

CIG Media LLC
WPXG(TV), Concord, NH
Facility ID # 48406
WDPX(TV), Vineyard Haven, MA
Facility ID # 6476
WWPX(TV), Martinsburg, WV
Facility ID # 23264
WPXU-TV, Jacksonville, NC
Facility ID # 37971

Exhibit 18
FCC Form 315
Section IV, Question 8(b)

Statement in Support of Continued Satellite Status

By these applications, CIG Media LLC seeks Commission consent to the transfer of control of the licensees of Stations WPXG(TV), Concord, New Hampshire (Boston DMA), WDPX(TV), Vineyard Haven, Massachusetts (Boston DMA), WWPX(TV), Martinsburg, West Virginia (Washington, DC DMA), and WPXU-TV, Jacksonville, North Carolina (Greenville-New Bern-Washington DMA), all of which are operated as satellites of other full-power stations in their television markets. CIG Media LLC requests that the Commission grant it continuing authority to operate those stations as satellites. In each market, there is a Grade B overlap between the signals of the satellite stations and their full-power parent, necessitating this request for a waiver of Section 73.3555(b) of the Commission's Rules. *See id.* note 5.

These stations have been operated as satellites by their current licensees, which are subsidiaries of ION Media Networks, Inc., and the Commission has previously approved their common ownership and operation as satellites.

Applications for satellite status are presumed to be in the public interest if three criteria are met: (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). As the attached Economic Viability Study prepared by Mark Fratrik, Ph.D. and Colin Byrne^{1/} (the “Fratrik-Byrne Study”) demonstrates, WPXG(TV), WDPX(TV), WWPX(TV), and WPXU-TV meet all three criteria.

First, as the contour maps in the Appendices to the Fratrik-Byrne Study show, there is no city-grade contour overlap between any of these satellite stations and their parent stations. In the Boston market, where there are two satellite stations, there is also no overlap between the 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 four satellite stations are licensed to a community with more than two full-service stations; only one – WPXU-TV – is licensed to a community that even has another full-power station licensed to it. Fratrik-Byrne Study at 8, 15, 21. Having satisfied the “transmission test,” there is no need to examine the alternative “reception test.” *See MG Broadcasting, LLC, as E.A.T.*, 21 FCC Rcd 10730, 10731 (Media Bureau 2006).

The Fratrik-Byrne Study also demonstrates that these stations meet the third criterion. . With respect to WDPX(TV) and WPXG(TV), for example, the two satellite stations in the

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Boston DMA, the Study shows the following: Thirteen of the 14 full-service stations in the market reach more than 60 percent of the households in the Boston MSA, while WPXG(TV) and WDPX(TV) reach only 34 percent and 7 percent, respectively. Fratrik-Byrne Study at 3-4. These stations could not be competitive with the full-service stations in the Boston market and their limited coverage means that they can only be viably operated as satellites.

The Fratrik-Byrne Study further points out that all of the English-language television networks (including the two new networks – CW and My Network TV) and the major Spanish language networks already have affiliates in the Boston DMA. If WPXG(TV) and WDPX(TV) had to be operated as full-service stations, there would be no national network with which they could affiliate. *Id.* at 4. The Fratrik-Byrne Study also reveals that television advertising revenue growth in the Boston DMA has generally been slower than growth in the average market, a trend that is expected to continue. *Id.* at 4-5. Absent substantial new revenues, additional full-service stations could survive only 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 two new full-service stations) succeeding are remote, at best. Indeed, these stations were constructed as satellites and have only been operated as satellite stations.

The Study similarly shows that WWPX(TV), Martinsburg, West Virginia, would not be viable as a stand-alone full service station. Almost all of the full-service stations in the Washington, DC market have both much greater coverage, and coverage that is nearer to the population center of the market, than WWPX(TV). *Id.* at 10, 14-15. All of the English-language and one of the Spanish-language national networks already have affiliates in the Washington, DC market. *Id.* at 11. And, from its West Virginia location, WWPX(TV) reaches only a very

limited number of Hispanic individuals and, thus, would not be an attractive or viable affiliate for another Spanish-language network. *Id.* at 14. As in the Boston DMA, BIA data reveals that advertising revenue growth in the Washington, DC DMA is slow, and little improvement is forecasted. *Id.* at 11-12. Additional full-service stations thus could survive only 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 Fratrik-Byrne Study concludes that another full service station in the Washington DMA would not be viable.

Finally, the Greenville-New Bern-Washington, NC market is the 107th ranked market in terms of TV households. There are now five full-service stations and two full-power satellite stations in the market. Both the CW and MyNetworkTV have chosen to affiliate with one of the full-service stations to be distributed as multicast channels. The full-service stations affiliated with the three traditional networks all have far greater over-the-air coverage than does WEPX-TV, the parent station of WPXU-TV, and the Fox affiliate in the market obtains market-wide signal coverage through the other satellite station in the market.

Because WPXU-TV only reaches a portion of Greenville-New Bern-Washington, NC market, it is very unlikely that, operating as a full-service station, it would be able to obtain an affiliation with a national network. *Id.* at 20. Here, again, advertising revenue growth is comparatively low, and it is expected to continue to grow at less than an average rate. *Id.* at 17-18. In light of this, a full-service station would need a strong network affiliation or other source of attractive programming (not already available in the market) in order to succeed.

Another reason for concluding that these four stations could not be operated as full-service stations is the additional capital investment that full-service operation would require. The Fratrik-Byrne 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 their parent stations. It estimates those costs to be 1.3 million dollars per station.

Id. at 21. As the Fratrik-Byrne Study points out, 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, they conclude, “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 23.

Based on similar showings, the Media Bureau granted continued satellite status in *MG Broadcasting, LLC, as E.A.T.*, 21 FCC Rcd 10730 (Media Bureau 2006). CIG Media LLC, therefore, has demonstrated the continued existence of all three criteria justifying the presumption that satellite service by WPXG(TV), WDPX(TV), WWPX(TV), and WPXU-TV is in the public interest. Accordingly, the Commission should grant continued satellite status for these stations and a waiver of Section 73.3555(b) of its Rules.

**THE ECONOMIC VIABILITY OF
WPXG (TV), WDPX (TV), WWPX (TV)
& WPXU-TV
IF OPERATED AS
FULL-SERVICE TELEVISION STATIONS**

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**THE ECONOMIC VIABILITY OF WPXG (TV), WDPX (TV), WPXU-TV & WWPX
(TV)**

AS FULL-SERVICE TELEVISION STATIONS

Executive Summary

Today with hundreds of channels offered by local cable systems and satellite television services, local over-the-air television stations are facing increasingly difficult times in attracting enough audience share to garner sufficient advertising revenues to remain viable. With this in mind, the answer to the question of whether satellite stations WPXG (TV), WDPX (TV), WPXU-TV and WWPX (TV) can be operated as full-service television stations is clear. Can these stations generate enough revenues in this increased competitive environment within their portions of the Boston, MA (WPXG (TV), WDPX (TV)), Greenville-New Bern-Washington, NC (WPXU-TV) and Washington D.C. (WWPX (TV)) markets to cover the programming, engineering, and other associated operating costs of full-service stations? After analyzing and reviewing the competitive situation and the stations' positions in their markets, we conclude that they cannot. Therefore, they cannot be viable full-service television stations.

Given the anticipated slow growth of revenues in these television markets and the costs involved in operating a full-service television station, coupled with the constraints these satellite stations face within their local service areas and within their respective larger television markets, and given the existence of other full-service stations in the markets, these stations would have to operate as independent stations unaffiliated with any of the major networks. Plus these stations would also face the challenge of disadvantaged signal coverage areas as compared to the other full-service television stations in the market. This makes it almost certain that these stations could not be profitably operated, and that no one would be willing to make the investment required to convert these stations into full-service stations.

THE ECONOMIC VIABILITY OF WPXG (TV), WDPX (TV), WPXU-TV & WWPX (TV) AS FULL-SERVICE TELEVISION STATIONS

Introduction

Today with hundreds of channels offered by local cable systems and satellite television services, local over-the-air television stations are facing an increasingly difficult time in attracting enough audience share to garner sufficient advertising revenues to remain viable. With this in mind, the answer to the question of whether satellite stations WPXG (TV), WDPX (TV), WPXU-TV and WWPX (TV) can be operated as full-service television stations is clear. Can these stations generate enough revenues in this increased competitive environment within their portions of the Boston, MA (WPXG (TV), WDPX (TV)), Greenville-New Bern-Washington, NC (WPXU-TV) and Washington D.C. Metro (WWPX (TV)) markets to cover the programming, engineering, and other associated operating costs of full-service stations?

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). Each of the three markets will be separately analyzed. First, we will review the competitive situation that would face these four satellite stations in the three markets, 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 examine whether there is any overlap between any of the city-grade contours of these satellite stations with its existing “parent” station. Finally, we will analyze what other stations areas are

licensed to the same communities in order to see whether these areas are “underserved” according to the FCC definition.

This report will first review the competitive landscape of the three television markets and the affiliation and programming options for these four present satellite stations. Within the coverage area of these four stations, and given the existing stations in this television market, these stations could only be affiliates of Hispanic networks or operate as 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 three television markets, these four 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 full-service television stations would require additional equipment and build-out.

After reviewing the competitive situation and these stations’ positions in each market, we conclude that these four stations cannot be viable full-service television stations and can only be operated as satellite stations. No rational buyer would be willing to make the investments required to transform these four stations into full-service stations. Therefore, we believe that maintaining these four stations as satellites is the only viable option for the communities served by these stations.

Boston, MA Television Market

Station Lineup

The Boston, MA television market is ranked as the 7th largest television market in terms of the number of households. There are presently fourteen full-service television stations and two 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
Boston, MA Television Market Stations

Calls	Channel	Affiliation	Type of Station	Population Served	Percentage of Market *
WBZ	4	CBS	Full-Service	5,602,063	90%
WCVB	5	ABC	Full-Service	5,605,606	90%
WHDH	7	NBC	Full-Service	5,512,663	89%
WMUR	9	ABC	Full-Service	5,068,632	81%
WFXT	25	FOX	Full-Service	5,199,156	83%
WUNI	27	UNI	Full-Service	5,085,937	82%
WSBK	38	IND	Full-Service	5,273,812	85%
WWDP	46	SHP	Full-Service	1,979,091	32%
WZMY	50	My	Full-Service	3,725,508	60%
WLVI	56	CW	Full-Service	5,215,078	84%
WNEU	60	TEL	Full-Service	4,373,075	70%
WMFP	62	SHP	Full-Service	4,800,105	77%
WUTF	66	TLF	Full-Service	5,337,136	86%
WPXG	68	i	Full-Service	4,790,777	77%
WPXG	21	i	Satellite	2,090,398	34%
WDPX	58	i	Satellite	465,381	7%

* Population estimates are obtained from Media Access Protm, BIA Financial Network

As shown, all of the major English and Spanish-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. Since all of the major English and Spanish-speaking networks already have affiliates in this market, the two present satellite stations (WPXG (TV), WDPX (TV)) would have to operate as independent stations.

Populations Reached by Local Television Stations

As shown in the Table 1, 13 out of the 14¹ full-service television stations individually reach over 60% of the local market television households. With the Boston, MA television market only 9,274 square miles in terms of area and the majority of the full service stations covering the majority of the population, the need for those full-service stations to use a satellite station to reach viewers is very low.

Television Advertising Revenues in Boston, MA Market

The Boston, MA television market is ranked 7th in terms of households and ranked 7th in terms of total television advertising revenues.² In recent years, the local market revenues have not kept up with the average growth across all television markets. According to BIAfn's estimates, between 2000 and 2005, the Boston, MA local television market revenues grew at a -4.4% compounded annual growth rate, as compared to -0.9% for the average television market.

¹ The one full-service station not reaching 60% is WWDP-TV, a shopping network affiliate. As such, it is not a competitive television station in the Boston DMA.

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

While market revenue growth is expected to increase, that growth will not be substantial enough to support additional full-service television stations. From 2005 through 2010, the market television advertising revenues are expected to grow at a 4.3% compounded annual growth rate, as compared to 4.6% for the average television market. Figure 1 below shows the annual growth rates for the Boston, MA market along with the average for all television markets for the years 2001-2010.

As seen in that chart, even though the local Boston, MA television market had negative growth in 2005, its revenue is expected to grow at a similar rate as the average market over the next five years. This somewhat tepid growth rate would 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.

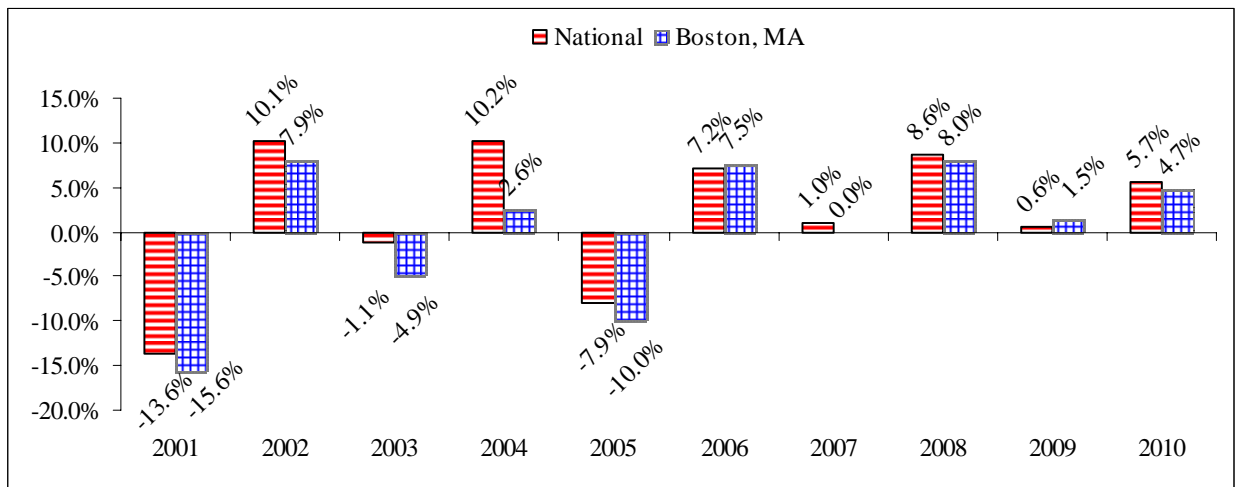


Figure 1 Television Advertising Growth Rates – Boston, MA vs. National Average

Reach of the Two Satellite Stations

Overlaps

Appendix 1 provides a map detailing both the city-grade and Grade B contours for the two satellite stations (WPXG (TV), WDPX (TV)) as well as their corresponding parent station, WBPX-TV. As can be seen there is no overlap of the satellite stations' city grade contours with the city-grade contour of WBPX-TV. There are slight individual overlaps between the Grade B contours of WPXG (TV) and WDPX (TV) with their parent station WBPX-TV.³

Populations Served

WPXG (TV) reaches approximately 2.1 million people within its Grade B contour or 34% of the entire local television market, and WDPX (TV) reaches approximately 465,000 people within its Grade B contour or 7% of the entire local television market. These populations are significantly less than the populations reached by any of the full-service stations in this market except for WWDP-TV, channel 46, the ShopNBC affiliate, which reaches approximately 2.0 million people within its Grade B contour or 32% of the entire local television market. Having such a smaller over-the-air reach than the 13 other full-service stations in this market would significantly disadvantage WPXG (TV)

³ The total population within the overlap between WBPX-TV (parent station) and WDPX (TV) (satellite station) is 179,575, corresponding to only 3.7% of the entire population reached by WBPX-TV, and 38.6% of the entire population reached by WDPX (TV). The total population within the overlap between WBPX-TV (parent station) and WPXG (TV) (satellite station) is 1,319,436, corresponding to 27.5% of the entire population reached by WBPX-TV, and 63.1% of the entire population reached by WPXG (TV).

and WDPX (TV) if they became full-service television stations. The reach of the other present full-service television stations would be more than three to twelve 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.

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 consequently, 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 two satellite stations are located approximately 65 miles away from the core market city of Boston, MA. The Boston, MA television market is comprised of 16 counties covering 9,274 square miles with a population of 6.2 million or 669,000 people per square mile. Of the 6.2 million, 4.3 million or 69% of the total population are centrally located in 5 of the 16 (Essex, Middlesex, Norfolk, Suffolk and Worcester Counties) counties that make up the Boston, MA television market. Of this, WPXG (TV) only reaches 25% or 1.1 million people. The WDPX (TV) Grade B signal does not cover any of the top five counties in terms of population.

However none of the full-service stations in the Boston, MA television market service Dukes County or Nantucket County. WDPX (TV) is the only station to cover these two counties, with its Grade B signal covering approximately 95% of Dukes County and 55% of Nantucket County. Also WPXG (TV) is one of only two stations that cover over 90% of Belknap County and one of three stations that cover over 90% of Strafford County. Table 2 shows the percentage of the population in each of the sixteen counties in the Boston, MA television market, reached by all of the full-service stations as well as the two satellite stations.

WPXG (TV) is the only full-power station licensed to serve Concord, New Hampshire. WDPX (TV) is the only full-power station licensed to serve Vineyard Haven, Massachusetts. Hence, under the FCC's "transmission" test, these stations serve underserved areas.

ECONOMIC VIABILITY OF WPXG (TV), WDPX (TV), WWPX (TV) & WPXU-TV AS FULL-SERVICE STATIONS

TABLE 2

		SIGNAL COVERAGE BY COUNTY															
		STATION															
		WBZ	WCVB	WHDH	WMUR	WFXT	WUNI	WSBK	WWDP	WZMY	WLVI	WNEU	WMFP	WUTF	WBPX	WPXG	WDPX
County	Barnstable	0%	46%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Dukes	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	95%
	Essex	97%	97%	97%	97%	97%	86%	97%	0%	92%	97%	96%	97%	97%	97%	71%	0%
	Middlesex	100%	100%	100%	100%	100%	100%	100%	12%	97%	100%	99%	99%	100%	99%	35%	0%
	Nantucket	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	55%
	Norfolk	99%	99%	99%	67%	99%	99%	99%	97%	16%	99%	20%	99%	99%	99%	0%	0%
	Plymouth	96%	96%	96%	3%	95%	65%	96%	96%	0%	95%	0%	82%	83%	87%	0%	45%
	Suffolk	100%	100%	100%	100%	100%	100%	100%	99%	68%	100%	95%	100%	100%	100%	0%	0%
	Worcester	95%	95%	95%	80%	91%	95%	92%	1%	24%	92%	57%	70%	95%	68%	8%	0%
	Belknap	0%	0%	0%	91%	0%	0%	0%	0%	4%	0%	43%	0%	0%	0%	91%	0%
	Cheshire	24%	24%	18%	96%	1%	63%	2%	0%	13%	1%	78%	0%	28%	0%	27%	0%
	Hillsborough	94%	94%	92%	95%	72%	93%	81%	0%	95%	75%	95%	41%	93%	38%	95%	0%
	Merrimack	28%	29%	17%	93%	0%	6%	0%	0%	73%	0%	92%	0%	17%	0%	93%	0%
	Rockingham	94%	94%	92%	94%	65%	48%	70%	0%	94%	66%	94%	52%	77%	50%	94%	0%
	Strafford	27%	28%	14%	93%	0%	0%	0%	0%	66%	0%	90%	0%	0%	0%	93%	0%
	Windham	0%	0%	0%	75%	0%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Washington, D.C. Television Market

Station Lineup

The Washington, D.C., television market is ranked as the 8th largest television market in terms of the number of households. There are presently ten full-service television stations and one satellite commercial full-power station in this market. Table 3 below shows these stations with their network affiliations as well as the total population served by each of these stations.

Table 3

Washington, D.C. Television Market Stations

Calls	Channel	Affiliation	Type of Station	Population Served	Percentage of Population *
WRC	4	NBC	Full-Service	5,035,899	83.8%
WTTG	5	FOX	Full-Service	5,097,516	84.8%
WJLA	7	ABC	Full-Service	4,886,537	81.3%
WUSA	9	CBS	Full-Service	4,886,537	81.3%
WFDC	14	TLF	Full-Service	4,600,571	76.6%
WDCA	20	My	Full-Service	4,562,955	75.9%
WHAG	25	NBC	Full-Service	829,654	13.8%
WDCW	50	CW	Full-Service	4,557,748	75.9%
WPXW	66	i	Full-Service	4,585,939	76.3%
WJAL	68	IND	Full-Service	679,770	11.3%
WWPX	60	i	Satellite	908,182	15.1%

* Population estimates are obtained from Media Access Pro[™], BIA Financial Network

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. Since all of the English-speaking and one Spanish-speaking networks already have affiliates in this market, the one present satellite station (WWPX (TV)) would have to be either an affiliate of a Hispanic network or operate as an independent station if it were to lose its satellite status.

Television Advertising Revenues in Washington, D.C. Market

The Washington, D.C. television market is ranked 8th in terms of households and ranked 10th 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 BIAfn's estimates, between 2000 and 2005, the Washington, D.C. local television market revenues grew at a -1.3% 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 enough to support additional full-service television stations. From 2005 through 2010, the market television advertising revenues are expected to grow at a 4.9% compounded annual growth rate, as compared to 4.6% for the average television market. Figure 2 below shows the annual growth rates for the Washington, D.C. market along with the average for all television markets.

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

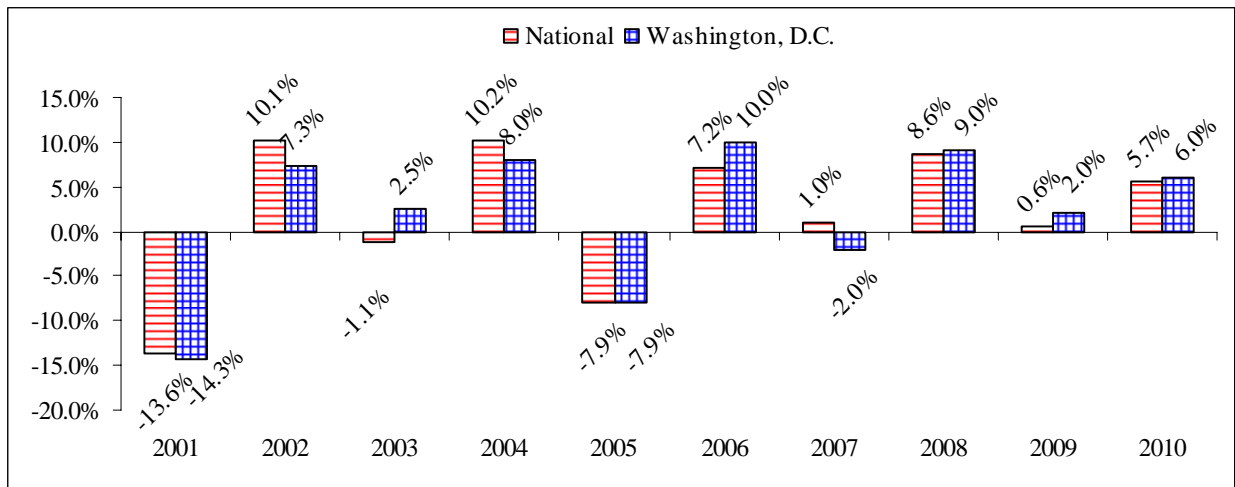


Figure 2 Television Advertising Growth Rates – Washington, D.C. vs. National Average

As seen in that chart, the local Washington, D.C. television market had negative growth in 2005 and its future is expected to grow at only a slightly higher rate 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.

Reach of the Satellite Station

Overlaps

Appendix 2 provides a map detailing both the city-grade and Grade B contours for the satellite station WWPX (TV) as well as its parent station, WPXW-TV. As can be seen there is no overlap of the satellite station's city grade contour with the city-grade contour of WPXW-TV. There

is a slight overlap between the Grade B contour of WWPX (TV) with its parent station WPXW-TV.⁵

Populations Served

WWPX (TV) reaches approximately 908,182 people within its Grade B contour or 15% of the entire local television market. This population is significantly less than the populations reached by any of the other full-service stations in this market apart from WHAG-TV, channel 25, an NBC affiliate⁶ and WJAL-TV, channel 68, an independent station, which cover approximately 829,654 and 679,770 people respectively within their Grade B contours or 13.8% and 11.3% respectively of the entire local television market. Having such a smaller over-the-air reach than the remaining full-service television stations would significantly disadvantage WWPX (TV) if it became a full-service television station. The reach of the other present full-service television stations would be more than five times greater than WWPX (TV). Due to its limited Grade B coverage and the lack of established programming service, the station would also face great difficulty in obtaining market-wide carriage on cable television systems, further lessening its viability other than a satellite station. Further, the area WWPX (TV) reaches over the air is far from the central population focus of the market and, thus, would be less attractive to market-wide advertisers.

⁵ The total population within the overlap between WWPX (TV) (satellite station) and WPXW-TV (parent station) is 311,924, corresponding to 34.3% of the entire population reached by WWPX (TV), and 6.8% of the entire population reached by WPXW-TV.

⁶ A historical anomaly explains the second affiliation in this television market. The Hagerstown, MD area was a separate market during the time that the Arbitron Ratings Company surveyed television viewing. Only after Arbitron exited the television viewing industry was the

Included in the populations reached by this satellite station are some people of Hispanic descent who may be attracted to Spanish-language programming. At present, there is only one local affiliate airing the over-the-air Spanish networks in this market, WFDC-TV. WWPX (TV) reaches approximately 29,315 Hispanic people within its Grade B contour⁷. Given the small size of the Hispanic populations reached, there is little likelihood that it could become a full-service affiliate of any of the remaining Spanish language networks

Consequently, the station would be forced to operate as a pure independent for the foreseeable future. Pure independent stations typically are relegated to inferior programming (like evergreen series) that do not attract very large audiences, and consequently, 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.⁸

Hagerstown, MD market completely considered as part of the larger Washington, DC television market. By that time, WHAG-TV had been on air for over twenty years.

⁷ Demographic population estimates are obtained from Dataworld, a division of BIA Financial Network.

⁸ It would be even more difficult for WWPX (TV) to operate as an independent television station, given the presence of WJAL-TV in Hagerstown. That station has a significant overlap (70.2% of the total grade B contour population) with WWPX (TV), limiting the potential revenue that that station could generate as an independently-owned, independent programmed station.

Served Communities

The area served by WWPX (TV) is located approximately 65 miles away from the core market city of Washington, D.C. The Washington, D.C. television market is comprised of 40 counties covering 12,195 square miles with a population 6.0 million or 494,000 people per square mile. Of the 6.0 million, 3.5 million or 56% of the total population are centrally located in 4 of the 40 (District of Columbia, Montgomery, Prince George's, and Fairfax Counties) counties that make up the Washington, D.C. television market. Of this core area, WWPX (TV) only covers 3% or 110,000 people.

WWPX (TV) is the only full-power television station licensed to serve Martinsburg, WV. Hence, under the FCC's "transmission" test, WWPX (TV) serves an underserved area.

Greenville-New Bern-Washington, NC Television Market

Station Lineup

The Greenville-New Bern-Washington, NC television market is ranked as the 107th largest television market in terms of the number of households. There are presently five full-service television stations and two satellite commercial full-power stations in this market. Table 4 below shows these stations with their network affiliations as well as the total population served by each of these stations.

Table 4
Greenville-New Bern-Washington, NC
Television Market Stations

Calls	Channel	Affiliation	Type of Station	Population Served	Percentage of Market *
WITN	7	NBC	Full-Service	694,994	98.3%
WFXI	8	FOX	Full-Service	323,846	45.8%
WNCT **	9	CBS	Full-Service	694,374	98.2%
WCTI	12	ABC	Full-Service	631,558	89.3%
WEPX ***	38	i	Full-Service	386,723	54.7%
WYDO	14	FOX	Satellite	336,933	47.6%
WPXU	35	i	Satellite	231,268	32.7%

* Population estimates are obtained from Media Access Pro tm, BIA Financial Network

** WNCT-TV also has a CW network affiliation on one of its digital multicast channels.

*** WEPX-TV also has a MyNetworkTV network affiliation on one of its digital multicast channels.

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. Therefore, WPXU-TV would have to be either an affiliate of a Hispanic network or operate as independent station.

Populations Reached by Local Television Stations

As shown in the Table 4, the top three affiliated stations (WITN-TV, WNCT-TV and WCTI-TV) cover close to 90% of the market. In addition, two full-service stations (WFXI-TV and WEPX-TV) utilize satellites to reach approximately 90% of the local market television households. WEPX-TV would be disadvantaged in competing with these four local affiliated television stations if it no longer had the over-the-air reach in the Southern part of the Greenville-New Bern-Washington, NC television market provided by WPXU-TV. Without WPXU-TV, WEPX-TV would have approximately thirty-two percent less reach than these other competitive stations.

Television Advertising Revenues in Greenville-New Bern-Washington, NC Market

The Greenville-New Bern-Washington, NC television market is ranked 107th in terms of households and ranked 113th in terms of total television advertising revenues.⁹ In recent years, the local market revenues have not kept up with the average growth across all television markets. According to BIAfn's estimates, between 2000 and 2005, the Greenville-New Bern-Washington, NC local television market revenues grew at a -2.8% 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 enough to support an additional full-service television station. From 2005 through 2010, the market

⁹ *Investing in Television, 2006, 4th edition*, BIA Financial Network.

television advertising revenues are expected to grow at a 4.0% compounded annual growth rate, as compared to 4.6% for the average television market. Figure 3 below shows the annual growth rates for the Greenville-New Bern-Washington, NC market along with the average for all television markets.

As seen in that chart, even though the local Greenville-New Bern-Washington, NC television market had negative growth in 2005, its future revenues are expected to grow at a similar rate 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.

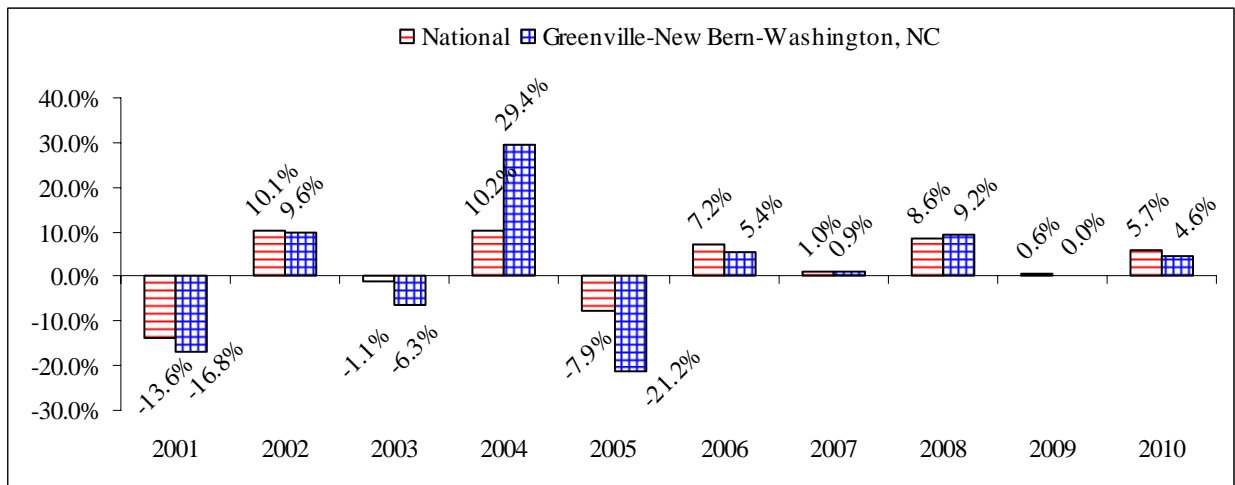


Figure 3: Television Advertising Growth Rates

Greenville-New Bern-Washington, NC vs. National Average

Reach of the Two Satellite Stations

Overlaps

Appendix 3 provides a map detailing the city-grade and Grade B contours for WPXU-TV as well as its parent station, WEPX-TV. As can be seen there is no overlap of the satellite station's city grade contour with the city-grade contour of WEPX-TV. There is a slight overlap between the Grade B contour of WPXU-TV and its parent station WEPX-TV.¹⁰

Populations Served

WPXU-TV reaches approximately 231,268 people within its Grade B contour or 32.7% of the entire local television market. This population is significantly less than the population reached by any of the other full-service stations in this market. Having such a smaller over-the-air reach would significantly disadvantage WPXU-TV if it became a full-service television station. The reach of the other full-service television stations would be more than three times greater than WPXU-TV. Due to its limited Grade B coverage and the lack of established programming service, WPXU-TV would also face great difficulty in obtaining market-wide carriage on cable television systems, further lessening its viability other than as a satellite station.

Included in the populations reached by the satellite station are some 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. WPXU-TV reaches only

approximately 15,848 Hispanic people within its Grade B contour¹¹. Given the small size of the Hispanic population served, there is little likelihood that WPXU-TV could be viable as a full-service affiliate of a Spanish language network.

Consequently, WPXU-TV would be forced to program as an independent television station. Pure independent stations typically are relegated to inferior programming (like evergreen series) that do not attract very large audiences, and consequently, 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 its small over-the-air market reach, this station in the Greenville-New Bern-Washington, NC market would have great difficulty in generating enough revenues to become viable at all as an independent station.

Served Communities

The area served by WPXU-TV is located approximately a good distance away from the core market centers of Greenville-New Bern-Washington, NC. The Greenville-New Bern-Washington, NC television market is comprised of 15 counties covering 8,279 square miles with a population of 707,000 or 87,000 people per square mile. Of the 707,000, 410,000 or 55% of the total population are centrally located in 3 of the 15 (Craven County, Onslow County, and Pitt County) counties that

¹⁰ The total population within the overlap between WPXU-TV (satellite station) and WEPX-TV (parent station) is 29,329, corresponding to 12.7% of the entire population reached by WPXU-TV, and 7.6% of the entire population reached by WEPX-TV.

¹¹ Demographic population estimates are obtained from Dataworld, a division of BIA Financial Network.

make up the Greenville-New Bern-Washington, NC television market. Of this WPXU-TV only covers of 43% or 169,000 people.

Only one other full-power station is licensed to serve Jacksonville, NC, WUNM-TV, a public television station. Since there are two or fewer stations licensed to Jacksonville, under the FCC's "transmission" test, WPXU-TV serves an underserved area.

Additional Capital Costs for 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 would additionally 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 are 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.¹²

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-service stations would have extreme difficulty securing investment capital for such a risky venture.

¹² "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.

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

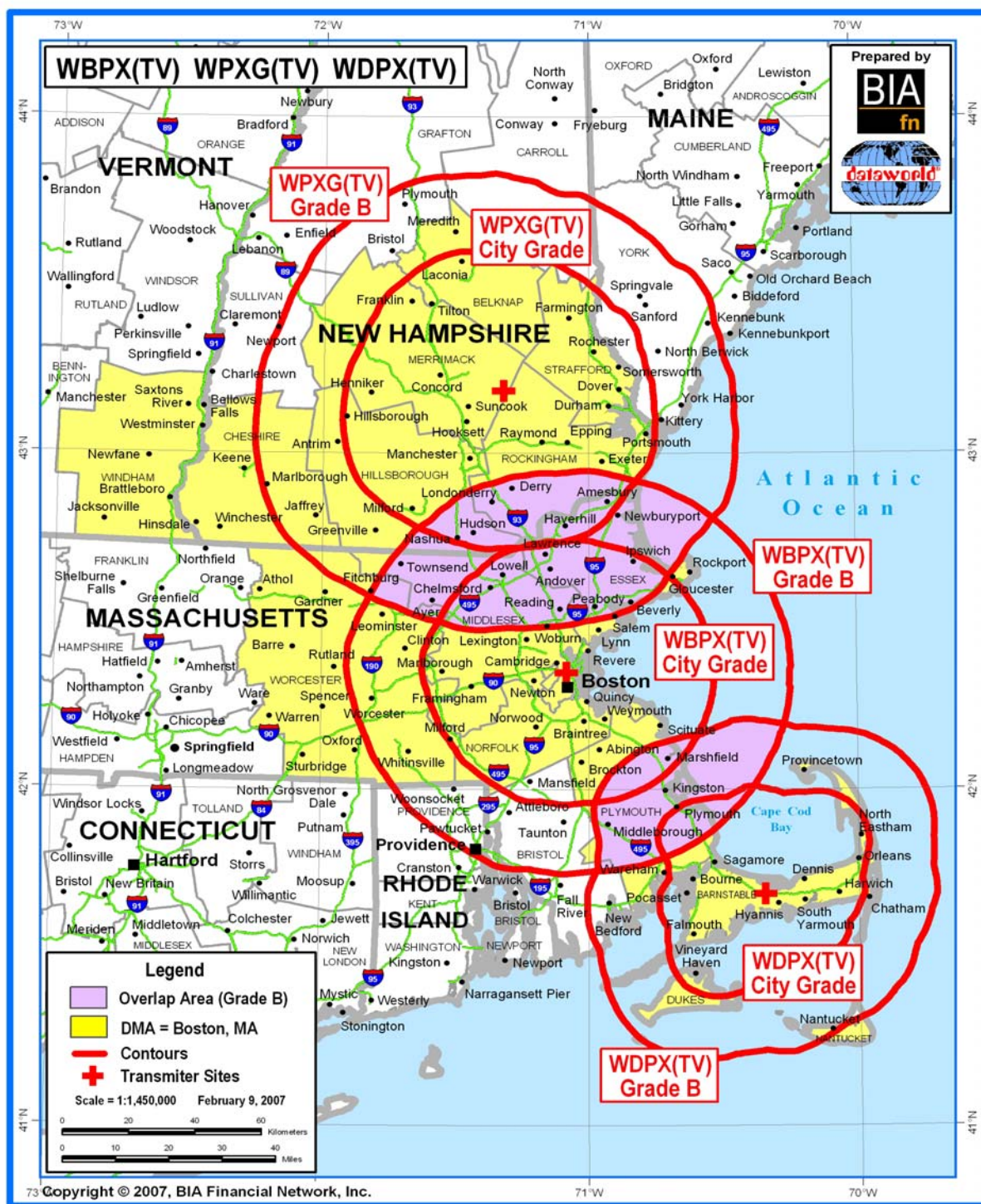
Local television stations are facing tremendous pressures as they attempt to serve their local communities. Consumers now have increased video choices and as a result local television stations see smaller audiences than in previous years. Concurrently increased competition in the advertising marketplace has emerged with local cable systems more aggressively selling local advertising spots airing on the larger number of national cable networks. Finally, Internet sites are providing new local competition, with more of these sites focused on local content.

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

Whether any of these four satellite stations could become economically viable is very questionable. First, these stations over-the-air reach within its local television markets would be much less than any of the other full-service stations. Second, an available network affiliation from

any of the English or Spanish-language over-the-air networks is generally unavailable. Finally, substantial capital expenditures would have to 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 WVPX-TV, WPXG (TV),
& WDPX (TV)**



**Appendix 2 – City Grade and Grade B Contours of WPXW-TV
and WWPX (TV)**

Appendix 3 – City Grade and Grade B Contours of WEPX and WPXU-TV

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.

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OF
COLIN J. BYRNE**

Colin J. Byrne is a Financial Analyst with BIA Financial Network, Inc. (BIAfn), a financial consulting firm specializing in the preparation of appraisals and economic studies for the communications industry. The firm prepares appraisals, business plans, feasibility studies, and related analyses and provides financial advisory services.

Prior to joining BIAfn, Mr. Byrne served as a Manager of Corporate Finance for XM Satellite Radio, where he worked with investment bankers and investors through due diligence, business plan presentations and reviews associated with capital markets offerings and financing activities. He formulated and developed financial modeling tools used in long-range projections, strategic analysis and company valuations. He also supported all aspects of the company's capital acquisition activities including public and private equity, high-yield and other debt financing. (Raised \$1.7 billion).

As a Financial Analyst with BIA Financial Network, Inc., Mr. Byrne is responsible for the preparation of valuation studies for television and radio properties.

Mr. Byrne earned a B.A. in Economics from University College Dublin, Ireland and a MBS with a concentration in Finance from the Michael Smurfit Graduate School of Business, Dublin Ireland.