Transferee's Exhibit 18-C
FCC Form 315, Section IV, Question 8(b)
July 2006

Appendix B

Engineering Statement

MULTIPLE OWNERSHIP

I. Request for Continued Satellite Authority Under 47 C.F.R. § 73.3555, Note 5

In the instant application, Univision of Puerto Rico Inc., a subsidiary of Univision Communications Inc. ("UCI") proposes to acquire the stock of WLII/WSUR Inc., the licensee of WLII(TV), Caguas, Puerto Rico and its satellite station, WSUR-TV, Ponce, Puerto Rico. The proposed transfer of control was previously approved by the Commission in 2001, however the parties did not consummate the transaction within the time period under that authorization. By this application, UCI once again seeks authorization to acquire control of WLII(TV) and WSUR-TV.[1]

As the Commission is aware, WSUR-TV has operated as a satellite of WLII(TV) for more than 30 years.[2] In 2001, the Commission granted UCI permission to continue that satellite operation under its proposed ownership of WLII(TV) and WSUR-TV. To the extent necessary, UCI hereby requests that the Commission renew that authority to maintain the long-standing parent-satellite relationship of the stations under the Note 5 exemption to the grade B overlap prohibition included in Section 73.3555 of the Commission's Rules.

As the Commission has recognized on a number of occasions, the entire island of Puerto Rico constitutes a single television market.[3] The island, and market, is approximately 125 miles long and 40 miles wide, with a central mountain range that separates Puerto Rico from east to west. For all practical purposes, Puerto Rico consists of three basic population centers: San Juan/Caguas/Fajardo, with a population of approximately 615,588 on the northeast coast; Ponce, with a population of approximately 186,475 on the southeast coast; and Aguadilla-Mayaguez, with a population of approximately 163,119 in western Puerto Rico.[4] The mountainous spine which runs down the center of Puerto Rico severely limits signal propagation and prevents stations in the populous San Juan area from providing service to the two other, smaller population centers, and vice versa.

In addition to its unique terrain, the economics of television in Puerto Rico are significantly different from that of the continental United States. The Puerto Rico television market has a total population of 3,808,610,[5] which is equivalent to the Miami Market, DMA No.

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[1] *See* FCC File No. BTCCT-20010626AAX.

[2] *See Milton S. Maltz and Raycom Media, Inc.*, 13 FCC Rcd 15527 at ¶ 29 (1998).

[3] *Id.* at ¶ 25.

[4] *See, e.g., Canal 48, Inc.*, 8 FCC Rcd 2193, 2194 (1993). Population figures provided herein were taken from the 2000 U.S. Census.

[5] *See* 2000 U.S. Census.

17.[6] In contrast to its middle market size, there are approximately 30 television stations licensed or authorized to communities in Puerto Rico[7] -- more than either of the largest domestic television markets -- New York and Los Angeles -- and roughly twice as many as are licensed to the Miami market.[8]

Because of these factors, operation of satellite-parent or equivalent relationships is common in Puerto Rico. The Commission has recognized that Ponce is significantly smaller and less economically developed than the San Juan area and cannot support a full-service television operation.[9] Thus, while there are five commercial television stations in Ponce -- WSUR-TV, WVOZ-TV, WKPV(TV), WTIN(TV) and WSTE(TV) -- none is a true stand-alone station. Four are satellite stations: WSUR-TV has been the satellite of WLII(TV), San Juan, for 30 years; WVOZ-TV is the satellite of WTCV(TV), San Juan; WKPV(TV) is the satellite of WJPX-TV, San Juan, and WTIN(TV) is the satellite of WAPA-TV, San Juan. The fifth station, WSTE(TV), broadcasts using unusual technical facilities which employ a number of high power co-channel transmitters across Puerto Rico permitting essentially ubiquitous service throughout the island. However, even WSTE(TV) does not provide a separate, stand-alone programming service, as a significant portion of its programming is supplied by WLII(TV).

These satellite-parent relationships are not reserved for stations in Ponce. In 2001, the Commission granted a satellite waiver involving WNJX-TV, Mayaguez, Puerto Rico and WAPA-TV, San Juan, Puerto Rico.[10] It is noted that the licensee of these stations not only owns those two stations, but also now owns WTIN(TV) in Ponce, the third major population area of the island,[11] thus signaling that the Commission recognizes that stand-alone operations in the remote areas of Mayaguez and Ponce continue to be impractical.

None of the essential facts underlying the existing operation of WSUR-TV as a satellite are changed by the instant application. Ponce remains distinct and separate from San Juan, and the San Juan area stations are unable to provide a quality signal to Ponce. The economy of Ponce, and its population base, have not increased to a level sufficient to support stand-alone stations. Moreover, it would be extremely unfair to require operation of WSUR-TV as the only stand-alone station in the Ponce market, while each of its four competitors have the economic advantage of operation as satellite, or quasi-satellite, stations.

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[6] *See BIAfn's Television Yearbook 2004* at 122 ("BIA TV Yearbook").

[7] *See JEM Communications, Inc.*, 76 RR 2d 308 at ¶ 9 (1994).

[8] *See* BIA TV Yearbook at 112, 122, 134.

[9] *See JEM Communications, Inc.*, 76 RR 2d 308 at ¶ 9 (1994).

[10] *Id.*

[11] *Id.* at ¶ 1.

The Commission's television satellite station policy sets forth three criteria under which continued operation as a satellite station is presumptively in the public interest:

(1) there is no City Grade overlap between the parent and the satellite;
(2) the proposed satellite would provide service to an underserved area; and
(3) no alternative operator is ready and able to construct or to purchase and operate the proposed satellite as a full-service station.[12]

Moreover, if an applicant is unable to qualify for the presumption, the Commission will evaluate the satellite proposal on an *ad hoc* basis and grant the application if there are other compelling circumstances that warrant approval.[13]

In the instant case, continued satellite operation of WLII(TV) and WSUR-TV is warranted because no alternative operator is ready and able to purchase and operate WSUR-TV as a full-service station. Moreover, continuance of WSUR-TV's satellite status would serve the public interest and is consistent with established Commission precedent.

City Grade Overlap. Given the distance between Ponce and Caguas, predicted city-grade contour overlap exists between WLII(TV) and WSUR-TV. However, in granting WSUR-TV's waiver request in 1985, the Commission noted that due to the mountainous and rugged terrain in Puerto Rico, "useful television service from any given television station is limited, usually not extending beyond the Grade A contour and sometimes not being satisfactory within that contour."[14] Thus, although the stations theoretically have overlapping contours, the Commission has found that the over-the-air coverage of WLII(TV) and WSUR-TV may actually be more limited than indicated by the predicted Grade A and B contours due to the island's geography.[15] This unique geography has formed the basis for the Commission's grant of parent-satellite status for a number of stations in Puerto Rico, including repeated authorizations for WLII(TV) and WSUR-TV.

Underserved Area. WSUR-TV does not technically provide service to an underserved area. A satellite station's community of license is considered underserved if: (1) there are two or fewer full-service television stations licensed to it; or (2) 25% or more of the area within the satellite's Grade B contour, but outside the parent's grade B contour, receives four or fewer services, not including the satellite station's service.[16] With respect to the first of these tests, the

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[12] *Television Satellite Stations*, 6 FCC Rcd 4212, 4213-14 (1991) ("*Satellite Policy Statement*"),

[13] *Id.* at 4214.

[14] *See Zaida Perez Vda. De Perez Perry*, FCC 85-831, ¶ 11 (released July 26, 1985), *aff'd sub nom., Telemundo V. FCC*, 802 F.2d 513 (D.C. Cir 1986).

[15] *Id.*

[16] *See Satellite Policy Statement* at 4215.

"transmission test," four full-power television stations are licensed to Ponce.[17] As noted above, however, of the stations licensed to Ponce, three operate as satellites of San Juan area stations and one operates under a unique television broadcast system utilizing a number of specially-authorized high power booster stations across the island.[18] Thus, as the FCC has found, "it appears that satellite or rebroadcast arrangements are essential to the provision of programming choice to Ponce, a community that is effectively isolated from the island's economic center in San Juan."[19] With regard to the second test, the "reception test," the FCC has recognized that Puerto Rico is a geographically small and highly concentrated broadcast market.[20] Given the special characteristics of Puerto Rico, it is difficult for any Puerto Rico station to show a sufficient lack of predicted Grade B service to satisfy the test.

Availability of Alternate Operator. The third element of the presumptive test requires a showing that no alternative operator stands ready and able to purchase and operate the satellite station as a stand-alone station. WSUR-TV's established history as a satellite, combined with the economic inability of the Ponce market to support stand-alone operations, conclusively demonstrate that WSUR-TV is not capable of operating as a stand-alone facility and that consequently no buyer is available to purchase and operate the station as such.[21] WSUR-TV has operated as a satellite of WLII(TV) for more than thirty years due to the economic inability of the Ponce market to support full-service operations. Moreover, the FCC has repeatedly acknowledged that Ponce lacks the requisite economic base to sustain full-service operations,[22] and found as much again in its recent 2001 satellite waiver decision.[23]

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[17] These are stations WKPV, WVOZ, WTIN and WSTE.

[18] *Milton S. Maltz*, 13 FCC Rcd at ¶ 24.

[19] *Canal 48, Inc.*, 8 FCC Rcd at 2194 (1993).

[20] *T. Michael Whitney*, 16 FCC Rcd at 2299.

[21] As the Commission has recognized, WSUR-TV has a troubled financial history which resulted in a bankruptcy proceeding and a cessation of station operations in 1981. *See Milton S. Maltz* at ¶ 24. Subsequent to the bankruptcy proceeding, "the Commission granted the new licensee of station WSUR-TV continued satellite exemption status for that station, questioning its ability to operate independently when it had already failed as a satellite." *Id. See also, T. Michael Whitney* 16 FCC Rcd at 2299 (satellite operations or rebroadcast arrangements are a necessity in Puerto Rico, which "is best exemplified by the fact that none of the full service stations in Mayaguez originates its own programming and must rely on other larger market stations") (citations omitted).

[22] *See Milton S. Maltz*, 13 FCC Rcd 15527 (1998); *JEM Communications, Inc.*, 9 FCC Rcd 4874 (1994); *Canal 48, Inc.*, 8 FCC Rcd 2193 (1993); *Hector Nicolau*, 5 FCC Rcd 6370 (1990).

[23] *See* Letter to Univision Communications Inc. from James J. Brown, Deputy Chief, Video Service, Division (August 20, 2001).

As shown in the attached statement from Brian Cobb, President of CobbCorp, a media brokerage firm, it is unreasonable to expect to find a qualified buyer who could purchase WSUR-TV and operate it as a stand-alone facility. As detailed in Attachment 1, Mr. Cobb has reviewed the current economic environment in Ponce and has determined that WSUR-TV continues to be unable to exist as a stand-alone facility in the market. The Commission has consistently reached the same conclusion as Mr. Cobb on the previous occasions it has reviewed the operations of WSUR-TV.[24] In each instance, the Commission determined that WSUR-TV lacks the viability to operate as an independent television station, and thus there is no alternative operator ready and able to operate the station as a stand-alone facility. As the Commission stated in *Milton S. Maltz*, "the record strongly indicates that Ponce, station WSUR-TV's community of license, lacks the population and economic base to sustain full-service operations, and must therefore rely on satellite authorizations ... for the provision of television programming it would otherwise not receive."[25] UCI submits that there have been no material changes in the Ponce market or the operation of WSUR-TV since the Commission's 1998 *Milton S. Maltz* decision or its 2001 decision involving Univision, and accordingly, WSUR-TV remains unable to exist as a stand-alone station. As a result, the continued satellite operation of WSUR-TV is presumptively in the public interest.

Ad Hoc Analysis. Pursuant to the *Satellite Policy Statement*, if an applicant is unable to qualify for the presumption that the proposed satellite operation is in the public interest, the Commission will evaluate the proposal on an *ad hoc* basis. In 2001, the Commission found that UCI had satisfied this test with respect to the continued operation of WSUR-TV as a satellite of WLII(TV). As shown above, no qualified buyer would purchase WSUR-TV for operation as a full-service, stand-alone station. WSUR-TV has operated as a satellite for more than thirty years due to the economic inability of the Ponce market to support full-service television operations. Accordingly, UCI submits that an *ad hoc* analysis continues to support grant of the instant satellite waiver request and continued operation of WSUR-TV to serve the residents of Ponce.

WSUR-TV is being assigned with WLII(TV) as part of a single transaction and no new satellite relationship will be created by the proposed transaction as WSUR-TV has operated as a satellite of WLII(TV) for more than three decades. Therefore, grant of UCI's request to continue operating WSUR-TV as a satellite station would not reduce competition or diversity in the Ponce market. In fact, Ponce residents have for many years received a number of substantial benefits from the parent-satellite operation of WSUR-TV and WLII(TV). Given this long history of providing service to the citizens of Ponce, continued operation of WSUR-TV as a satellite of WLII(TV) would clearly serve the public interest. For these reasons, UCI respectfully requests authority for continued authorization of WSUR-TV as a satellite of WLII(TV).

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[24] *See, e.g., Milton S. Maltz*, 13 FCC Rcd 15527 (1998); *Zaida Perez Vda. De Perez Perry*, FCC 85-831, ¶ 11 (released July 26, 1985), *aff'd sub nom., Telemundo v. FCC*, 802 F.2d 513 (D.C. Cir 1986).

[25] *Milton S. Maltz* at ¶ 29.