

## **Description of Transaction**

By this application, the parties seek the Federal Communications Commission's ("FCC's") consent to the assignment of the license for television broadcast station KDLH(TV), Duluth, Minnesota (Facility ID No. 4691) ("Station") from Malara Broadcast Group of Duluth Licensee LLC ("Malara Duluth") to SagamoreHill of Duluth Licenses, LLC ("SagamoreHill").

Malara Broadcast Group, Inc. ("Malara"), Malara Broadcast Group of Duluth LLC ("Malara Intermediary"), Malara Duluth (together the "Malara Entities") and Granite Broadcasting Corporation ("Granite") are parties to a Put and Call Option Agreement, dated December 8, 2009 (the "Option Agreement") and attached hereto, pursuant to which Granite has the right to acquire the licenses and other assets of the Station, held or owned by the Malara Entities.

Subsequently, pursuant to certain Option Exercise Agreements dated February 10, 2014 by and among Granite and the Malara Entities (collectively, the "Option Exercise Agreement," attached hereto), Granite exercised its options to purchase from the Malara Entities the licenses and other assets of the Station. Also on February 10, 2014, Granite, Quincy Newspapers, Inc. ("QNI"), and SagamoreHill of Indiana, LLC ("SagamoreHill Indiana") entered into an Asset Purchase Agreement dated as of February 10, 2014 (the "APA"), pursuant to which, at the closing of the transaction and following receipt of FCC consent, the FCC licenses and certain other assets of the Station will be assigned to SagamoreHill Indiana. SagamoreHill Indiana will assign its rights under the APA to SagamoreHill of Duluth, LLC ("SagamoreHill Parent"), the sole member of SagamoreHill. Then, a Side Letter Agreement between QNI, SagamoreHill, SagamoreHill Parent, and Louis Wall, dated February 21, 2014, attached hereto, sets forth terms pursuant to which, upon receipt of FCC approval, SagamoreHill Parent will acquire the license and other assets for the Station.<sup>1</sup> SagamoreHill Parent will assign such rights to its wholly-owned subsidiary, SagamoreHill, in connection with the closing of the transaction. This application is one of seven applications for assignment of license on Form 314 filed for consent to transactions described in the APA.<sup>2</sup>

### ***Agreements Between SagamoreHill and QNI***

Upon consummation of the assignment of licenses as proposed in the instant application and related applications, QNI, SagamoreHill Parent, and Louis Wall will enter into a Shared Services Agreement, attached hereto, pursuant to which QNI will provide certain technical, administrative and back-office support and business services for the Station, all under the supervision and control of SagamoreHill. The Shared Services Agreement also provides for

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<sup>1</sup> Although the Side Letter contemplates the execution of a Guaranty Agreement at the closing of the transaction, the form of such agreement has not yet been drafted.

<sup>2</sup> A separate application requesting consent to the assignment of the license of WISE-TV, Fort Wayne, Indiana (Fac. ID 13960) to SagamoreHill of Indiana Licenses, LLC has been filed concurrently with this application. In addition, five applications have been filed concurrently whereby QNI seeks consent to become licensee of WBNG-TV, Binghamton, New York (Fac. ID 23337), WEEK-TV, Peoria, Illinois (Fac. ID 24801), KBJR-TV, Superior, Wisconsin (Fac. ID 33658), KRIL, Chisholm, Minnesota (Fac. ID 82698), and WPTA, Fort Wayne, Indiana (Fac. ID 73905). The parties respectfully request that these applications and the KDLH(TV) Application be processed concurrently.

certain office and facilities leases. The parties also contemplate that QNI will provide some news programming—not to exceed 15 percent of the Station’s weekly programming. A Management Services Agreement, by and between SagamoreHill Parent and Louis Wall and attached hereto, provides that Louis Wall, the President and CEO of SagamoreHill Midwest, LLC (“Midwest”), the ultimate parent of SagamoreHill Parent and SagamoreHill, will personally provide management services to SagamoreHill, including with respect to the finances, programming, and personnel of the Station. Mr. Wall is a television broadcaster with over 30 years of experience working at, managing, and owning local television stations.

Additionally, pursuant to an Option Agreement by and among QNI, SagamoreHill, and SagamoreHill Parent and attached hereto (the “QNI Option Agreement”), upon consummation of the proposed transactions, QNI will have an option, at its election and subject to the prior consent of the Commission, to purchase (i) all equity interests in or with respect to SagamoreHill, including 100 percent of the membership interests in SagamoreHill, or (ii) all of SagamoreHill’s assets relating to the Station.

SagamoreHill has not entered into, and does not contemplate entering into, a joint sales agreement or similar arrangement with respect to the Station. Thus, SagamoreHill will handle the Station’s sales functions.

### ***Public Interest Benefits***

These proposed transactions and collaborative relationship between and among QNI, SHB, and Mr. Wall will have a significant public interest benefit in their respective markets, including:

In the Duluth, MN – Superior, WI market (the “Duluth Market”), SagamoreHill’s ownership of KDLH(TV) and QNI’s ownership of KBJR-TV will replace an arrangement that currently includes an advertising representation agreement between those two stations, whereby personnel at KBJR-TV currently provide certain sales-related services to KDLH(TV). Following the closing of the transactions, QNI will provide certain other services (as referenced above) to KDLH(TV), but it will not include a joint sales arrangement.

In the Duluth Market, SagamoreHill’s ownership of KDLH(TV) and QNI’s ownership of KBJR-TV and provision of services to KDLH(TV) is anticipated to translate into upgraded equipment and more extensive live news programming aired on KDLH(TV). In compliance with the rules, QNI’s provision of news programming will not exceed 15 percent of KDLH’s weekly programming content.

Moreover, SagamoreHill will benefit from strategic investments that QNI intends to make to upgrade certain of KBJR-TV’s facilities, including broadcast equipment, studio space, and weather gathering/tracking/reporting technology. These upgrades will translate into better and more timely information for viewers of KDLH(TV) as well as KBJR-TV. As noted, QNI’s provision of news programming to KDLH(TV) will not exceed 15 percent of KDLH(TV)’s weekly programming content. The improvements in news programming that will ensue are in furtherance of the Commission’s stated goals. See, e.g., *Annual Assessment of the Status of*

*Competition in the Market for the Delivery of Video Programming*, Notice of Inquiry, FCC 14-8, ¶ 39 n.76 (rel. Jan. 31, 2014) (“Local news also continues to be a major policy goal of the Commission’s media ownership rules.”).

QNI and Midwest already have a proven track record for collaboration and public interest performance. The two broadcasters have collaborated for nearly a decade in the Rochester-Mason City-Austin market (the “Rochester Market”), and the public interest benefits of the arrangement there serve as “past-is-prologue” guidance for the proposed relationship in the Duluth Market and in Fort Wayne. In Rochester, QNI’s provision of services has increased the amount and quality of news offered to Midwest’s station’s viewers, and, just as importantly, the two stations there often provide their own distinct coverage of events, public service campaigns, and news stories, as determined by their respective licensees. Just as the viewers in Rochester Market benefited from the collaborative arrangement between these two broadcasters, it is anticipated that viewers in Duluth will benefit in similar ways from the collaborative arrangements contemplated by the transactions proposed here.

### ***Pending License Renewal Applications***

License renewal applications are pending for KDLH(TV) and WISE-TV, which Midwest proposes to acquire through subsidiaries. License renewal applications are also pending for WEEK-TV, KBJR-TV, KRIL, and WPTA, which QNI proposes to acquire. A license renewal application is due to be filed for WBNG-TV by February 2, 2015.

In *Stockholders of CBS Inc.*, 11 FCC Rcd 3733 (1995), the Commission held, and established the precedent, that it may consider and act on an application for the acquisition of multiple broadcast stations, notwithstanding the pendency of an application for renewal of license of one or more of the stations subject to the transaction. It is respectfully requested that the Commission process all of the applications that are the subject of the proposed transactions pursuant to the procedures established in the CBS decision. As set forth in Section 1.10(c) of the Asset Purchase Agreement, the respective assignee has agreed, should it be necessary, to assume the consequences associated with succeeding to the place of the existing renewal applicant if the renewal applications for any of the stations are pending at the time that the parties consummate the proposed transactions.

**Attachments.** SagamoreHill responds “no” to Section III, Question 3 because certain exhibits and schedules to the Agreements referenced above are not being submitted with this application pursuant to FCC policy and practice.<sup>3</sup> The omitted exhibits and schedules, listed below, contain information that is proprietary, not germane to the FCC’s evaluation of the application, or already in the FCC’s possession. The parties have also entered into a Deposit Escrow Agreement, which is excluded from this application because it does not affect the substantive terms of the underlying transactions. These materials will be provided to the FCC upon request.

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<sup>3</sup> See *LUJ, Inc.*, 17 FCC Rcd 16980 (2002).

## Exhibits

Exhibit B	Assignments of FCC Authorizations Assigning FCC Licenses
Exhibit C	Assignments and Assumptions of Contracts Assigning Purchased Contracts
Exhibit D	Assignments and Assumptions of Leases Assigning Real Property Leases
Exhibit E	Intellectual Property Assignments Assigning Intangible Rights
Exhibit F	General Bills of Sale Conveying Purchased Assets
Exhibit G	Affidavits of Non-Foreign Status of Seller
Exhibit H	Indemnity Escrow Agreement

## Schedules

Schedule 1.1(a)	FCC Licenses
Schedule 1.1(b)	Tangible Personal Property
Schedule 1.1(c)(i)	Owned Real Property
Schedule 1.1(c)(ii)	Leased Real Property
Schedule 1.1(d)	Purchased Contracts
Schedule 1.1(e)	Intangible Property
Schedule 1.2(d)	Seller Marks
Schedule 1.2(m)	Certain Excluded Assets
Schedule 1.2(q)	Certain Excluded Assets
Schedule 1.3	Assumed Obligations
Schedule 1.4	Certain Adjustments and Portion of Purchase Price to be paid by each Buyer
Schedule 1.10(a)	FCC Licenses
Schedule 1.10(c)	Primary FCC Licenses
Schedule 1.10(e)	Certain Regulatory Actions
Schedule 1.11	Material Multi-Station Contracts
Schedule 1.11(b)	Material Multi-Station Contracts Allocation
Schedule 2.3	Conflicts
Schedule 2.4(a)	Knowledge
Schedule 2.4(b)	Certain Notices
Schedule 2.5	Taxes
Schedule 2.6	Permitted Liens
Schedule 2.7(b)	Leased Real Property
Schedule 2.7(d)	Real Property Exceptions
Schedule 2.9	Environmental Exceptions
Schedule 2.10(a)	Certain Intangible Property
Schedule 2.10(b)	Intangible Property
Schedule 2.11	Employees; Labor Matters
Schedule 2.11(b)	Collective Bargaining Agreements
Schedule 2.11(c)	Benefit Plans
Schedule 2.11(d)	Benefit Exceptions
Schedule 2.12	Insurance
Schedule 2.13	Compliance with Law; Permits
Schedule 2.14	Litigation
Schedule 2.15	Financial Statements

Schedule 2.16	Absence of Changes
Schedule 2.17	Purchased Assets; Sufficiency
Schedule 2.19	Transactions with Affiliates
Schedule 4.1	Permitted Activity
Schedule 4.1(w)	Certain Expenditures
Schedule 5.5(a)	Required Consents
Schedule 5.6	Certain Employee Matters
Schedule 5.17	Continuing Affiliate Relationships
Schedule 11.3	Designated Stations

### **Option Agreement**

#### **Schedules**

Schedule 1.4	Option Purchase Price
Schedule 2.1	Cash Purchase Price

### **Option Exercise Agreement**

#### **Schedules**

Schedule 2(b)	Option Purchase Price Calculation
Schedule 21	Malara Alternative

### **Side Letter Agreement**

#### **Exhibits**

Exhibit B	Indemnification Procedures
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#### **Schedules**

Schedule 1	Duluth Licensee Assets
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### **Shared Services Agreement**

#### **Schedules**

Schedule 18	Notices
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### **QNI Option Agreement**

#### **Exhibits**

Exhibit A	Form of Assignment Agreement
Exhibit B	Form of Assignment and Assumption Agreement FCC Licenses
Attachment A	FCC Licenses
Exhibit C	Notices

#### **Schedules**

Schedule 1.1(a)	Duluth Licensee Assets
Schedule 6(f)	Proceedings