COMPREHENSIVE EXHIBIT

These applications seek the Commission's consent to the assignment of the broadcast licenses of Television Station KOTA-TV, Rapid City, South Dakota (Facility ID No. 17688) and the satellite and low-power stations that repeat its signal, from Duhamel Broadcasting Enterprises ("Duhamel Broadcasting") to New Rushmore Radio, Inc. ("New Rushmore").[1] New Rushmore is the licensee of radio stations serving the Rapid City market. It is a wholly-owned subsidiary of Schurz Communications, Inc., longstanding and respected broadcast licensee, operating radio and television stations in eight markets.[2]

The proposed transaction will benefit the public interest by enabling Schurz, a larger and more diversified broadcaster, to uses its resources to "take to the next level" the Duhamel family's pioneering and distinguished service to Western South Dakota. KOTA-TV in fact was the first television station serving Western South Dakota. Approval of the proposed transaction will require grant of a temporary waiver of the Commission's radio-TV cross-ownership rule to permit New Rushmore to continue to own and operate its existing radio stations. As discussed below, doing so would not reduce diversity in the Rapid City market as it would simply replace one owner of radio and television stations with another.

---

[1] These stations are full-power satellite stations KHSD-TV, Lead, SD (Facility ID No. 17686), KGSW-TV, Sheridan, WY (Facility ID No. 17680), KDUH-TV, Scottsbluff, NE (Facility ID No. 17683), and Class A stations K09YI-D, Gillette, WY (Facility ID No. 167560) and K09YH-D, Scottsbluff, NE (Facility ID No. 167559).

[2] Schurz Communications also operates cable television systems in three markets and publishes daily newspapers. Details of Schurz Communications' Inc.'s media properties are set forth in Exhibit 16.

The parties also request the Commission to grant a continued satellite waiver for television station KHSD-TV, Lead, South Dakota (Facility ID No. 17686). As explained below, KHSD-TV has been owned and operated by Duhamel Broadcasting as a satellite station since 1966 to serve the vast areas of Western South Dakota and Wyoming that could not receive KOTA-TV's over-the-air signal. The station has been operated only as a satellite of KOTA-TV since it began operations.

Finally, the proposed transaction involves facilities in three different states that have three different filing periods for license renewal applications. In order to avoid a lengthy delay in the approval of this application and the consummation of the transaction, the parties request that the Commission apply its established policy of permitting grant and consummation of assignment applications/transactions involving multiple stations where the proposed assignee agrees to substitute itself for the previous licensee on any pending license renewal application.

A full explanation of the basis for each of these requests follows.

Waiver of the Radio-TV Cross-Ownership Rule

New Rushmore Radio, Inc. ("New Rushmore") is the licensee of six full-power radio stations in the Rapid City market. Under the Commission's radio-TV cross-ownership rule, 47 CFR § 73.3555(c), ownership of up to two commercial television stations and six commercial radio stations is permissible if, following the transaction, there will be at least 20 independently-owned media voices remaining in the market. Attachment A is a list of the media voices remaining in the Rapid City market following consummation of the proposed transaction, which shows that post-transaction there will be at least 17 independently owned media voices remaining in the market.[3]

Under the rule, if there are at least 10, but less than 20 independently owned media voices in a market, an entity may own "up to two commercial TV and four commercial radio stations." Section 73.3555(c)(2)(B)(ii). Thus, absent a waiver, New Rushmore would be required to divest its ownership of two radio stations in the Metro.[4]

The key fact is that the proposed transaction would not have any effect on the diversity of media voices in the Rapid City area. Currently, Duhamel Broadcasting is the licensee of KOTA-TV and its associated satellite stations, and is the licensee or provides services to four radio stations in the Rapid City market, and New Rushmore is the licensee of six radio stations. After consummation of the proposed transaction, both parties would still be the licensee or control the same number of radio stations in the market, and the only change will be that New Rushmore, rather than Duhamel Broadcasting, will control KOTA-TV and its satellite stations. The level of ownership diversity in the Rapid City market, therefore, would not change in any way.

[3] As explained in Attachment A, for this purpose, New Rushmore is taking a conservative approach and counting stations owned by four separate licensees owned by members of the Duhamel family as belonging to one owner. If the Commission concluded that those licensees are independently owned, there would be 20 post-transaction independently-owned media voices and this request for a waiver would be moot.

[4] KHSD-TV and KSGW-TV, which are included in the market as satellite stations, are also proposed to be assigned to New Rushmore. The Commission has recognized that authorized satellite stations are not relevant to its ownership analysis. *See KSNB-TV*, 28 FCC Rcd 1282 n.1 (Med. Bur. 2013).

Further, the Commission has proposed to repeal the radio-TV cross-ownership rule.[5] In view of that proposal, New Rushmore requests a waiver of the radio-TV cross-ownership rule pending the Commission's decision on the *2010 Ownership NPRM*. The Commission has granted waivers in similar circumstances where the waiver would not reduce the media choices now available to affected communities and would avoid divestitures "which the Commission may well find unnecessary."[6] Alternatively, if the Commission cannot grant a waiver pending a decision on the proposal to repeal the radio-TV cross-ownership rule, New Rushmore asks for a waiver of six months within which to divest itself of two radio stations, to permit a transfer of ownership that avoids disruption of service to the public.

In proposing to repeal the radio-TV cross-ownership rule, the Commission analyzed the rule under its established criteria for broadcast ownership rules, and concluded that the rule no longer advances any of its policies. It found that "most advertisers do not consider radio and television stations to be good substitutes for their advertising needs, and, therefore, combinations of radio and television stations would not harm competition in local markets."[7] "Similarly, we tentatively concluded that most consumers do not consider radio and television stations to be substitutes for one another."[8]

---

[5] *2010 Quadrennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules; Promoting Diversification of Ownership in the Broadcasting Services*, Notice of Proposed Rulemaking, MB Docket No. 09-182, 26 FCC Rcd 17489, 17533 (2011) at ¶ 119 (*2010 Ownership NPRM*).

[6] *E.g., Capital Cities/ABC, Inc.*, 2 FCC Rcd 2539 (1987).

[7] *2010 Ownership NPRM*, 26 FCC Rcd at 17535 ¶ 123.

[8] *Id.* ¶ 124.

The Commission also asked whether "repealing the restriction would allow greater efficiencies through joint operations that can be passed on to consumers through investment in programming."[9] Attachment B is a Declaration of Cecelia M. Green, President of New Rushmore. She states that access to the newsgathering and other resources of KOTA-TV will improve the service New Rushmore's radio stations provide not only to Rapid City listeners, but even more to the isolated rural communities served in particular by its Sturgis stations. The New Rushmore stations will use information from KOTA's reporters and other news resources to improve the news offered over its radio stations. New Rushmore intends to hire an additional employee to provide improved news content for its websites. The combined stations will be able to hire additional reporters and obtain access to new services to benefit both radio and television viewers. And New Rushmore plans to add to the agricultural reporting on KOTA-TV through access to its agricultural news services that now are limited to radio. Thus, common ownership of the New Rushmore radio stations and KOTA-TV will result in new investments in programming to benefit both radio and television consumers.

The Commission also concluded that the repeal of the radio-TV cross-ownership rule would have a minimal impact on broadcast consolidation.[10] As New Rushmore showed above, the proposed transaction would have no material impact on consolidation and media diversity in the Rapid City market, since before and after the transaction, the market would include one owner with a television station and radio stations, and another owner with local radio stations.[11]

[9] *Id.* ¶ 125.

[10] *Id.* ¶ 126.

[11] Since no ownership interests in any radio stations would be affected by the proposed transaction, grant of a waiver pending the Commission's decision on whether to retain the radio-

The Commission also reiterated its earlier finding that the rule "is not necessary to promote localism."[12] Similarly, the Commission concluded that "the radio/television cross-ownership rule is no longer necessary to promote the Commission's goal of encouraging viewpoint diversity."[13]

In the *2010 Ownership NPRM*, therefore, the Commission found that the radio-TV cross-ownership rule no longer advances *any* of the Commission's broadcast ownership policies. Further, common ownership of New Rushmore's existing radio stations and KOTA-TV will enable New Rushmore to improve programming on its radio stations and to make investments in news resources that will benefit both radio listeners and television viewers. Forcing divestiture of two radio stations will not add to diversity in the market, and a new owner of those stations would lack access to the programming resources that either Duhamel Broadcasting or New Rushmore could provide, and thus could actually reduce the quality of programming. Since the Commission believes that the radio-TV cross-ownership rule no longer serves any purpose, it should grant New Rushmore a waiver to permit it to continue to own its existing radio stations until the Commission reaches a decision in the 2010 Quadrennial Review.[14]

TV cross-ownership rule would not disturb existing patterns of ownership; nor could it be construed as prejudging the Commission's ultimate decision with respect to the rule.

[12] *Id.*, 26 FCC Rcd at 17536 ¶ 127.

[13] *Id.*, 26 FCC Rcd at 1737 ¶ 131.

[14] *See Capital Cities/ABC, Inc.*, 2 FCC Rcd 2539 (1987); *Fox Broadcasting Co.*, 5 FCC Rcd 3211 (1990). If the Commission ultimately changes its mind and retains the radio-TV cross-ownership rule, New Rushmore would, as the Commission decided with respect to Capital Cities, divest its interest in two radio stations within six months of the effective date of that decision.

If, despite the conclusions the Commission reached in the *2010 Ownership NPRM*, the Commission believes that it cannot grant New Rushmore a waiver pending the outcome of that proceeding, New Rushmore asks for a six-month waiver to permit it to make an orderly transfer of two radio stations.[15] The Commission has granted similar temporary waivers where the waiver would not have an unduly adverse effect upon the Commission's diversity and competition policies.[16] In this instance, the Commission has already concluded that common ownership of radio and television stations do not adversely impact its diversity and competition goals. The Commission also has found that permitting licensees the time needed for an orderly sale promotes its diversity policy by allowing more potential buyers to make a bid for a divested station.[17] Thus, the public interest would not be harmed by a short-term waiver of the radio-TV cross-ownership rule and, indeed, such a waiver would benefit the orderly transfer of stations, if that transfer is required.

Continued Satellite Waiver for KHSD-TV

The Rapid City Designated Market Area (DMA) is one of the largest in the United States in terms of geographic area. In addition, Duhamel Broadcasting serves viewers in the Cheyenne-Scottsbluff DMA in Wyoming and Western Nebraska. To serve viewers across this large area,

[15] *See, e.g., University of Notre Dame du Lac*, 21 FCC Rcd 1748 (Med. Bur. 2006); *Liberty Corp.*, 21 FCC Rcd 244 (Med. Bur. 2006).

[16] *See Univision Communications, Inc.*, 22 FCC Rcd 5842, 5851-52 (2007).

[17] *See Metromedia Radio and Television, Inc.*, 102 FCC 2d 1134, 1151 (1985)

Duhamel Broadcasting long ago constructed and has operated three full-power satellite stations, the licenses for which are also proposed to be assigned to New Rushmore.[18]

The Commission's television duopoly rule applies only to stations that are in the same DMA with overlapping Grade B contours.[19] 47 CFR § 73.3555(b). One of the satellite stations – KDUH-TV, Scottsbluff, Nebraska (Facility ID No. 17683) – is licensed to a community in the Cheyenne-Scottsbluff DMA. Common ownership of KOTA-TV and KDUH-TV, is fully compliant with the FCC's duopoly rule. So is common ownership of KOTA-TV and KSGW-TV. As shown in Attachment C, the noise-limited contour of a second station – KSGW-TV, Sheridan, Wyoming (Facility ID No. 17680) – does not overlap with any other station involved in this transaction. Therefore, assignment of the license of KSGW-TV to New Rushmore is also fully compliant with the duopoly rule.

The noise-limited contour of the third station – KHSD-TV, Lead, South Dakota (Facility ID No. 17686) does overlap the noise-limited contour of KOTA-TV. KHSD-TV was constructed by Duhamel Broadcasting in 1966 to operate as a satellite station of KOTA-TV and it has been operated as a satellite at all times since then. New Rushmore requests a waiver of Section 73.3555(b) under the Commission's satellite policy.[20]

Under that policy, an applicant seeking to transfer or assign a television satellite station is entitled to a "presumptive" exemption if:

---

[18] Previous decisions have referenced the need for satellite stations in large geographic markets in order to provide service to stations' viewing publics. *See KVAL-TV*, 28 FCC Rcd 11746, 11747 (Med. Bur. 2013).

[19] Although the rule refers to Grade B contours, the Commission treats the digital noise-limited contour as an equivalent measure of station service areas. *WNYA-TV*, 28 FCC Rcd 7992 n.2 (Med. Bur. 2013); *KSNB-TV*, 28 FCC Rcd 1282 n.3 (Med. Bur. 2013).

[20] *Television Satellite Stations*, 6 FCC Rcd 4212 (1991).

1. There is no City Grade overlap between the parent and the satellite;
2. The proposed satellite provides service to an underserved area; and
3. No alternative operator is ready and able to construct or to purchase and operate the satellite as a full-service station.[21]

Attachment D is an analysis by Dr. Mark Fratrik of BIA Kelsey, a widely-respected expert on the broadcast marketplace, analyzing the application of these criteria to KHSD-TV.[22] With respect to the first criterion, the Commission has recognized that, following the digital television transition, there is no equivalent of the analog City Grade contour.[23] The Commission, therefore, no longer appears to apply the first criterion, either at all or at least not in a rigorous way.

As Dr. Fratrik points out, however, while there is significant overlap between the service areas of KOTA-TV and KHSD-TV, ridges to the West of the KOTA-TV transmitter block much of its signal to areas West of those ridges; conversely those same ridges block much of the signal from the KHSD-TV transmitter in the area around Rapid City and to the East. The areas served exclusively by the KHSD-TV transmitter would lose access to ABC network service if the station were no longer operated as a satellite, which the Commission recognized would be a factor favoring a continued satellite exemption.[24]

[21] *Id.* at 4213-14 ¶ 12. If an application does not meet all of the conditions for a presumptive exemption, the Commission can grant a waiver on an *ad hoc* basis. *See, e.g., KVAL-TV*, 28 FCC Rcd 11746, 11748 (Med. Bur. 2013).

[22] Fratrik, *The Economic Viability of KHSD-TV if Operated as a Full-Service Television Station* ()ct. 31, 2013).

[23] *E.g., J. Stewart Bryan III and Media General Communications Holdings, LLC,* DA 13-2140, MB Docket No. 13-191 (Med. Bur. Rel. Nov. 8, 2013) ¶ 24.

[24] Attachment D at 4 n.3.

With respect to the second criterion, KHSD-TV is licensed to Lead, South Dakota. Only one other full-power station – KIVV-TV, a satellite of KEVN-TV – is licensed to serve Lead. If no more than two stations are licensed to a community, that meets the "transmission" test and establishes that the proposed satellite provides service to an unserved area.[25]

Dr. Fratrik demonstrates that all of the major English-language television networks have existing affiliates serving the Rapid City market and that there are an insufficient number of Hispanic-origin residents to support a television station.[26] Thus, if KHSD-TV could not be operated as a satellite, it would have to become an independent station and would have to produce or acquire all of its programming. Dr. Fratrik demonstrates that advertising revenues in the Rapid City DMA have shown only weak revenue growth, and that pattern is predicted to continue. It would be difficult, therefore, for a new television station – particularly one serving only a portion of the market – to garner sufficient revenues to support full-service operation.[27] In fact, most similarly-sized television markets support fewer full-service stations than are operating in Rapid City, further limiting the potential for an additional station.[28]

The Rapid City DMA covers 34,900 square miles, most of which is rural. Its population density of seven people per square mile contrasts with large markets, such as Washington, D.C., where television stations serve 542.7 people per square mile.[29] Dr. Fratrik analyzes the costs that a new operator would have to incur to convert KHSD-TV to full-service operation. In addition

[25] *Id.* at 7

[26] *Id.* at 2-3.

[27] *Id.* at 5-6.

[28] *Id.* at 6.

[29] *Id.* at 7.

to the costs of programming, a new operator would have to invest in news production facilities, master control operations, and other facilities that are now provided by its parent station. Dr. Fratrik concludes that those costs, combined with the station's limited coverage and the limited growth in market revenues, make it unlikely that a lender would provide the capital necessary to acquire and convert the station to full-service operation.[30]

Given these facts, the Fratrik report concludes that "the only over-the-air services that this area could enjoy is by its remaining as a satellite facility of another station in the market. In our opinion, therefore, there is no alternative operator who would be ready or able to purchase and operate KHSD-TV as a full-service station."[31] This satisfies the third presumptive criterion for continued satellite status. KHSD-TV has never been anything other than a satellite, and there would be no opportunity in the Rapid City market for it to be operated independently. The Commission, therefore, should grant it continued satellite status and permit it to be acquired by New Rushmore.

Concurrent Renewal Applications

The pending applications seeking FCC consent to the voluntary assignments of licenses involve television facilities in three different states – South Dakota, Nebraska and Wyoming – subject to three different upcoming license renewal filing dates. Applications for renewal of KOTA-TV and KHSD-TV, licensed to communities in South Dakota, are due to be filed by December 1, 2013, for licenses expiring April 1, 2014. Applications for renewal of KDUH-TV and K09YH-D, licensed to communities in Nebraska, are due to be filed by February 1, 2014, for

[30] *Id.* at 8.

[31] *Id.* at 9-10.

licenses expiring June 1, 2014. And applications for renewal of KGSW-TV and K09YI-D, licensed to communities in Wyoming, are due to be filed by June 1, 2014, for licenses expiring October 1, 2014.

In these circumstances, if the Commission were to follow its usual practice of prohibiting the parties from consummating the transaction unless and until there were no longer pending before the FCC an application for renewal of license for any of the stations involved in the transaction, consummation of the transaction could be delayed for many months or until October of next year. Fortunately, the Commission has in the past recognized the hardship that a strict application of that practice could have on certain transactions. As a result, the Commission has established a policy of allowing parties to consummate their transaction in similar circumstances on certain conditions applicable here. See *Shareholders of CBS Corporation*, 16 FCC Rcd 16072, 16072-73 ¶ 3 (2001)("The Commission repeatedly has held that, in multi-station transactions, it will grant the transfer of control application while the renewal application is pending as long as there are no basic qualification issues pending against the transferor or transferee that could not be resolved in the context of the transfer proceeding, and the transferee explicitly assents to standing in the stead of the transferor in the pending renewal proceeding.")("*CBS Policy*").

This statement is submitted in furtherance of the Commission's *CBS Policy* permitting processing of long-form applications involving multiple stations that involve one or more stations with pending renewal applications where (1) no basic qualifications issues against either seller or buyer were raised, or if raised, resolved favorably; (2) the assignee explicitly assents to standing in the stead of assignor in any renewal proceeding that is pending at the time of the consummation of the license assignment. The parties hereby request that the Commission apply that policy to this transaction.

In accordance with the Commission's requirements for applying its *CBS Policy*, New Rushmore hereby agrees to succeed to the position of Duhamel Broadcasting in any renewal proceeding pending for the stations subject to this application, and the parties, upon consummation of the transaction, agree to amend any then pending application(s) for renewal of licenses for the stations by deleting Duhamel Broadcasting and substituting New Rushmore as the applicant .

Attachment A

Attachment A

Calculation of Post-Transaction Media Voices
Rapid City, South Dakota

Television

Licensee	Call Sign(s)	Community of License
New Rushmore Radio, Inc.	KOTA-TV KHSD-TV (satellite) KSGW-TV (satellite)	Rapid City, SD
Young Broadcasting of Rapid City, Inc.[1]	KCLO-TV	Rapid City, SD
Mission TV LLC	KEVN-TV KIVV-TV (satellite)	Rapid City, SD
Rapid Broadcasting	KNBN	Rapid City, SD
South Dakota Board of Directors for Educational Telecommunications	KBHE-TV	Rapid City, SD

Radio

Licensee	Call Sign(s)	Community of License
American Family Association	KASD(FM)	Rapid City, SD
New Rushmore Radio, Inc.	KBHB KFXS(FM) KKLS KKMK KOUT KCRS	Sturgis, SD Rapid City, SD Rapid City, SD Rapid City, SD Rapid City, SD Sturgis, SD
South Dakota Board of Directors for Educations Telecommunications	KBHE(FM) KYSD(FM)	Rapid City, SD Spearfish, SD
Aasen Publishing	KIMM	Rapid City, SD
Huago Broadcasting, Inc.	KIQK	Rapid City, SD
Bethesda Christian Broadcasting, Inc.	KLMP	Rapid City, SD
University of Sioux Falls	KPSD	Faith, SD
Family Stations, Inc.	KQFR	Rapid City, SD
Oregon Trail Broadcasting LLC	KRKI	Keystone, SD
Connoisseur Media	KXMZ	Box Elder, SD
JER Licenses LLC	KXZS	Wall, SD

[1] The transfer of control of KCLO-TV to an entity controlled by Media General was approved by the Media Bureau on November 7, 2013. *J. Stewart Bryan III and Media General Communications Holdings, LLC*, DA 13-2140, MB Docket No. 13-191 (rel. Nov. 8, 2013).

Duhamel Broadcasting Enterprises[2]	KDDX KOTA(AM)	Spearfish, SD Rapid City, SD
New Generation Broadcasting LLC	KQRQ	Rapid City, SD
Steven E. Duffy	KZLK	Rapid City, SD
Western South Dakota Broadcasting	KZZI	Belle Fourche, SD

Cable System

Newspaper *The Rapid City Journal*

Summary

5 independently owned television voices
10 independently owned radio voices (not including entities which also own television stations)
1 cable system
1 newspaper
Total: 17 independently owned media voices

[2] New Generation Broadcasting LLC and Western South Dakota Broadcasting are owned by grandchildren of members of the Duhamel family, senior members of which own Duhamel Broadcasting Enterprises. Steven E. Duffy is the son-in-law of William F. Duhamel, President of Duhamel Broadcasting Enterprises. Duhamel Broadcasting Enterprises, depending upon the station, supplies programming and/or other services to these stations pursuant to agreements. Although the ownership of the New Generation, Western South Dakota Broadcasting and Duffy stations is separate from the ownership of Duhamel Broadcasting Enterprises, and thus arguably could be viewed as independently owned media voices, New Rushmore Radio take a conservative approach and will treat them as commonly owned strictly for purposes of this analysis.

Attachment B

Attachment B

Declaration of Cecelia M. Green

Cecelia M. Green declares as follows:

1. I am the President of New Rushmore Radio, Inc.

2. New Rushmore Radio operates radio stations in the Rapid City, South Dakota area. It is applying for the consent of the Federal Communications Commission to the assignment of the broadcast licenses of KOTA-TV, Rapid City, South Dakota, and the satellite and translator stations that distribute its signal.

3. New Rushmore is seeking a waiver of the FCC's radio-TV cross-ownership rule to permit New Rushmore to continue to own its existing radio stations following consummation of the proposed assignment of KOTA-TV, until the FCC reaches a decision on its 2011 proposal to repeal the radio-TV cross-ownership rule. This Declaration is submitted in support of that waiver request.

4. Access to the newsgathering and other resources of KOTA-TV will enable New Rushmore to improve the service it provides over its radio stations. New Rushmore will use information developed by KOTA-TV in its newscasts, and will, when appropriate, rebroadcast KOTA-TV newscasts and weather reports on New Rushmore radio stations.

5. New Rushmore will hire an additional person to improve news content for both its radio and television websites.

6. As a result of the increased resources available following consummation of the assignment of KOTA-TV, New Rushmore plans to add additional reporters and other news services that will benefit radio listeners as well as viewers of KOTA-TV.

7. New Rushmore's radio stations currently broadcast agricultural news, which is of great importance to the rural audience served by its radio stations. We intend to use that material to improve the service KOTA-TV provides to rural viewers.

8. I declare under penalty of perjury that the above statements are true and correct.

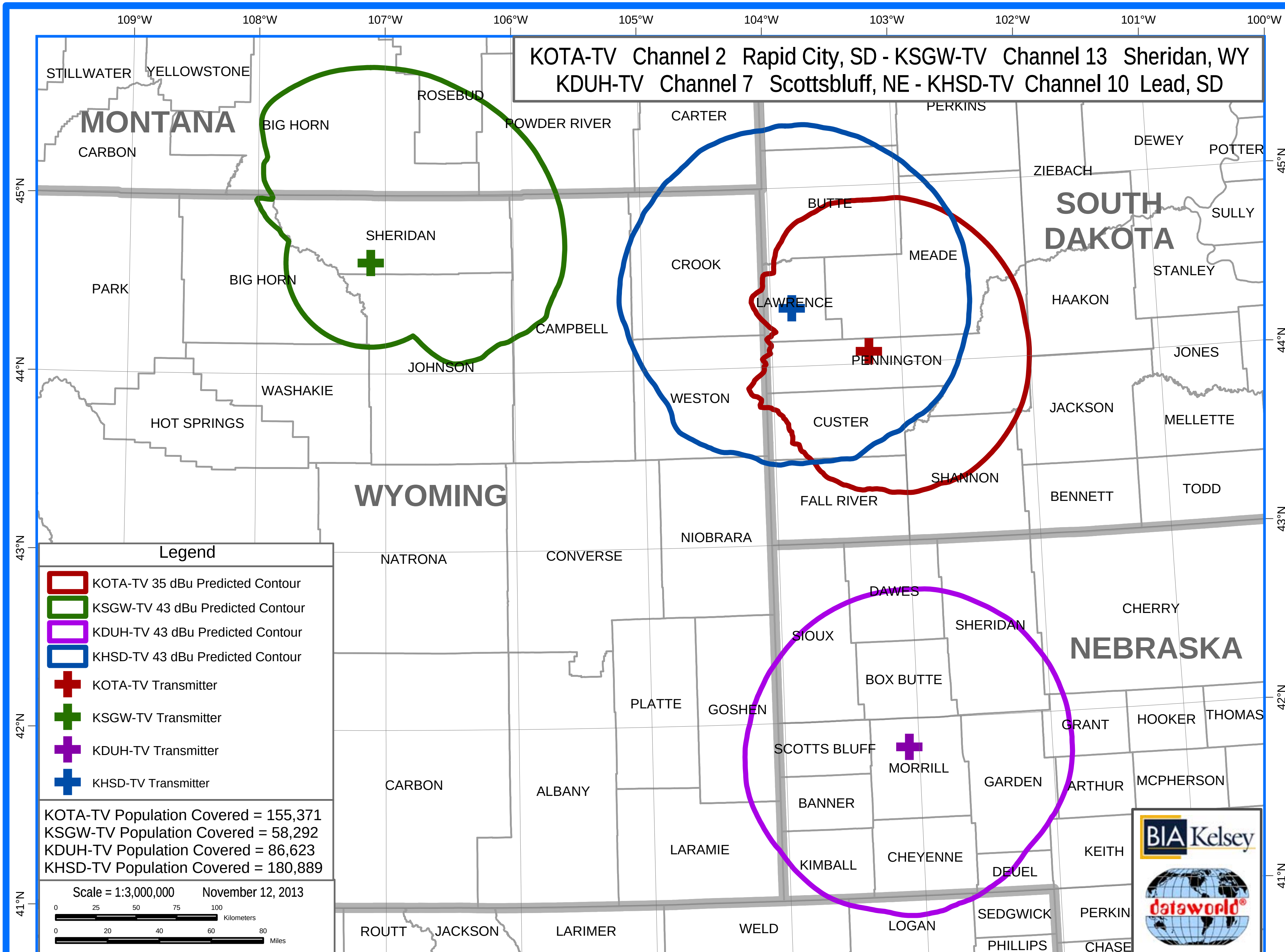
Cecelia M. Green

____

Cecelia M. Green

November 12, 2013

Attachment C


KOTA-TV Channel 2 Rapid City, SD - KSGW-TV Channel 13 Sheridan, WY
KDUH-TV Channel 7 Scottsbluff, NE - KHSD-TV Channel 10 Lead, SD
Legend
KOTA-TV 35 dBu Predicted Contour
KSGW-TV 43 dBu Predicted Contour
KDUH-TV 43 dBu Predicted Contour
KHSD-TV 43 dBu Predicted Contour
KOTA-TV Transmitter
KSGW-TV Transmitter
KDUH-TV Transmitter
KHSD-TV Transmitter
KOTA-TV Population Covered = 155,371
KSGW-TV Population Covered = 58,292
KDUH-TV Population Covered = 86,623
KHSD-TV Population Covered = 180,889
Scale = 1:3,000,000
November 12, 2013
Kilometers
Miles
MONTANA
WYOMING
SOUTH DAKOTA
NEBRASKA
STILLWATER
YELLOWSTONE
CARBON
BIG HORN
ROSEBUD
POWDER RIVER
CARTER
PERKINS
DEWEY
POTTER
ZIEBACH
SULLY
SHERIDAN
BUTTE
MEADE
CROOK
LAWRENCE
PENNINGTON
PARK
STANLEY
HAAKON
JONES
CAMPBELL
JOHNSON
WASHAKIE
HOT SPRINGS
WESTON
CUSTER
JACKSON
MELLETTE
SHANNON
FALL RIVER
BENNETT
TODD
NATRONA
CONVERSE
NIOBRARA
DAWES
CHERRY
SIOUX
BOX BUTTE
PLATTE
GOSHEN
GRANT
HOOKER
THOMAS
SCOTTS BLUFF
MORRILL
GARDEN
ARTHUR
MCPHERSON
ALBANY
BANNER
KIMBALL
CHEYENNE
LARAMIE
DEUEL
KEITH
ROUTT
LARIMER
WELD
LOGAN
SEDGWICK
PERKINS
PHILLIPS
CHASE
BIA Kelsey
dataworld

Attachment D

THE ECONOMIC VIABILITY OF

KHSD-TV

IF OPERATED AS A

FULL-SERVICE TELEVISION STATION

Mark R. Fratrik, Ph. D.

Vice President, Chief Economist

PREPARED FOR

New Rushmore Radio, Inc.

November 12, 2013

BIA Kelsey

TABLE OF CONTENTS

THE ECONOMIC VIABILITY OF KHSD-TV, LEAD, SD

AS A FULL-SERVICE TELEVISION STATION

Introduction

Local television stations find themselves in an extremely competitive marketplace. There are rapidly increasing competitors for both viewers and advertisers. At the same time, the economy is recovering but at a very slow pace. Consequently, the challenges facing all local television stations are enormous.

Given these changing industry and overall economic conditions, the question of whether satellite station KHSD-TV, Lead, SD, could be operated as independently-owned, full-service television stations is one that appears to be easily answerable – NO. All local over-the-air television stations are facing increasing difficulty, which will only get worse, in attracting audiences large enough to garner sufficient advertising revenues to remain viable. KHSD-TV, in my opinion, could not generate enough revenues in this difficult competitive environment in the Rapid City, SD television market needed to cover the programming, engineering, and other associated operating costs of a full-service station. Therefore, no alternative operator would be able to buy the station, which has been operated as a satellite since it was constructed, and operate it on a stand-alone basis.

This report examines that question under the criteria established by the Commission in *Television Satellite Stations*, 6 FCC Rcd 4212 (1991). We begin by reviewing the competitive situation facing KHSD-TV in the Rapid City, SD television market if it were to become a full-service television station. In that analysis of the competitive landscape of that market, we will examine the affiliation and programming options available for KHSD-TV. Given the existing stations in this television market, KHSD-TV could only operate as an independent station.

Operating as an independent station in a market the size of Rapid City, SD, would severely limit the potential revenues that KHSD-TV could generate. At the same time, however, it would face substantial costs to operate, especially in securing programming. Furthermore, transforming KHSD-TV into a full-service television station would require substantial additional equipment and facility build-out.

It is our opinion that facing this competitive situation, KHSD-TV could not exist as a viable full-service television station, and, thus, can only be operated as a satellite station. Given the present state of the television station sales marketplace, there would be no buyer willing to make the investments required to transform this station into a full-service station. Therefore, we believe that maintaining KHSD-TV as a satellite is the only viable option to preserve service for the communities served by this station.

Rapid City, SD Television Market

Station Lineup and Population Served

The Rapid City, SD television market is ranked as the 173rd largest television market in terms of the number of households. There are presently four 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 in their predicted noise-limited contours within the Rapid City, SD television market.

Table 1 – Rapid City, SD Television Market Lineup and Population Served							
CALLS	**Licensee**	**Community**	**Affil.**	**Type of Station**	**Total Population Served***	**Market Population Served**	**Percentage of Market Reached by Signal**
KOTA-TV	Duhamel Broadcasting	Rapid City, SD	ABC	Full-Service	185,553	166,498	65.5%
KEVN-TV	KEVN, Inc.	Rapid City, SD	FOX	Full-Service	179,462	161,215	63.4%
KCLO-TV	Young Broadcasting	Rapid City, SD	CBS	Full-Service	135,101	120,189	47.3%
KNBN	Rapid Broadcasting	Rapid City, SD	NBC	Full-Service	144,013	128,673	50.6%
KIVV-TV	KEVN, Inc.	Lead, SD	FOX	Satellite	188,808	167,870	66.0%
KHSD-TV	Duhamel Broadcasting	Lead, SD	ABC	Satellite	188,896	167,771	66.0%
KSGW-TV	Duhamel Broadcasting	Sheridan, WY	ABC	Satellite	55,953	26,560	10.4%

* Population served obtained from Dataworld, a subsidiary of BIA/Kelsey.

As shown, all of the major television networks already have affiliates in the market. In addition, the My Network and the CW network are carried by local stations as multicast signals. Since all of the major networks already have affiliates in this market, if KHSD-TV were not operated as a satellite, it would have to operate as an independent station.[1]

[1] Note also that the Hispanic Origin population in the Rapid City, SD market only constitutes 3.5% of the overall population, or approximately 9,000 people. That small of a target audience would not be enough to support a stand-alone Spanish language network affiliate.

It is important to note that the Fox and ABC affiliates in Rapid City employ satellites to reach a substantial amount of people, and CBS service is provided by a satellite of KELO-TV, Sioux Falls. These additional facilities allow the program-originating stations to reach many more people in the local market than they would using only their main licensed facilities. In fact, KHSD-TV reaches at least 66,000 people via its over the air signal that cannot be reached by KOTA-TV's over the air signal.[2] This population reached adds at least 33.1% to the KOTA-TV signal's total population reached. Appendix 1 provides the coverage patterns of both KOTA-TV and KHSD-TV using the Longley-Rice method of plotting the signals strengths of these stations.[3]

---

[2] These population estimates are calculated using the Longley-Rice method of plotting the signal strengths of these two stations. Of those 66,000, approximately 19,600 are within the borders of the Rapid City, SD television market. Note that these Longley-Rice maps and resulting calculations do not take into account the 1 degree electrical beam title of the antenna for KHSD-TV. As a result, while the coverage maps show that the population residing on ridges to the west of Rapid City and the population east of those ridges receive that signal, that is not the case. Consequently, the overlap with the coverage pattern of KOTA-TV is overstated, and the actual population reached by both of the two stations is less.

[3] While there is significant overlap between the signals of KOTA-TV and its satellite, KHSD-TV, the Video Division recently concluded that the first of the Commission's three presumptive criteria for satellite operations no longer can be used since, "following the digital transition, full-power television stations have a Principal Community contour that serves a much larger area than their former analog City Grade contour. Thus, the principal community contour is not an equivalent standard for use in determining whether a satellite qualifies for the presumptive satellite exemption to the duopoly rule." *J. Stewart Bryan III and Media General Communications Holdings*, LLC, MB Docket No. 13-191, DA 13-2140 (rel. Nov. 8, 2013) at 11 ¶ 24. Even under the analog criteria, the Commission recognized that satellite proposals would be approved if satellite operation "would result in the provision of a full complement of network signals in its service area." *Television Satellite Stations*, 6 FCC Rcd 4212, 4214 (1991). A large part of the population in the KHSD-TV service area would lose access to ABC network service if it were no longer operated as a satellite station. Moreover, reception of the KHSD-TV signal is blocked in much of the area around Rapid City by hills and ridges between the Rapid City area and the KHSD-TV transmission site.

Additionally, the Commission recognized that satellite service would be appropriate if "evidence of no interest in a full-service operation indicates that the community cannot support another television station and thus helps to ensure that introduction of a satellite station, while duplicating service in some portions of the service area, will nevertheless result in a net gain of

Television Advertising Revenues in Rapid City, SD Market

The Rapid City, SD television market is ranked 173rd in terms of households and ranked 176th in terms of total television advertising revenues.[4] The local television market revenues for this market have shown relative weakness when compared to the overall television industry. According to BIA's estimates, between 2007 and 2012, Rapid City, SD local television market revenues *decreased* at a 2.4% compounded annual growth rate, as compared to a 1.2% de*crease* for the average television market.

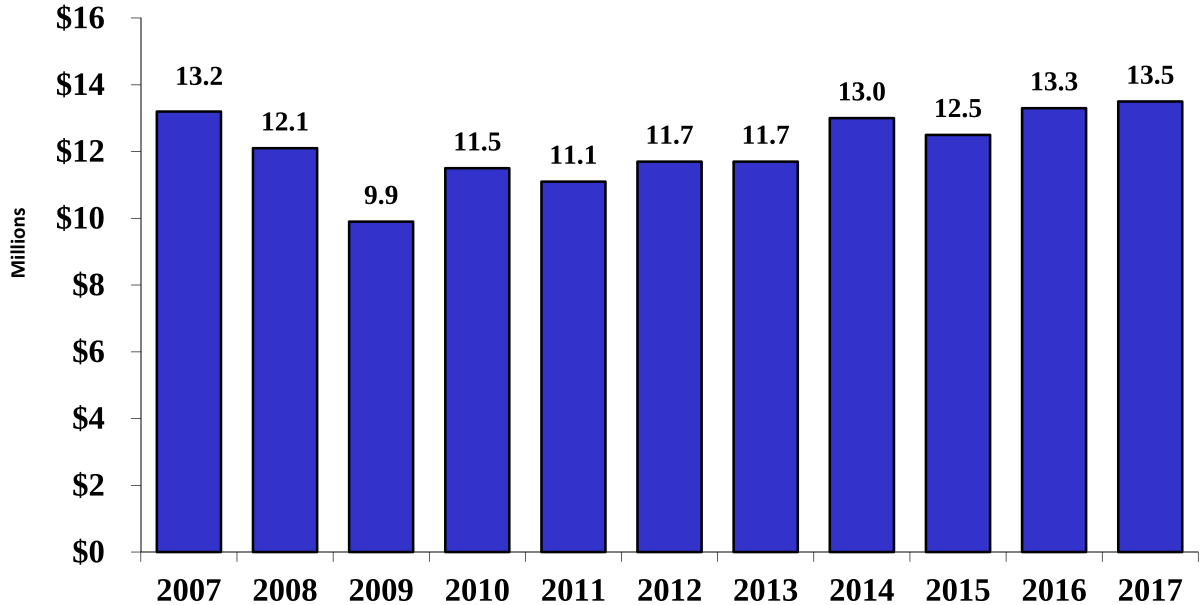
That weak market revenue growth is not expected to recover any time soon. In fact for 2013, the Rapid City, SD television revenues are expected to remain flat with the revenues remaining around that same much lower level for the following four years. Those lower levels of revenues would not be substantial enough to support additional full-service television stations. Figure 1 below shows the historical and predicted total market revenues for the Rapid City, SD television market.

service." *Id.* at 4214-15. As shown below, the Rapid City market could not support an additional full-service station.

[4] See *Investing in Television: 2013*, 2nd ed., BIA/Kelsey

Figure 1

Advertising Revenues for the Rapid City, SD Television Market



The Rapid City, SD television market will only see modest growth in revenue in 2013 and not increase much throughout the following four years. This poor revenue growth would provide a substantial challenge for any new television station that would enter the market. New stations would have to steal advertising revenues from one of the existing television stations in order to attempt to become viable.

Small markets, with limited advertising revenues like Rapid City, SD, generally do not have many competing television stations. In fact, of the ten markets surrounding Rapid City in market rank (i.e., markets 168-178), none of the markets have five full-power commercial television stations, and only one, Billings, MT (market rank168) also has four full-power commercial television stations, as is the case in Rapid City, SD. The market revenues in these sized markets cannot adequately fund that many stations.

Served Communities

The city of license (Lead, SD) served by KHSD-TV is located approximately 35 miles away from the core market city of Rapid City, SD. The Rapid City, SD television market is comprised of 19 counties in four states covering 34,900 square miles with a population of approximately 256,000 or 7 people per square mile. By contrast, a large market such as Washington, DC, has 542.7 people per square mile. Without satellites and other repeaters, it would be impossible to provide service across this very large television market. If KHSD-TV were operated as a stand-alone station, it could not reach many of the television households in the market, further depressing its prospects as a competitor to existing stations.[5]

Some of the outlying counties within the Rapid City, SD market are only served by KHSD-TV and another satellite station in the market, KIVV-TV. Finally, these two satellite stations – KHSD-TV and KIVV-TV are the only full-power stations licensed to serve Lead, SD. Hence, under the FCC's "transmission" test, these stations serve underserved areas. 6 FCC Rcd at 4215.

KHSD-TV was authorized and constructed in 1966 as a satellite of KOTA-TV to reach unserved areas in Western South Dakota and Eastern Wyoming. It has at all times been operated as a satellite station.

[5] At the same time, KOTA-TV would lose access to part of the market and the households in the areas exclusively served by KHSD-TV would lose over the air service, access to ABC network programming, and to KOTA-TV's local news and public affairs programming.

Additional Capital Costs for Full-Service Conversion

Besides facing very large challenges in generating revenues as full-service stations and the resulting very limited possibilities for KHSD-TV to become economically viable on an operating basis, are the significant additional capital costs that it would additionally incur to convert from a satellite station to a full-service operation.

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 a station chooses 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.[6] The conversion cost for KHSD-TV would be similar.

In addition to the obstacles described earlier in this report and the considerable capital expenditures detailed above, any new owner of KHSD-TV trying to convert this station to a full-service station would have extreme difficulty securing investment capital for such a risky venture. Since this station would have to enter the market as an independent station, and this small market generates limited television advertising revenues, potential lenders would be very hesitant in providing the necessary funds. This difficulty in securing investment funds to purchase this station and convert it to an independent full-service station further reduces its viability as a full-service operation.

[6] "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.

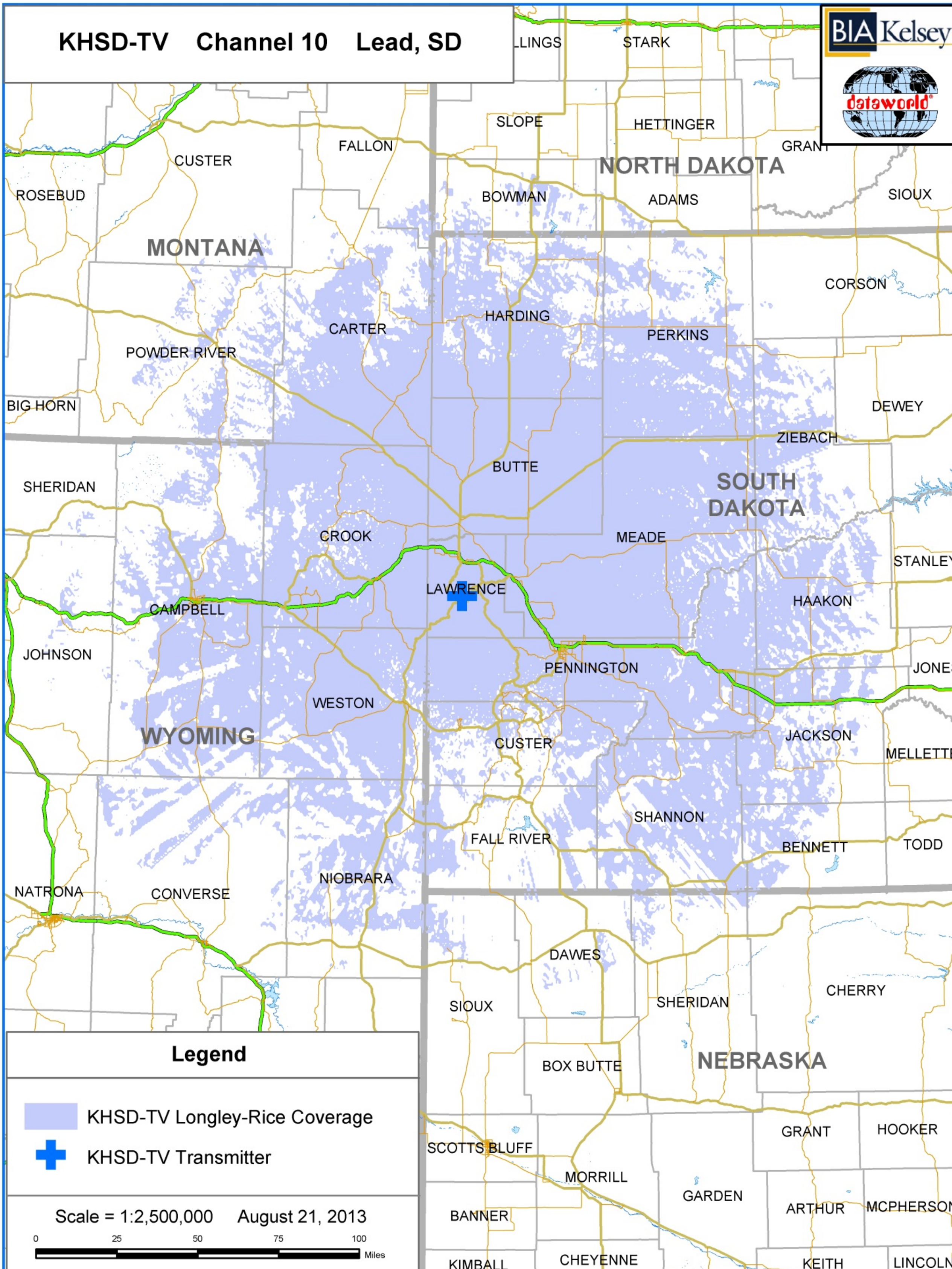
Conclusion

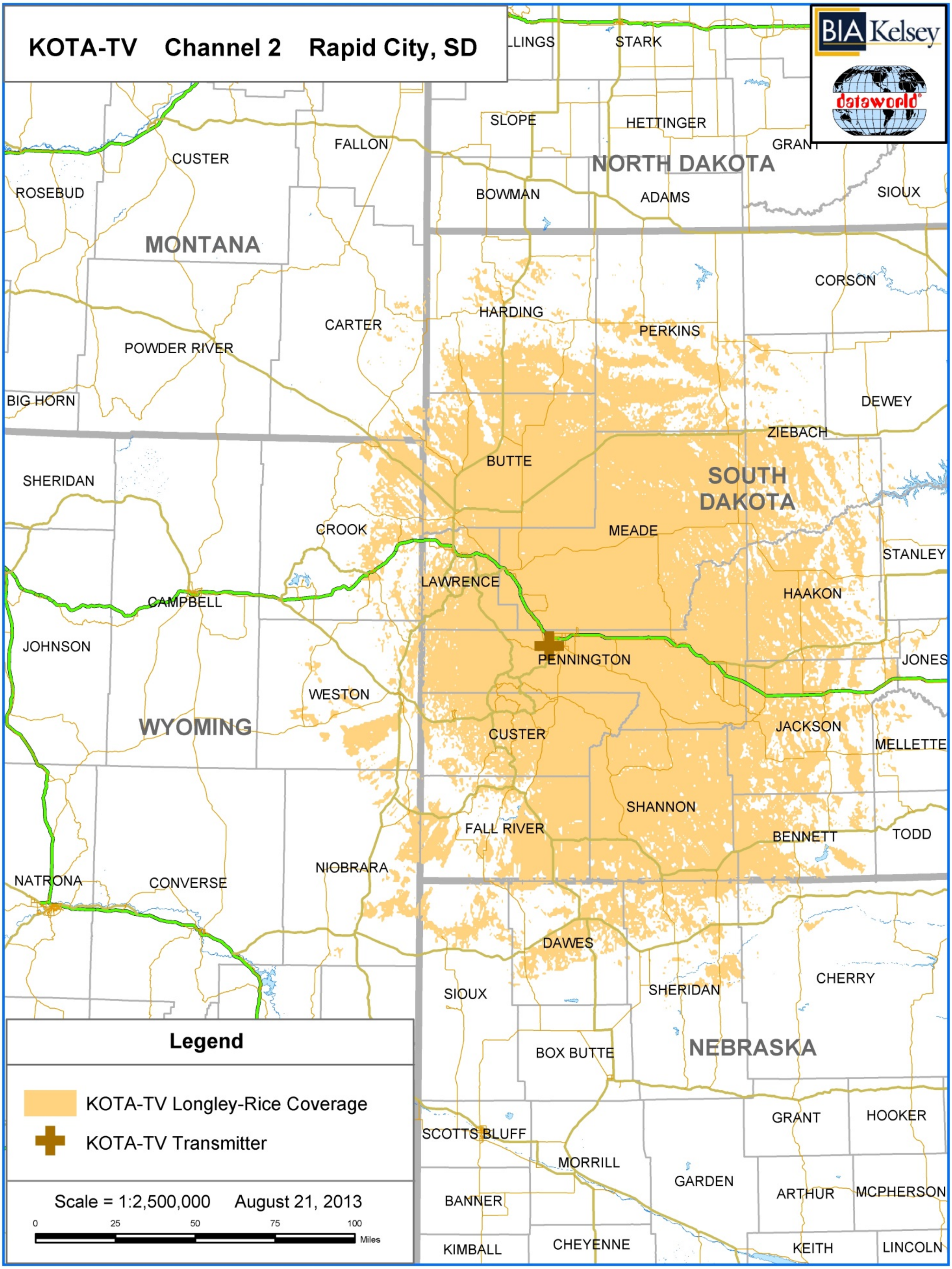
Local television stations are facing tremendous competition while trying to serve their local communities. Increased video choices now available to consumers have resulted in local television stations attracting smaller audiences than in previous years. At the same time, increased competition in the advertising marketplace has emerged with local cable systems more aggressively selling local advertising spots airing on the larger number of national cable networks. Also providing more competition in the local advertising marketplace is the presence of online advertising opportunities, with many of these Internet sites focused on local content.

If a new television stations tries to enter into a local market it would face considerable obstacles to become an economically viable competitor. First, all of the major over-the-air television networks typically already have affiliates in most markets. Second, new television stations must enter as independent stations and operating an independent television station entails significant operating costs and limited revenue potential. Finally, the costs to convert KHSD-TV to full-service television operation would be quite substantial, and the financing for that equipment would be very difficult to secure.

It is highly unlikely that KHSD-TV could become economically viable. First, no network affiliations from any of the over-the-air networks are available. Second, substantial capital expenditures would have to be incurred if this station was converted to a full-service station. Finally, given the present economic conditions, securing adequate funding for purchasing KHSD-TV would be highly unlikely. Therefore, there appears to be no chance that any purchaser of KHSD-TV would be able to convert it to a full-service station. As a result, the only over-the-air service that this area could enjoy is by its remaining as a satellite facility of another station in this market. In our opinion, therefore, there is no alternative operator who would be ready or able to purchase and operate KHSD-TV as a full-service station.

Appendix 1 – Longley-Rice Coverage Patterns of KOTA-TV and KHSD-TV


KHSD-TV Channel 10 Lead, SD
BIA Kelsey
dataworld
MONTANA
NORTH DAKOTA
SOUTH DAKOTA
WYOMING
NEBRASKA
LLINGS
STARK
SLOPE
HETTINGER
GRANT
CUSTER
FALLON
ROSEBUD
BOWMAN
ADAMS
SIOUX
CORSON
HARDING
CARTER
PERKINS
POWDER RIVER
BIG HORN
DEWEY
ZIEBACH
BUTTE
SHERIDAN
CROOK
MEADE
STANLEY
LAWRENCE
CAMPBELL
HAAKON
JOHNSON
PENNINGTON
JONES
WESTON
JACKSON
CUSTER
MELLETTE
SHANNON
FALL RIVER
BENNETT
TODD
NATRONA
CONVERSE
NIOBRARA
DAWES
SIOUX
SHERIDAN
CHERRY
BOX BUTTE
GRANT
HOOKER
SCOTTS BLUFF
MORRILL
GARDEN
ARTHUR
MCPHERSON
BANNER
KIMBALL
CHEYENNE
KEITH
LINCOLN
Legend
KHSD-TV Longley-Rice Coverage
KHSD-TV Transmitter
Scale = 1:2,500,000 August 21, 2013
0
25
50
75
100
Miles


KOTA-TV Channel 2 Rapid City, SD
BIA Kelsey
dataworld
LLINGS
STARK
SLOPE
HETTINGER
GRANT
NORTH DAKOTA
BOWMAN
ADAMS
SIOUX
CUSTER
FALLON
ROSEBUD
MONTANA
CORSON
HARDING
PERKINS
CARTER
POWDER RIVER
BIG HORN
DEWEY
ZIEBACH
BUTTE
SHERIDAN
SOUTH DAKOTA
CROOK
MEADE
STANLEY
LAWRENCE
CAMPBELL
HAAKON
JOHNSON
PENNINGTON
JONES
WESTON
WYOMING
CUSTER
JACKSON
MELLETTE
SHANNON
FALL RIVER
BENNETT
TODD
NATRONA
CONVERSE
NIOBRARA
DAWES
SIOUX
SHERIDAN
CHERRY
BOX BUTTE
NEBRASKA
GRANT
HOOKER
SCOTTS BLUFF
MORRILL
GARDEN
ARTHUR
MCPHERSON
BANNER
KIMBALL
CHEYENNE
KEITH
LINCOLN
Legend
KOTA-TV Longley-Rice Coverage
KOTA-TV Transmitter
Scale = 1:2,500,000 August 21, 2013
0 25 50 75 100
Miles

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.