazine/EditorialContent/2013/1113/Pages/1113-internships.aspx>



“Quinternship” Programs

Quincy invests approximately \$250,000 company-wide each year in support of the Quinternship program.



Charitable Giving

- Quincy dedicates a percentage of its net profit each year to go toward charitable giving.
- Quincy provides millions of dollars of public service announcements.
- *The citizens of Peoria, Duluth, Ft. Wayne, and Binghamton will be the beneficiaries of Quincy's giving.*

Examples of Charitable Giving

Over the past 20 years, Quincy through its stations or foundations has made charitable cash contributions of over \$3.8 million. Here are just a few examples:

- In 2013 WGEM TV/Radio donated \$30,000 to Quincy (IL) University for new TV equipment for communications classes.
- From 2005-2010 KTIV donated \$10,000 to the Siouxland YMCA in Sioux City, IA.
- From 2011-2013 WXOW/WQOW donated \$3,000 to building a new community theatre in La Crosse, WI.
- From 2002-2013 WSJV has donated \$15,000 to the Elkhart, IN County Economic Development Foundation.
- From 2005-2010 WAOW donated \$17,000 to the Woodson Art Museum in Wausau, WI for an ongoing children's educational program.
- From 2006-2008 KWWL/Waterloo, IA, after being acquired by Quincy, donated \$15,000 to the Cedar Valley Alliance for economic development.

More Charitable Giving

- From 2006-2013 WGEM TV/Radio contributed \$8,000 to the Dr. Eells House in Quincy, IL to help maintain a historic home that was once part of the underground railroad. The home now operates as a museum.
- In 2013 WKOW donated \$3,000 to develop a children's pavilion at the Aldo Leopold Nature Center in Madison, WI.
- WGEM TV/Radio and Quincy has donated over \$150,000 to Convocom/Network Knowledge (Public Television for Western and Central IL).
- From 2005-2013 KTTC has made total contributions of \$10,000 to the Rochester, MN YMCA and Boys and Girls Clubs.
- From 2008-2013 WXOW/WQOW donated \$10,000 to the University of Wisconsin La Crosse Foundation to improve its football/track facility.
- From 2010-2014 Quincy and its stations have donated over \$15,000 to the Washington Media Scholars Foundation, a non-profit organization serving college and university students.

Local Programming Commitment

- All Quincy stations provide important local news and emergency weather coverage. A typical Quincy station broadcasts more than 4 hours/day.
- Quincy stations are highly rated due to the commitment they have and the quality of information they provide.
- Quincy's commitment to local programming will be brought to Peoria, Duluth, Ft. Wayne, and Binghamton.



Examples of Local Political Programming

- Each weekend, WKOW/Madison WI produces a public affairs program, “Capitol Sunday,” with a political theme. It runs on WKOW as well as its sister stations, WXOW/WQOW La Crosse/Eau Claire, WI and WAOW/WYOW in Wausau/Eagle River, WI. **Quincy and SagamoreHill intend to add this program to the schedule of the Duluth market stations.**
- KWWL/Waterloo-Cedar Rapids, IA does a weekly political/public affairs program called “The Steele Report” anchored by 40-year veteran and Iowa native, Ron Steele.
- Quincy stations take an active role during political campaigns by providing numerous debates (locally produced and otherwise) as well as providing candidates with time at no charge to state their cases.

Examples of Other Local Programming

- KTTC/Rochester, MN has produced the KTTC/Mayo/Eagles Cancer Telethon for 60 years. It is the longest running locally produced telethon in the country and has raised over \$11 million for cancer research.
- For nearly 50 years, WKOW in Madison, WI has produced and broadcast the Wisconsin Interscholastic Athletic Association (WIAA) girls and boys basketball state championships and for the past 15 years also produced and broadcast the girls and boys state hockey championships. The games are also broadcast on WKOW's sister stations and are made available to stations in other WI markets to ensure statewide coverage.
- WGEM in Quincy produces and airs a quiz bowl competition among 15-20 high schools.

Local Community Involvement

- Quincy has a long history of its stations and senior management taking leadership positions within their communities to assist dozens of local social service organizations.
- Quincy managers regularly run the local United Way campaign, chair the local chamber of commerce and launch organizations or efforts that improve the community.



Examples of Local Community Involvement

Every Quincy station is deeply involved in bettering its communities. Here is just a sample of the kind of commitment Quincy would bring to Peoria, Ft. Wayne, Duluth, and Binghamton:

- WGEM/Quincy, IL has led the effort to have 23 Honor Flights take Korean and WWII Veterans to Washington, DC at no charge through soliciting community donations. Other Quincy stations do this, as well.
- WREX/Rockford, IL started a three-state economic summit which has resulted in regional cooperation in economic development.
- KTTC/Rochester, MN with increased violence in the city, and a rapidly growing and diverse population, with notable language barriers, the station started the “Safe City” campaign as a way to foster communication and reduce violence.
- KTTC also carries the longest running locally produced telethon in the country raising over \$11 million for cancer research at the Mayo Clinic.

More Local Community Involvement

- WXOW/La Crosse, WI spearheaded an effort for the chamber of commerce to acquire a building from a bank at below-market rates so the community could use the facility to combine four economic non-profit organizations under one roof.
- WXOW/WQOW spearheaded the effort to build the new La Crosse, WI Community Theatre.
- WVVA/Bluefield, WV management led the community effort to take a failed YMCA/YWCA, pay off its debt and re-open it as a community center.
- WGEM/Quincy was the driving force in development of the non-profit community foundation that serves Western IL and Northeast Missouri. Today, the assets of the foundation are just under \$20,000,000 with nearly \$3,000,000 given out in grants to worthwhile non-profit organizations.

Industry Technical Leadership

- Quincy and WGEM-TV have been asked by GatesAir to participate in some of the first over-the-air testing, with FCC permission, of the new ATSC 3 digital TV standard.
- Upon FCC approval, Quincy plans to start in some overnight periods in late August and September.
- WGEM-TV transmits not only a vertical signal but also horizontal, making testing even more valuable.

Support Of Noncommercial TV Stations

Quincy recognizes the valuable role public television plays in this country. To that end:

- WGEM/Quincy has signed on/off the public TV station and provided engineering support and other services at no charge to the public TV station in the Quincy, IL market. Aside from in-kind donations, WGEM and Quincy have given over \$150,000 in cash donations to local public television.
- WSJV/South Bend has underwritten children's programming on the public station in its market.
- KTTC/Rochester has provided free tower space to public TV station KSMQ in exchange for a link-back and office space. The value of the tower space for KSMQ far exceeds the value of the services to Quincy. If KTTC had not allowed KSMQ on its tower, KSMQ would not have been able to make the digital transition.
- WVVA/Bluefield has worked with the public station on operational issues and use of its facility in the Bluefield, WV market.

Awards and Recognition

Here is just a sample of awards Quincy stations have recently won. These awards demonstrate the quality and commitment Quincy would bring to Peoria, Ft. Wayne, Duluth, and Binghamton:

- WKOW, Madison, WI, was honored in 2013 for best morning newscast, best continuing coverage and best meteorologist by the Wisconsin Broadcasters Association and is a past winner of the prestigious DuPont award for news excellence.
- KWWL is Iowa Broadcast News Association's current honoree for Overall Station Excellence, best weather and best anchor team.
- WVVA has been named West Virginia Broadcasters Association's Station of the Year for four of the past six years.



More Awards

- In 2013, KTIV won 19 Iowa Broadcast News Association awards including overall excellence in reporting, and is a repeat winner of multiple Emmy® Awards for best newscast.
- In 2013, WGEM won eight Illinois Broadcasters Association Awards in 2013, and seven Missouri Broadcasters Association Awards, including for best newscast.
- KTTC, Rochester, MN, was honored with a second straight Emmy® Award for best morning news in 2013.

Summary

Quincy stations and their management have a deep commitment to serving and bettering their local communities and will bring this spirit and commitment to the citizens of Peoria, Duluth, Ft. Wayne, and Binghamton.



Waiver Request, If Necessary

- Quincy and SagamoreHill submit that the public interest benefits flowing from the proposed transaction merit a grant of the assignment applications and approval of the transaction, as structured.
- However, should the Commission deem it necessary, Quincy and SagamoreHill request a waiver of the local TV duopoly rule, the March 12 Public Notice processing guidelines, or any other regulatory impediment to the grant of the applications that the Commission believes necessary or appropriate.