

## **December 2018 Amendment to Assignment Application**

In May 2018, Red River Broadcast Co., LLC (“Red River”) and Gray Television Licensee, LLC (“Gray”) filed an application (the “Application”) requesting Commission consent to the assignment of licenses for KDLT-TV, Sioux Falls, South Dakota (Facility ID 55379) and television satellite station KDLV-TV, Mitchell, South Dakota (facility ID 55375) in the Sioux Falls, South Dakota Designated Market Area (DMA) (the “Transaction”). Since filing the Application, Gray has identified additional information that demonstrates the public interest would be best served by permitting Gray to acquire KDLT-TV and KDLV-TV. The information provided in the Application, as amended, makes clear that this Transaction is unique and that joint operations of KDLT-TV and Gray’s KSFY-TV will provide unique public interest benefits to the Sioux Falls DMA, as well as increasing the competitiveness of the Sioux Falls advertising market.

Gray’s acquisition of KDLT-TV presents the FCC with a transaction where the benefits far outweigh any harms and where the viewing public and the advertising market will both realize substantial and tangible benefits. Moreover, the unique competitive landscape in the Sioux Falls DMA, the unprecedented public interest benefits that will arise from the Transaction, and the unfortunate circumstances that KDLT-TV would find itself if the Application were not granted presents a uniquely compelling combination of Top-4 rated stations. Any one of these factors alone would justify approving the Transaction under the Commission’s case-by-case approach for combining Top-4 rated stations, but when viewed in total, it paints a unique picture that cannot be matched in any other DMA or by any other potential in-market combination in the country.

### **I. The Sioux Falls DMA is Unique.**

By any metric, KELO-TV is the 800-pound gorilla in the Sioux Falls DMA and one of the most dominant stations in the country. As discussed by Dr. Mark Fratrick in the attached letter,<sup>1</sup> KELO-TV averaged 55% of the over-the-air local ad share in the Sioux Falls DMA for the last five years.<sup>2</sup> In small markets (DMA #101-210)<sup>3</sup> with four or more full power television stations, KELO-TV was one of only nine stations where its primary program stream earned greater than 50% of the local advertising dollars. In fact, KELO-TV’s 55% share of the broadcast advertising market makes it one of the country’s strongest stations.

KELO-TV’s dominance during local news programming is even more pronounced. During the 2017-2018 TV season, KELO-TV earned an astounding 70.1% of all local news

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<sup>1</sup> See Exhibit 1, Letter from Dr. Mark Fratrick, Sr. Vice President and Chief Economist, BIA Advisory Services, LLC to Marlene H. Dortch, Esquire, Secretary, Federal Communications Commission 2 (Dec. 6, 2018) (“Dr. Fratrick Letter”).

<sup>2</sup> KELO-TV’s dominance in the over-the-air advertising share is comparable to its dominance in total revenue as Gray and Red River described in the Application. See *Exhibit 18 of the Application* at 5-6.

<sup>3</sup> In this amendment, Gray refers to “small markets” as DMAs ranked between 101 and 210.

viewers.<sup>4</sup> KELO-TV was able to achieve this overwhelming share of local news viewers even though it only broadcast 40.3% of the local news hours in the market. Meanwhile, the local news on KSFY-TV and KDLT-TV significantly underperformed relative to the total hours of local news programming those stations provide.

Call Sign	Affiliation	Local News Share	Percent of Local News Hours
KELO-TV	CBS	70.1%	40.3%
KSFY-TV	ABC	20.9%	29.4%
KDLT-TV	NBC	9.0%	30.3%

Stations like KELO-TV are rare. In a DMA with four or more full power stations, only an exceptionally strong station can attain a greater than 50% share of the broadcast advertising market and greater than 70% share of the local news viewers. In the handful of markets where it has occurred, the only way for the remaining stations to effectively compete is through joint operations. Notably, Sioux Falls is the only small market with more four or more full power stations and a dominant station with greater than 50% over-the-air advertising share, where the three remaining Big 4 affiliates are all independently owned and operated. In every other market with a dominant KELO-like station, the competitors have survived by consolidating operations, sharing services, or adding a Big 4 affiliation to a multicast stream. Sioux Falls is the sole exception. It is a unicorn. Based on the real-world evidence from every other small market, the status quo cannot continue.

Stations like KELO-TV crowd out competing newsrooms by taking a disproportionate share of local revenue necessary to support a local news operation. Exhibit 2 lists more than fifty small markets where a single station has more than a 60% share of local news viewers. Of those markets, Sioux Falls is one of only three markets with two or more stand-alone, independent local newsrooms attempting to compete against the dominant player.<sup>5</sup> In every other such market, the market supports only one and often no other competitors. Producing local news is expensive, and in small markets the local advertising base cannot support multiple stand-alone, independent local newsrooms – especially when a single station takes a substantial share of the economic pie. Again, based on evidence from nearly every other small market in the country, the Commission cannot expect the status quo to continue.

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<sup>4</sup> All Nielsen ratings for local news for the 2017-2018 television season exclude the February 2018 “Sweeps” period. The Winter Olympics in February 2018 significantly distorted local news ratings in virtually every market in the country. Thus, to provide a more accurate picture of the competitive landscape, February 2018 ratings are excluded.

<sup>5</sup> See Exhibit 2. As used in this amendment, stand-alone, independent local newsrooms do not include news departments that import “local” news from outside of the local market or any news that is produced under a news sharing agreement or in conjunction with a JSA partner or other Big 4 affiliate. In other words, a truly local and independent local newscast for a single Big 4 affiliate.

In addition to the difficulty of competing against KELO-TV, the Sioux Falls DMA itself presents unique challenges. Geographically it is enormous but the population is scant. Among all small markets, the Sioux Falls DMA is the second largest in terms of geographic size. Only the Minot-Bismarck-Dickinson (Williston), ND DMA is larger. As described in the Application, the Sioux Falls DMA is larger than the combined area of the Washington, DC (Hagerstown), Baltimore, Philadelphia, Harrisburg-Lancaster-Lebanon-York, Johnston-Altoona, Wilkes Barre-Scranton-Hazleton, and Salisbury DMAs but with just 3% of the combined TV Households in those DMAs.

Another way to look at the relative size and population density is with respect to the DMAs with a comparable number of TV Homes. Nielsen currently ranks the Montgomery-Selma, Alabama DMA number 116, just behind the Sioux Falls DMA. Nielsen reports that the Sioux Falls DMA has 231,540 TV Homes and the Montgomery-Selma DMA is just behind with 229,330 TV Homes.<sup>6</sup> While the number of TV Homes is comparable, the Montgomery-Selma DMA is approximately 20% of the geographic size of the Sioux Falls DMA. Serving the same number of TV Households across a far larger region substantially increases distribution costs for the stations located in the larger Sioux Falls market. Indeed, Red River must operate two full-power stations and six translators, and Gray operates two full-power stations while reaching only two thirds of the population in the DMA. Stations in the Sioux Falls DMA must operate with full power satellite stations and low power translators – each with their own maintenance, tower, and operating costs. And, they must send reporters to far corners of the market to report local news. In other words, stations in Sioux Falls face far higher fixed signal distribution costs and operating costs than their counterparts in geographically smaller markets. These higher fixed costs create the need for broadcasters in such massive DMAs to generate even more revenue to provide local service. Yet in Sioux Falls the challenge is even greater because the remaining local broadcasters must earn this extra revenue when competing against KELO-TV.<sup>7</sup>

## II. KDLT-TV Is in a Unique Station.

[REDACTED]

[REDACTED]

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<sup>6</sup> Local Television Market Universe Estimates, Nielsen (2018), <https://www.nielsen.com/content/dam/corporate/us/en/public%20factsheets/tv/2018-19-dma-ranker.pdf>.

<sup>7</sup> See Dr. Fratrick Letter at 2.

[REDACTED]

[REDACTED]

### III. Joint Operations of KSFY and KDLT will Provide Unprecedented Public Interest Benefits.

In stark contrast to the bleak future for KDLT-TV without the Transaction, the future for KDLT-TV and for viewers in the Sioux Falls DMA can be bright if the Commission grants the Application. With the Transaction, Gray will expand local news on both KDLT-TV and KSFY-TV, making the combined entity a viable competitor to KELO-TV.

With the benefits from economies of scale, the combined promotional power from both KDLT-TV and KSFY-TV, and the ability to amortize costs across both stations, Gray will add at least 28 hours per week of new local news across KDLT-TV and KSFY-TV, which is more news than either station currently airs in an average week. Gray is unaware of any prior television transaction where the combining parties have promised to expand local news by anywhere close to 28 hours per week.<sup>10</sup> To put this number into perspective, the chart below lists the total number of hours of local news that each station in the Sioux Falls DMA airs each week and the dramatic impact that would occur if the Transaction is approved:<sup>11</sup>

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<sup>8</sup> WMGT, which is the NBC affiliate in the Macon DMA, is the only stand-alone independent local newsroom in a small market that produces more than [REDACTED] yet earns a lower share of local news viewers than KDLT-TV. But, WMGT also broadcasts a lesser percentage of the local news hours in its DMA, and, unlike KDLT, it is competing against local news that is broadcast on all three of the other Big 4 affiliates.

<sup>9</sup> See Exhibit 4.

<sup>10</sup> The Commission has previously stated that a transaction that will help produce higher quality and/or higher quantities of local news programming is in the public interest. See e.g., Media/Communications Partners Limited Partnership, *Memorandum Opinion and Order*, 10 FCC Rcd. 8116 (July 26, 1995); Salt of the Earth Broadcasting Corp., *Memorandum Opinion and Order*, 9 FCC Rcd. 3621 (Aug. 1, 1994); Olympic Broadcasters, Inc., *Memorandum Opinion and Order*, 10 FCC Rcd 8104 (July 26, 1995).

<sup>11</sup> KELO-TV, KSFY-TV, and KDLT-TV all air a 30-minute local newscast at different times during early evenings (i.e., between 5:00 pm and 7:00 pm) on Saturdays and Sundays. Due to network coverage of live sports, however, those early evening newscasts often are preempted.

KELO-TV	KSFY-TV		KDLT-TV	
	Pre-Transaction	Post-Transaction <sup>12</sup>	Pre-Transaction	Post-Transaction
32 hours	20 hours	40.5 hours	20 hours	27.5 hours

The benefits for local viewers will be unprecedented:

- Gray will add a new local newscast on weekday mornings from 7:00am-9:00am on KSFY-TV’s CW affiliated multicast channel. CBS, ABC, and NBC all air national news programming at this time, and the local FOX affiliate does not have any local news. Thus, for the first time, viewers will have an option to watch local news during this important time period.
- Gray will add a new local news and talk program on weekday mornings from 9:00am-10:00am on KSFY-TV’s ABC channel. No other station in the market offers any local programming at this time. Thus, viewers again will benefit from a new local programming option.
- Gray will add a new 30-minute local newscast on weekdays from 11:00am-11:30am on KDLT-TV. Currently, viewers do not have an option for local news at this time.
- Gray will add a new 60-minute newscast on KDLT-TV on weekdays from 4:00pm-5:00pm, which again is another time period where viewers currently do not have an option for local news programming.
- From 5:00pm-7:00pm, Gray will shift existing newscasts on KDLT-TV to new time periods, so viewers always have the ability to watch a local newscast on either KDLT-TV or KSFY-TV during this important time period. All told, for the first time, viewers would have the ability to watch local news in the early evenings at any time from 4:00pm until primetime programming begins at 7:00pm.
- These programming changes in the early evenings also will give viewers more options to watch national news programming. Currently, the ABC, NBC, and CBS affiliates in Sioux Falls all air their national network news at the same time from 5:30pm-6:00pm. By shifting KDLT-TV’s news schedule, NBC’s national newscast would air from 6:00pm-6:30pm – again, providing more flexibility for local viewers to watch either national or local news when they want.

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Thus, the total hours of live, local news in any given week may be slightly less than the amounts set forth in this chart.

<sup>12</sup> Includes local news programming to be added to KSFY-TV’s CW affiliated multicast channel.

- Gray will add a new 30-minute local newscast every night at 9:00pm on KSFY-TV's CW multicast channel. This newscast will be the market's only local news in primetime and brings viewers another option that is not available today.
- Gray will add weekend morning news on Saturday and Sunday mornings on KSFY-TV. Currently, neither KSFY-TV nor KDLT-TV offer any local morning news on weekends. For decades, KELO-TV has had weekend morning news to itself. The Transaction will bring new competition to weekend mornings.

All told, and as shown in Exhibit 3, by adding 28 hours of new local news programming and by shifting KDLT-TV's early evening news schedule, Gray will provide local news during 32 hours per week when local news is not available anywhere in the market today. As a result, the Transaction will dramatically expand the ability of viewers to watch local news when they want to watch it and not just during the limited hours that it is available today. In today's on-demand entertainment world, meeting the viewers at times when they want to watch local news is critical to any media entity's survival.

In addition to increasing the quantity of local news, the Transaction will allow Gray to increase its quality. If Gray acquires KDLT-TV, Gray will open a news bureau in Pierre, the capital of South Dakota. This news bureau would cover important stories regarding South Dakota's government and its political leaders keeping them accountable to their constituents. This investment would benefit viewers across the entire state because Gray would distribute this content to its Sioux Falls stations and to its stations in the Rapid City DMA. If Gray acquires KDLT-TV, Gray also intends to purchase and install a state-of-the-art weather radar to provide more accurate information about severe weather impacting the Sioux Falls market. This is particularly important for viewers in the market, because the area is prone to severe weather. New radar equipment also will allow Gray to compete more effectively with KELO-TV's weather coverage, which uses three low power radars in the market.

Without a doubt, Gray's massive investment in local news will make the Sioux Falls DMA more competitive, and it will cause KELO-TV to respond in kind to further improve its product. Indeed, viewers already are seeing some benefits today. Gray publicly disclosed in the Application that it intended to create a news bureau in Pierre. Two months ago, likely in response to Gray's plans, KELO-TV hired its own news reporter to be based in Pierre. To Gray's knowledge, this reporter is KELO-TV's first Pierre-based reporter in many years – if not decades. When KELO-TV learns of Gray plans to significantly expand its news operation in Sioux Falls and add news in non-traditional news hours, Gray expects that KELO-TV will respond with its own expansion of news programming. Ultimately, viewers will benefit from this increased competition.

Local advertisers also will see unprecedented improvements to the local advertising market. Adding 28 hours per week of new local news programming is the equivalent of adding an entire station to the market. In total, the new programming on KDLT-TV and KSFY will

increase the number of advertising spots available for local advertisers by 285 spots per week.<sup>13</sup> As a basic tenant of economics, a significant increase in the supply of a product will place strong downward pressure on the price of that product.

Gray fully anticipates that the price of local advertising in the Sioux Falls DMA will fall as a result of the Transaction. If the Application is approved, Gray would flood the market with an additional 285 new advertising spots per week. Fundamental principles of economics dictate that an increase in supply will cause prices to drop, and local advertisers will be better off.

Without the Transaction, none of these benefits will occur. Without the economies of scale, the additional promotional power from KDLT-TV, and the ability to amortize costs across both KDLT-TV and KSFY-TV, Gray cannot add the additional news programming or make the other investments described above. It would not be profitable. Only by adding KDLT-TV does it become economically feasible for Gray to hire the larger news staff needed to create all of the extra news programming that would air on both stations. The many benefits to local viewers and advertisers are a direct result of the Transaction and cannot be achieved without it.

#### **IV. Joint Operations of KSFY and KDLT will Provide Unique Benefits to Over-the-Air Viewers.**

As discussed in the Application, as amended, combining the operations of KDLT-TV and KSFY-TV will allow Gray to expand distribution of network programming to more than 80,000 TV Households that cannot currently receive either an over-the-air signal of NBC or ABC programming or the local programming also distributed on those channels. Using the combined distribution assets of Gray and Red River to expand programming to the 80,000 TV Households that currently lack access to the over-the-air signal is equivalent to bringing new television service to a market that is larger than the Charlottesville, Virginia DMA. This expansion of service is unprecedented and unlikely to be repeated in any other market.

Gray will use multicast channels on Red River's facilities to restore ABC service to Aberdeen, SD (the third largest city in South Dakota) and Watertown (the fifth largest city in South Dakota), which both lost over-the-air ABC service when the former KABY-TV tower was taken down for safety reasons in January 2015 after sustaining catastrophic ice damage in December 2014.<sup>14</sup> Gray later surrendered the KABY-TV license, because it could not justify rebuilding a very tall replacement tower in northeast South Dakota. Gray is not aware of any

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<sup>13</sup> The new newscasts will replace paid programming and nationally syndicated programming on KDLT-TV and KSFY-TV. Unlike paid programming and syndicated programming, Gray owns and controls 100% of the advertising spots available in its local news programming. Thus, by replacing paid and syndicated programming for local news programming, it necessarily increases the number of commercial spots that Gray can sell to local advertisers. The 285 new spots include new spots resulting from changes to local and syndicated programming. If just new local spots are calculated, 257 new weekly spots will be created.

<sup>14</sup> KABY-TV operated as a television satellite station of KSFY-TV until 2015 when the tower collapsed. Gray made several attempts to restore service in Aberdeen, but even operating with reduced facilities was cost prohibitive.

other alternative transaction that would permit it to restore KSFY-TV's over-the-air service in the northeast portion of the state. Gray will take similar steps to expand distribution of KDLT-TV's NBC network programming by adding it to a multicast channel on KSFY-TV's television satellite station, KPRY-TV. This is a unique opportunity to bring over the air service to tens of thousands of households that have been without ABC or NBC service.

Using the combined Gray and Red River facilities to provide ABC and NBC service throughout the Sioux Falls DMA will allow KSFY-TV and KDLT-TV to better compete against KELO-TV. Unlike the other commercial stations in the DMA, which have only one full power satellite station, KELO-TV operates with two full power satellites and a low power translator. These facilities allow KELO-TV to better serve all corners of the DMA. Separately, neither KSFY-TV nor KDLT-TV can match KELO-TV's superior over-the-air distribution. Indeed, based on its superior audience and reach, KELO-TV is the preferred station for television advertisers attempting to reach Sioux Falls viewers. However, with a larger combined audience, more local programming, more advertising inventory, and more efficient operations, the combined stations would provide a better alternative to KELO-TV than both of them on an individual basis.

Broadcaster	Total Population Served in Sioux Falls DMA	Percent of DMA Served
<b>CBS (Nexstar)</b> KELO-TV KPLO-TV KDLO-TV K24DT-D	614,587	92.7%
<b>ABC (Gray)</b> KSFY-TV KPRY-TV	447,767	67.5%
<b>NBC (Red River)</b> KDLT-TV KDLV-TV K27HJ-D K33MI-D K42FI-D K35GR-D K40FZ-D K33GZ-D	571,776	86.2%
<b>Fox (Independent Communications)</b> KTTW KTTM K14IO-D K39CZ-D K32DK-D K50DG-D K22HJ-D	512,269	77.3%

Together, the combined facilities owned by Gray and Red River will allow KSFY-TV's ABC programming and KDLT-TV's NBC programming to reach 88.4% of the population in the Sioux Falls DMA. The improvement for over-the-air reception of KSFY-TV's ABC programming in particular will be dramatic: increasing from 67.5% of the market to 88.4% of the market. The Transaction will put KSFY-TV and KDLT-TV on much more even footing with KELO-TV making it possible for both stations to compete in areas they never reached before.

#### **V. The Transaction Provides a Unique Competitive Opportunity.**

KSFY-TV is the second ranked station in the Sioux Falls market, but it is relatively weak. KDLT-TV is even weaker. Given KELO-TV's longstanding dominance of the market, standing alone neither station has a realistic prospect of taking market share from KELO-TV. Together, the stations can add 28 hours per week of local news programming. Together, the stations can invest in a news bureau in Pierre and a state-of-the-art weather radar. Together, the stations will have the flexibility to provide more attractive advertising options and flexible

advertising packages for local businesses. Together, the stations will serve an additional 80,000 TV Households.

The many benefits from combining KDLT-TV and KSFY-TV will not harm competition. According to Dr. Fratrick's latest analysis, over the last five years KDLT-TV and KSFY-TV combined would have only averaged 33.7% of the over-the-air advertising revenue share in the Sioux Falls DMA.<sup>15</sup> Of stations competing against a dominant single owner with more than 50% of the share of over-the-air advertising revenue, only a handful of markets have a smaller combined market share for the second and third ranked station owners.<sup>16</sup> Thus, the risk from increasing concentration in the Sioux Falls DMA is minimal, but the benefits are immense.

### **Conclusion**

The Commission should grant the Application promptly. It has been pending for more than 180 days. Every additional day that passes is another day that viewers in Sioux Falls will not benefit from the increased local news options on KSFY-TV and KDLT-TV; another day that advertisers will not benefit from the increased advertising inventory and lower prices for local advertising; another day that 80,000 over-the-air households will not receive ABC or NBC programming.

No other potential transaction combining Top-4 rated stations can replicate the circumstances presented by this Transaction:

The Sioux Falls DMA is unique.

- Geographically it is the second largest small market in the country.
- It is the only small market where one station has 50% or greater advertising share and the remaining three Big 4 affiliates are independently owned and operated without any joint operating or sharing agreements.
- It is one of only eight small markets with four or more full power commercial stations where a single dominant program stream earned more than 50% of the broadcast advertising revenue and 70% of the local news viewers.
- It is one of only three small markets where two stand-alone, independent local newsrooms are attempting to competing against a dominant news operation with more than a 60% share of local news viewers.

The public interest benefits are unprecedented.

- Gray will add 28 hours of new local news to the market – the equivalent of adding a new fully staffed newsroom to the market.
- Gray will add 285 local advertising spots for sale to local advertisers putting significant downward pressure on advertising rates.

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<sup>15</sup> See Dr. Fratrick Letter at 2.

<sup>16</sup> *Id.*

- Gray will bring over-the-air service to 80,000 households that currently cannot receive either their local NBC or ABC affiliate – the equivalent of adding a new Big 4 affiliate to a small DMA.
- Gray will use Red River’s facilities to restore over-the-air service of ABC programming to Aberdeen (3<sup>rd</sup> largest city in South Dakota) and Watertown (5<sup>th</sup> largest city in South Dakota)
- Gray will add a local news bureau in Pierre, the capital of South Dakota, to serve its stations in the Sioux Falls and Rapid City DMAs.

The increased concentration is minimal.

- Of small markets where a single owner has 50% or greater advertising share, the combination of KDLT-TV and KSFY-TV will have the sixth smallest combined advertising share of any #2 and #3 ranked ownership group in any market.
- The average combined broadcast advertising market share for KSFY-TV and KDLT-TV over the last five years is below 35%.

The outlook for KDLT-TV’s local news without the Transaction is poor.

- KDLT-TV has the second lowest share of local news viewers for any stand-alone, independent local news operation in a small market
- KDLT-TV is the only stand-alone, independent local news operation to provide more than 30% of a DMA’s local news programming but earn less than 10% of the local news viewers.

Given the unique circumstances giving rise to this Transaction and the unprecedented public interest benefits that will flow from it, the Commission should promptly grant the Application.

**Exhibit 1**

Letter from Dr. Fratrick



December 6, 2018

Marlene H. Dortch, Esquire  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

Attn: David Brown, Media Bureau

Dear Ms. Dortch:

In a May 10, 2018 report submitted to the FCC (“Economic Analysis in Support of Compliance Statement for Gray Television Acquisition of KDLT-TV, Sioux Falls, SD”), I outlined a number of reasons why Gray’s acquisition of KDLT-TV would lead to a more competitive marketplace resulting in improved service to that local community. Since that time, I have examined other aspects of the Sioux Falls, SD television market and have discovered more evidence that adds support to that claim. Specifically, I have examined other markets of similar size and where one station dominates the local television market, similar to the situation in Sioux Falls, SD where Nexstar’s KELO-TV has long had a dominant market leading position.

To begin, I examined all markets ranked 101 and higher with four or more full power commercial television stations and where a single program stream of a station has averaged over a 50% over-the-air Advertising revenue share in the past five years.<sup>1</sup> There are only 9 such markets that meet those criteria, including Sioux Falls, SD. Table 1 below shows those markets

<b>Table 1- Small Television Markets with Four or More Full Power Commercial Television Stations and One Program Stream Averaging over 50% Market Share</b>			
<b>Market Rank</b>	<b>Market Name</b>	<b>Market Rank</b>	<b>Market Name</b>
112	Tallahassee, FL-Thomasville, GA	157	Gainesville, FL
115	Sioux Falls (Mitchell), SD	167	Billings, MT
118	Macon, GA	179	Alexandria, LA
113	Peoria-Bloomington, IL	182	Marquette, MI
152	Albany, GA		

In all of these markets, *except Sioux Falls*, there is at least one operating agreement/arrangement between two of the leading four commercial operations in these markets. These operating agreements/arrangements could involve common ownership, joint sales agreements or shared services agreements. In Sioux Falls, SD, the three non-dominant full-power commercial stations are operating independently while facing a long-standing dominant player, KELO-TV.

Further examination of markets ranked 101 and higher also shows the relatively disadvantaged position in which the Sioux Falls, SD television stations find themselves. Table 2 lists every market ranked 101 and higher

<sup>1</sup> BIA Advisory Services maintains a database (Media Access Pro™) of all commercial and noncommercial television and radio stations, as well as daily and weekly newspapers. Included in that database are annual estimates of the stations’ over-the-air advertising revenue.

with three or more full power commercial television stations where a single owner averages over a 50% share of advertising revenue over the last five years. Unlike Table 1, which only considers program streams with greater than a 50% share, Table 2 includes all broadcast advertising revenue earned by an owner in its market, including from multicast channels and second station in the market. Table 2 lists the average five-year over-the-air advertising revenue share of the top owner in each of these markets, along with the sum of the average 2<sup>nd</sup> and 3<sup>rd</sup> ranked revenue share. The table is sorted with the smallest sum of the 2<sup>nd</sup> and 3<sup>rd</sup> ranked stations listed first.

Market Rank	Market	# of Full Power TV Stations	# 1 Ranked Group Share	#2 Plus #3 Ranked Group Share
202	Fairbanks, AK	6	85.6%	14.4%
152	Albany, GA	4	69.8%	22.8%
182	Marquette, MI	5	64.5%	29.3%
179	Alexandria, LA	4	70.0%	29.4%
114	Tyler-Longview (Lufkin & Nacogdoches), TX	5	57.6%	31.1%
115	Sioux Falls (Mitchell), SD	4	55.0%	33.7%
173	Dothan, GA	3	66.0%	34.0%
129	Wilmington, NC	3	53.0%	34.1%
112	Tallahassee, FL-Thomasville, GA	6	53.9%	34.3%
147	Anchorage, AK	6	50.1%	34.4%
171	Rapid City, SD	4	54.0%	35.3%
169	Utica, NY	3	63.4%	36.6%
157	Gainesville, FL	4	59.3%	36.7%
137	Monroe, LA-El Dorado, AR	5	58.2%	36.7%
167	Billings, MT	5	60.0%	37.8%
192	Great Falls, MT	3	61.8%	38.2%
158	Terre Haute, IN	3	61.4%	38.6%
113	Peoria-Bloomington, IL	5	54.5%	38.8%
176	Elmira, NY	3	60.7%	39.3%
118	Macon, GA	5	53.5%	41.5%
187	Grand Junction-Montrose, CO	4	50.9%	42.0%
150	Panama City, FL	5	52.5%	44.3%
170	Clarksburg-Weston, WV	3	55.1%	44.9%
125	Youngstown, OH	3	52.7%	47.3%
160	Binghamton, NY	3	52.3%	47.7%
164	Missoula, MT	3	52.2%	47.8%
133	Columbus-Tupelo-West Point-Houston, MS	4	50.1%	48.4%

As shown, the Sioux Falls, SD market has the sixth smallest sum of revenue share of the #2 and #3 ranked television groups.

Finally, the challenge that many television stations face in the smallest markets is the vast area they must service. Even though there are fewer people in these markets, they are very spread out. Covering the important news and information is thus extremely difficult. Stations in higher ranked markets can better absorb fixed costs. However, in addition to higher costs for covering news, television stations in geographically large markets have higher fixed costs, because they must operate additional facilities, including television satellite and low power television stations, with their associated costs. This is especially true in the Sioux Falls, SD market. Table 3 shows the square miles of the top ten largest television markets (in terms of square miles). The Sioux Falls, SD market is the second largest, less than 5% smaller than the largest market (Minot-Bismarck-Dickinson, ND).

Market Rank	Market	Square Miles of TV Market
146	Minot-Bismarck-Dickinson (Williston), ND	58,361
115	Sioux Falls-Mitchell, SD	55,497
167	Billings, MT	52,561
109	Reno, NV	51,220
202	Fairbanks, AK	45,357
131	Amarillo, TX	42,974
147	Anchorage, AK	42,470
192	Great Falls, MT	41,723
117	Fargo, ND	40,739
171	Rapid City, SD	39,125

In conclusion, the data cited above lends considerable support to the earlier submitted argument that allowing Gray Television to acquire KDLT-TV would lead to more vibrant competition among the television stations in Sioux Falls resulting in improved services to that local community. Specifically, the ability to aggregate the audience across both KDLT-TV and KSFY-TV will make the combined entity a more effective competitor to KELO-TV.



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**Exhibit 2**

<b>Rank</b>	<b>DMA</b>	<b>Leading News Station</b>	<b>Local News Share<sup>17</sup></b>	<b>Independent, Stand-Alone Local Newsrooms in DMA</b>
108	Tallahassee-Thomasville	WCTV(CBS)	79.3%	2
109	Tyler-Longview	KLTV(ABC)	71.6%	3
110	Sioux Falls	KELO(CBS)	70.1%	3
120	Macon	WMAZ(CBS)	80.2%	3
124	Montgomery	WSFA(NBC)	71.9%	2
125	Monterey-Salinas	KSBW(NBC)	66.4%	2
130	Wilmington	WECT(NBC)	70.3%	2
137	Monroe-El Dorado	KNOE(CBS)	72.1%	2
143	Salisbury	WBOC(CBS)	78.3%	2
147	Anchorage	KTUU(NBC)	70.7%	2
154	Albany, GA	WALB(NBC)	81.9%	1
155	Terre Haute	WTHI(CBS)	67.6%	2
157	Biloxi-Gulfport	WLOX(ABC)	81.7%	2
158	Wheeling-Steubenville	WTOV(NBC)	64.9%	2
159	Gainesville	WCJB(ABC)	77.2%	1
160	Sherman-Ada	KXII(CBS)	69.6%	2
161	Binghamton	WBNG(CBS)	90.8%	2
162	Idaho Falls-Pocatello	KIFI(ABC)	64.7%	2
167	Billings	KTVQ(CBS)	71.7%	2
168	Hattiesburg-Laurel	WDAM(NBC)	81.1%	1
169	Clarksburg-Weston	WBOY(NBC)	65.0%	2
171	Utica	WKTV(NBC)	91.0%	2
172	Quincy-Hannibal-Keokuk	WGEM(NBC)	61.7%	2
173	Dothan	WTVY(CBS)	79.3%	2
174	Lake Charles	KPLC(NBC)	94.6%	1
175	Harrisonburg	WHSV(ABC)	90.1%	1
176	Elmira	WETM(NBC)	77.9%	2
177	Jackson	WBBJ(ABC)	88.8%	1
178	Alexandria	KALB(NBC)	95.3%	1
179	Watertown	WWNY(CBS)	84.3%	1
180	Marquette	WLUC(NBC)	87.8%	1
181	Bowling Green	WBKO(ABC)	93.8%	2
182	Jonesboro	KAIT(ABC)	91.9%	1
183	Charlottesville	WVIR(NBC)	70.2%	2
186	Bend	KBNZ(CBS)	75.4%	1
188	Lafayette, IN	WLFI(CBS)	96.0%	1

<sup>17</sup> Data from the 2017-2018 Television Season, excluding the February 2018 sweeps, and using 2017-2018 DMA rankings.

189	Lima	WLIO(NBC)	86.5%	1
191	Meridian	WTOK(ABC)	95.9%	1
192	Great Falls	KRTV(CBS)	68.8%	2
194	Parkersburg	WTAP(NBC)	98.4%	1
196	San Angelo	KLST(CBS)	68.9%	2
197	Cheyenne-Scottsbluff	KGWN(CBS)	76.3%	1
199	Mankato	KEYC(CBS)	93.8%	1
200	Ottumwa-Kirkville	KTVO(ABC)	93.7%	2
201	St. Joseph	KQTV(ABC)	67.1%	2
202	Fairbanks	KTVF(NBC)	82.8%	1
203	Victoria	KAVU(ABC)	66.7%	1
204	Zanesville	WHIZ(NBC)	100%	1
206	Presque Isle	WAGM(CBS)	96.7%	1
208	Alpena	WBKB(CBS)	81.4%	1
209	North Platte	KNOP(NBC)	84.2%	1

\* Markets in red font have 4 or more full-power television stations and a single programming station earning 50% or more broadcast advertising revenue.

### Exhibit 3

#### Weekday Programming Schedule After Closing the Transaction

Time	KDLT-TV (NBC)	KSFY-TV (ABC)	KSFY-D2 (CW)	Comments
5:00a-7:00a (Mon.-Fri.)	Morning Local News	Morning Local News	Network and/or Syndicated	
7:00a-9:00a (Mon.-Fri.)	Good Morning America	Today Show	<b>Morning Local News</b>	10 hours per week of new local news and <u>only</u> local morning news in DMA at this time.
9:00a-10:00a (Mon.-Fri.)	<b>Morning Local News/Talk</b>	Today Show	Network and/or Syndicated	5 hours of new local programming and <u>only</u> local programming in DMA at this time
10:00a-11:00a (Mon.-Fri.)	Network and/or Syndicated	Network and/or Syndicated	Network and/or Syndicated	
11:00a-11:30a (Mon.-Fri.)	<b>Local News</b>	Network and/or Syndicated	Network and/or Syndicated	2.5 hours of new local news per week and <u>only</u> local news in DMA at this time.
11:30a-4:00p (Mon.-Fri.)	Network and/or Syndicated	Network and/or Syndicated	Network and/or Syndicated	
4:00p-5:00p (Mon.-Fri.)	<b>Local News</b>	Network and/or Syndicated	Network and/or Syndicated	5 hours per week of new local news and <u>only</u> local news in DMA at this time.
5:00p-5:30p (Mon.-Fri.)	Network and/or Syndicated	Local News	Network and/or Syndicated	
5:30p-6:00p (Mon.-Fri.)	<b>Local News<sup>18</sup></b>	ABC National News	Network and/or Syndicated	<u>Only</u> local news in DMA at this time.
6:00p-6:30p (Mon.-Fri.)	NBC National News	Local News	Network and/or Syndicated	
6:30p-7:00p (Mon.-Fri.)	<b>Local News<sup>19</sup></b>	Network and/or Syndicated	Network and/or Syndicated	<u>Only</u> local news in DMA at this time.
7:00p-9:00p (Mon.-Fri.)	Network Prime Time	Network Prime Time	Network Prime Time	
9:00p-9:30p (Mon.-Fri.)	Network Prime Time	Network Prime Time	<b>Local News</b>	2.5 hours of new local news per week and <u>only</u> local news in DMA at this time.
9:30p-10:00p (Mon.-Fri.)	Network Prime Time	Network Prime Time	Network and/or Syndicated	
10:00p-10:35p (Mon.-Fri.)	Local News	Local News	Network and/or Syndicated	

<sup>18</sup> KDLT-TV currently airs local news at 5:00-5:30 pm. Gray would move this local news to 5:30 pm where it would be the only local news available at this time in the DMA. Both CBS and ABC air national news programming at this time.

<sup>19</sup> KDLT-TV currently airs local news at 6:00-6:30 pm. Gray would move this local news to 6:30 pm where it would be the only local news available at this time in the DMA. Gray would air NBC's national news at 6:00 pm, where it would provide viewers with an option for national news at 6:00 pm when ABC and CBS are providing local news.

Boxes shaded in orange represent time periods that do not currently have local news programming.

#### Weekend Programming Schedule After Closing the Transaction

Currently, neither KSFY-TV nor KDLT-TV air local news on weekend mornings. KELO-TV provides the only option for local news on weekend mornings in the DMA. Upon consummation of the Transaction, Gray intends to add one hour of local news Saturday mornings on KSFY-TV at 6:00 am and one hour of local news on KSFY-TV on Sunday mornings at 8:00 am. In addition, Gray will add a thirty-minute newscast on KSFY-TV's CW multicast channel on Saturday and Sunday evenings at 9:00 pm. The local news programming on Sunday mornings at 8:00 am at 9:00 pm on Saturday and Sunday evenings will be the only local news programming available at this time in the DMA.

If the FCC relaxes its children's programming rules as proposed in MM Docket No. 18-202 to eliminate the requirement that KSFY-TV and KDLT-TV air three hours per week of educational or informational programming on its main program stream, Gray will add even more local news programming on weekend mornings on KSFY-TV and/or KDLT-TV.

**Exhibit 4**

Statement from Ms. Kathy Lau

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