Amended Description of Agreements, Description of Transaction, and Request for Temporary Waiver
December 2014

Following communications with Commission staff concerning the applications filed in connection with this transaction,[1] the parties to the applications have restructured the proposed transaction.

The instant application, as amended, is one of five applications for consent to assignment whereby Quincy Newspapers, Inc. ("Quincy") seeks consent to become licensee of the respective station (the "Applications").

The parties to the Applications propose a transaction that initially will continue the *status quo ante* by having Quincy "step into the shoes" of Granite Broadcasting Corporation ("Granite") and its subsidiaries in the four markets. Although existing operational arrangements will remain substantially unchanged immediately following the closing, consummation of the transaction will trigger the early termination of an existing attributable joint sales arrangement and will result in Quincy's making substantial investments in the affected markets that will expand and improve local news and other local and public interest programming and advance the Commission's goals of competition, localism, and diversity, as discussed below.

Specifically, the transaction as amended and restructured contemplates the following:

- Subsidiaries of Granite will assign to Quincy their licenses for the television broadcast stations set forth in the table below.

Call Sign	Fac. ID Number	Current Licensee	Community of License
WBNG-TV	23337	WBNG License, Inc.	Binghamton, NY
WEEK-TV	24801	WEEK-TV License, Inc.	Peoria, IL
KBJR-TV	33658	KBJR License, Inc.	Superior, WI
KRII[2]	82698	Channel 11 License, Inc.	Chisholm, MN
WISE-TV	13960	WISE-TV License, LLC	Fort Wayne, IN

- Malara Broadcast Group of Fort Wayne Licensee LLC ("Malara Fort Wayne") will continue as the licensee of WPTA, Fort Wayne, IN (Fac. ID 73905).

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[1] *See* FCC File Nos. BALCDT-20140221ABR (WBNG-TV, Fac. ID No. 23337); BALCDT-20140221ABQ (WEEK-TV, Fac. ID No. 24801); BALCDT-20140221ABO (KRII, Fac. ID No. 82698); BALCDT-20140221ABN (KBJR-TV, Fac. ID No. 33658); and BALCDT-20141124AZA (WISE-TV, Fac. ID 13960).

[2] The application for Quincy to obtain consent to the assignment of the license of KRII includes a request for continued satellite authority, whereby Quincy would continue to operate KRII as a satellite of KBJR-TV. *See* Exhibit 18 of the KRII assignment application.

- Malara Broadcast Group of Duluth Licensee LLC ("Malara Duluth") will continue as the licensee of KDLH, Duluth, MN (Fac. ID 4691).

- The Option Exercise Agreements by and among Granite, Malara Fort Wayne, and Malara Duluth dated February 10, 2014 (as amended February 21, 2014) have been terminated.

- Granite subsidiaries currently provide sales and other services to television stations in Peoria, Illinois (WHOI, licensed to a subsidiary of Sinclair, and WAOE, licensed to Four Seasons Peoria, LLC), Duluth, Minnesota (KDLH), and Fort Wayne, Indiana (WPTA). In connection with the transaction, Granite will assign to Quincy agreements relating to these services, and the agreements will not be affected by the transaction. Quincy also will assume Granite's rights and obligations under an existing Put and Call Option Agreement relating to KDLH, WPTA, and WAOE. Granite does not have, and Quincy will not be acquiring, an option to purchase WHOI.

- SagamoreHill of Indiana, LLC and SagamoreHill of Fort Wayne, LLC are no longer parties to the Asset Purchase Agreement, as amended, and are no longer parties to the Applications. Accordingly, the applications filed in FCC File Nos. BALCDT-20140221ABM (KDLH) and BALCDT-20140221ABS (WISE-TV) will be dismissed.

- The Shared Services Agreements, Management Services Agreements, Option Agreements, and Side Letter Agreements between Quincy, SagamoreHill of Indiana Licenses, LLC, SagamoreHill of Duluth Licenses, LLC, and Mr. Louis Wall have been terminated.

- The seller and buyer in this transaction have executed an Amendment to the Asset Purchase Agreement to effectuate the changes described above. This document was submitted with the instant application on November 24, 2014.

Neither Malara Duluth nor Malara Fort Wayne, nor any of their affiliates or subsidiaries, has any currently existing loan of which Granite and/or its affiliates or subsidiaries are the guarantor. Quincy is not and will not become the guarantor of any loan that any Malara entity might take out in the future. Other than the financial relationships memorialized in the agreements submitted by the assignor contemporaneously with this amendment to the WISE and KDLH Applications, Quincy will have no other financial relationship with Malara Fort Wayne, Malara Duluth, or their attributable parties.

Request for Temporary Waiver of Local Television Ownership Rule

The parties respectfully request a temporary waiver of the local television ownership rule[3] to allow Quincy additional time to come into compliance with the rule by eliminating the joint sales agreements ("JSAs") in the Peoria, Fort Wayne, and Duluth markets.[4] Quincy will eliminate JSA arrangements within nine (9) months after closing with respect to WHOI, Peoria, Illinois, and by December 19, 2016, with respect to WAOE, Peoria, Illinois, WPTA, Fort Wayne, Indiana, and KDLH, Duluth, Minnesota.

As discussed above, Granite proposes to assign and Quincy proposes to assume an Advertising Representation Agreement by and among Malara Duluth, Granite, and Granite subsidiary KBJR, Inc. related to the sale of advertising time on KDLH, Duluth, and an Advertising Representation Agreement by and among Malara Fort Wayne, Granite, and Granite affiliate NVG-Fort Wayne, Inc. related to the sale of advertising time on WPTA, Fort Wayne. These agreements were first entered in March 2005 pursuant to FCC approval[5] and, accordingly, have been in place for nearly ten years. Indeed, these JSAs and those in place with WHOI and WAOE, Peoria, all pre-date Granite's 2007 bankruptcy, from which Granite emerged with its existing owners. To the extent these agreements constitute "joint sales agreements" as defined by the Commission, and to the extent required by the Commission's rules and policies, Granite and Quincy hereby request that the Commission temporarily waive its local television ownership rule, as modified by the recently adopted attribution rule applicable to television joint sales agreements, to facilitate the multi-station transaction in this case.[6]

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[3] *See* 47 C.F.R. § 73.3555(b).

[4] Granite subsidiaries currently provide sales and other services to television stations in Peoria, Illinois (WHOI and WAOE), Duluth Minnesota (KDLH), and Fort Wayne, Indiana (WPTA). As discussed above, Granite proposes to assign to Quincy the existing agreements relating to these services. As discussed below, consummation of the transaction would hasten the termination of existing JSA arrangements involving WHOI in Peoria, Illinois, but otherwise would not affect legacy JSA arrangements in these three markets. Granite also would assign to Quincy, and Quincy would assume, the rights and obligations of Granite under an existing Put and Call Option Agreement relating to KDLH and WPTA.

[5] *See* FCC File Nos. BALCT-20040504ACH (WPTA, Fort Wayne); BALCT-20040504ABU (KDLH, Duluth).

[6] *See 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*, *2010 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, Promoting Diversification of Ownership in the Broadcasting Services, Rules and Policies Concerning Attribution of Joint Sales Agreements in Local Television Markets*, Further Notice of Proposed Rulemaking and Report and Order, FCC 14-28 (2014).

In its recent *Media General-LIN* decision, the Commission granted a temporary waiver, like the one requested here, to permit the continuation of existing "legacy" JSAs, observing that "the Commission has previously found that temporary waiver of its ownership rules is appropriate so long as such waiver does not undermine the underlying goals of the Commission's ownership rules: competition, localism, and diversity."[7] The parties respectfully submit that the temporary waiver requested herein and in concurrently filed Applications will not adversely affect the Commission's goals underlying the local television ownership rule but instead will serve competition, diversity, and localism.

In granting the temporary waiver in *Media General/LIN*, the Commission evaluated whether waiver of the JSA attribution rule to allow the continuation of three JSAs in three markets (Youngstown, Ohio; Dayton, Ohio; and Topeka, Kansas) would undermine the goals underlying the ownership rules—competition, localism, and diversity.[8] The Commission looked at the facts and nature of the transaction, giving weight to three facts: (1) the JSAs were deemed "incidental" to the transaction, (2) no new sharing agreements or overlap markets were created as a result of the transaction, and (3) providing a temporary waiver to facilitate a multi-station transaction outweighed any potential harm that may result from continuation of the three legacy JSAs through December 19, 2016.[9] With regard to this last fact, the Commission noted that a new owner or television "voice" was being added in the Savannah, Georgia, DMA by virtue of divestiture commitments.[10] Each of these three facts indicated competition, localism, and diversity would not be undermined and, thus, favored grant of a temporary waiver.

As in *Media General/LIN*, the facts and nature of the proposed transaction between Granite and Quincy wherein Quincy will step into the shoes of Granite with respect to the legacy JSAs in Fort Wayne, Duluth, Peoria, pose no threat to the Commission's goals of competition, localism, and diversity. In fact, the proposed transaction fosters these goals.

The JSAs are "incidental" to the transaction in as much as they will wind up in two years or less. Quincy intends to hold the Granite stations for generations, as it has done for its entire history as a broadcast licensee. Quincy entered the television broadcast business in 1953 and has never sold a television station. Two years or less is incidental to the long-term operation of the Granite stations Quincy proposes to acquire. Furthermore, the JSAs are "incidental" in that Quincy is acquiring five stations outright and the service contracts merely allow the *status quo ante* to prevail for a short period of time to stations that would otherwise be forced off the air for

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[7] *See Consent to Transfer Control of Licenses by Shareholders of Media General, Inc. and Shareholders of LIN Media, LLC to Post-Merger Shareholders of Media General, Inc.*, Memorandum Opinion and Order, DA 14-1810 (rel. Dec. 12, 2014) (hereinafter, "*Media General/LIN*"), ¶ 14.

[8] *See Media General/LIN*, ¶ 14.

[9] *See Media General/LIN*, ¶¶ 14-15.

[10] *See Media General/LIN*, ¶ 15.

a period of several months while the licensees construct additional facilities. Loss of service to the public, even for a short period of time, is manifestly not in the public interest.[11]

Additionally, the Granite/Quincy transaction proposes no new overlap markets. Accordingly, competition will not be harmed by grant of a temporary waiver. As discussed above, the JSA arrangements that the parties propose to continue have been in place for nearly 10 years, pre-dating Granite's 2007 bankruptcy and its current owners. In this respect, the temporary waiver merely requests continuation of the *status quo* in Peoria, Fort Wayne, and Duluth. If allowed to run for the requested permissible statutory period, three of the legacy JSAs will wind up in less than two years. The remaining JSA with WHOI will terminate within nine (9) months of closing, a date well in advance of the currently applicable deadline of December 19, 2016. In the absence of the proposed transaction, the same legacy JSA arrangements would have continued for the same period, so grant of the requested temporary waiver will have no adverse effect whatsoever on competition, localism, or diversity in the three markets in question.

Furthermore, as in *Media General/LIN*, the proposed transaction would result in significant public interest benefits that would positively affect competition, localism, and diversity in all impacted markets. These benefits, discussed below, far outweigh any potential harm created by continuation of the legacy JSAs for two years or less.

* *Proposed Assignee*. Quincy is a privately-held fifth and sixth generation family-owned media company, which has owned and operated broadcast stations since 1947 and television stations, specifically, since 1953. Quincy is committed to the communities and regions it serves by providing the best in local news, community affairs and entertainment. Quincy also has a demonstrably 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 stations that are the subject of the proposed transactions. Over Quincy's sixty-plus years of public service, various Quincy stations have received numerous awards and recognition from local, state and national organizations for consistent leadership in the areas of news, weather, and sports as well as their support of events that promote and enhance the communities they serve.

* *Investment in All Markets*. Quincy will invest in station operations and infrastructure to improve and increase viewers' choices in each market. Quincy plans to invest a total of $18 million in capital improvements in Peoria, Duluth, Fort Wayne, and Binghamton. These expenditures include upgrades to weather tracking software, news and emergency alert systems, HD master control, IT and phone systems, CALM compliant audio, and DTV encoders. Additionally, Quincy will invest $2 million in interactive and online technologies to deliver news and emergency content online and to mobile devices. Furthermore, Quincy will invest in each local community through its paid internship programs, charitable events and giving, local programming commitment, and local community involvement. Quincy's investment in Peoria, Fort Wayne, Duluth, and Binghamton will directly further the Commission's goals of competition, localism, and diversity by improving service to these local communities.

[11] *See, e.g.*, *West Michigan Telecasters, Inc. v. FCC*, 460 F.2d 883, 889 (D.C. Cir. 1972) (citing *Hall v. FCC*, 237 F.2d 567 (D.C. Cir. 1954)) ("losses in service are *prima facie* inconsistent with the public interest").

* *Peoria Market Improvements*. Quincy plans to invest roughly $4.5 million in capital improvements in Peoria. These expenditures include upgrades to weather tracking software, news and emergency alert systems, a state-of-the art production control room with HD master control, IT and phone systems, CALM compliant audio, and DTV encoders. These upgrades will provide citizens in the Peoria improved local program service and improved emergency weather coverage.

Moreover, with respect to the JSAs in the Peoria market, the licensee party to the existing JSA arrangements for WHOI in Peoria, Illinois, already has given notice of termination subject to consummation of the Quincy sale. Thus, under the terms of the JSA, the JSA with WHOI would terminate no later than 9 months after the Quincy consummation date, a date well in advance of the currently applicable deadline of December 19, 2016. In contrast, immediate termination of the arrangements not only would continue the WHOI JSA for an additional period but also would deprive the public immediately of broadcast television viewing alternatives and of an alternative source of local news and information, thus diminishing diversity and localism.

* *Fort Wayne Market Improvements*. Quincy plans to invest roughly $5.7 million in capital improvements in Fort Wayne, including $2 million to construct a new studio at the current WPTA location that will allow both WPTA and WISE-TV to broadcast simultaneous newscasts competitive with each other. Quincy will also make all the same upgrades as those specified for Peoria (new weather system, news alert system, HD master control, IT network and phone, CALM compliant audio, and DTV encoders). Again, these upgrades will provide citizens in the Fort Wayne improved local program service.

* *Duluth Market Improvements*. Quincy plans to invest roughly $4.6 million in capital improvements in the Duluth Market. Quincy will make all the same upgrades as those specified for Peoria (new weather system, news alert system, HD master control, IT network and phone, CALM compliant audio, and DTV encoders). In addition, Quincy will offer more extensive, live, non-simulcast news programming. KBJR-TV and KDLH will broadcast simultaneous local newscasts competitive with each other, and Quincy will expand independent live coverage of local news and weather in each market, increasing public safety in the case of emergency weather coverage. Quincy also plans to add original local public affairs programming to be aired on KBJR-TV and KDLH. Again, these improvements will provide citizens in the Duluth improved local program service.

* *Binghamton Market Improvements*. Quincy plans to invest roughly $3.2 million in capital improvements in Binghamton. Quincy will replicate in Binghamton all the upgrades being made in Peoria to core broadcast equipment. All WBNG content will be broadcast in HD (currently, master control is in SD). Again, these upgrades will provide citizens in the Binghamton improved local program service.

* *Additional Localism Improvements in Fort Wayne and Duluth*. In both the Duluth Market and in Fort Wayne, Quincy's provision of news programming to KDLH and WPTA will not exceed 15 percent of either station's weekly programming content. As discussed above, Quincy proposes to expand both the quantity and quality of local news programming in both

markets. The increase and upgrade 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 (rel. Jan. 31, 2014), ¶ 39 n.76 ("Local news also continues to be a major policy goal of the Commission's media ownership rules.").

* *Proven Track Record*. Quincy has a proven track record for collaboration and public interest performance in the fulfillment of sharing arrangements, such as the ones proposed to be continued here. Quincy and SagamoreHill of Minnesota Licenses, LLC ("SagamoreHill") have collaborated for nearly a decade in the Rochester-Mason City-Austin market (the "Rochester Market"), with Quincy station KTTC providing services to SagamoreHill station KXLT-TV. In the Rochester Market, Quincy's provision of services has increased the amount and quality of news offered to SagamoreHill'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 the Rochester Market have benefited from the collaborative arrangement between these two broadcasters, it is anticipated that viewers in the Duluth market and in Fort Wayne will benefit in similar ways from the collaborative arrangements contemplated by the transactions proposed here.

* *Relative Household Impact*. It bears mention that the aggregate number of television households being served by the stations for which the parties propose to continue JSA arrangements pursuant to temporary waiver is significantly fewer than the number of television households served in the legacy JSA markets approved by the Commission in *Media General/LIN*, as demonstrated in the table below:[12]

<u>Granite/Quincy</u>

DMA Name/Rank	**No. of Television Homes**	**Percentage of U.S. Television Homes**
Fort Wayne/111	262,010	0.230
Peoria-Bloomington/117	242,510	0.213
Duluth-Superior/139	167,130	0.147
Total	671,650	0.590

<u>Media General/LIN</u>

DMA Name/Rank	**No. of Television Homes**	**Percentage of U.S. Television Homes**
Dayton/64	466,930	0.410
Youngstown/113	253,470	0.223
Topeka/136	174,430	0.153
Total	894,830	0.786

[12] *See* Nielsen Local Television Market Universe Estimates (2014-2015), *available at* http://www.tvb.org/media/file/Nielsen_2014-2015_DMA_Ranks.pdf (last visited Dec. 19, 2014).

As shown above, the aggregate number of television homes in the legacy JSA markets involved in the proposed Granite/Quincy transaction is 671,650 or .59 percent of all U.S. television homes, whereas the aggregate number of television homes in the legacy JSA markets involved in *Media General/LIN* is 894,830 or .786 percent of all U.S. television homes. Where, as here, the legacy JSA markets serve 25 percent *fewer* television homes than those served by stations in the legacy JSA markets in a transaction previously approved by the Commission, the parties respectfully submit that approval of the temporary waiver requested here poses no more harm to viewers than that posed by the Media General/LIN transaction and is well within Commission precedent.

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As discussed above, the Commission based its waiver in *Media General/LIN* in part on facilitating a "large multi-station, multi-market transaction."[13] The Commission, however, also has granted temporary waivers of its local television rules to facilitate transactions substantially smaller than the one described in *Media General/LIN* and even for single-station transactions for which the applicants could demonstrate that a temporary waiver would not undermine the goals of the Commission's ownership rules.[14]

This application and concurrently filed applications propose the sale of five full-service television stations from subsidiaries of Granite to Quincy. The Commission has granted local television duopoly waivers in similarly sized transactions. For example, in *Renaissance Communications*,[15] which approved the transfer of control of six full-service television stations from Renaissance Communications Corporation to Tribune Company, the Commission granted temporary waivers of its local television rules and a temporary waiver of its newspaper-broadcast cross-ownership rule, for a total of three waivers, to permit the transaction to proceed. Similarly, in *Phipps*,[16] the Commission granted temporary waivers of the local television ownership rule for a two-station transaction. In doing so, the Commission specifically noted, "we do not base our decision to grant these waivers on the rationale that doing so is necessary to facilitate a merger or multi-station transaction . . . ."[17]

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[13] *See also Merger of Journal Communications, Inc. and The E.W. Scripps Company*, Letter, DA 14-1824 (rel. Dec. 12, 2014), n.6 (permitting the continuation of one legacy JSA in the Jackson, Michigan market to facilitate a large multi-station transaction).

[14] *See Busse Broadcasting Corp. v. FCC*, 87 F.3d 1456 (C.C. Cir. 1996) (upholding the Commission's grant of a waiver of the television duopoly rules to permit the relocation of a single television station).

[15] *Memorandum Opinion and Order,* Stockholders of Renaissance Communications Corporation and Tribune Company, 12 FCC Rcd 11866 (Com'n 1997).

[16] *Memorandum Opinion and Order*, John H. Phipps, Inc. *et al*., 11 FCC Rcd 13053 (Com'n 1966).

[17] *Id*. at 13062.

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For the reasons discussed above, the parties submit that grant of a temporary waiver of the local television ownership rule as requested herein would cause no harm to competition, localism, and diversity but, rather, would serve the public interest.

August 2014 Waiver Request

With regard to the waiver request filed on August 22, 2014, as an amendment to the WISE-TV Application (FCC File No. BALCDT-20140221ABS), the parties believe the rationale underlying that waiver request remains valid although certain elements of the transaction have changed, as noted below:

- The JSAs with Malara Fort Wayne (licensee of WPTA(TV)) and Malara Duluth (licensee of KDLH(TV)) will not be terminated but will be subject to the local television ownership rule, as amended by the new JSA attribution rule and the winding up period recently extended by Congress.[18]

- The transaction maintains the *status quo* with respect to the existing contractual arrangements with Malara Fort Wayne and Malara Duluth and their affiliated entities. However, there are significant improvements to the *status quo* proposed in the transaction as currently structured because of substantial public interest benefits described in the waiver request, including but not limited to the capital expenditures Quincy intends to make in the subject markets, new competing newscasts in Fort Wayne and Duluth, and ownership by a long-term broadcaster.

- Quincy will not guarantee any loan of Malara Fort Wayne or Malara Duluth or their attributable parties.

- The Applications are ripe and ready for review except that the WISE-TV Application is, at this time, still subject to public notice.

With the above listed modifications to account for the changed structure of the transactions, the parties believe that the August 2014 waiver request remains valid and relevant and worthy of the Commission's consideration.

Pending License Renewal Applications

A license renewal application is due to be filed for WBNG-TV by February 2, 2015.

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[18] *See* STELA Reauthorization Act of 2014, Pub. L. No. 113-200, § 104, 128 Stat. 2059, 2063 (2014).

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 any 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 cconsequences 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.

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