

**Transferee Exhibit 20**  
**Fort Smith-Fayetteville-Springdale-Rogers, Arkansas**  
**Multiple Ownership - Failing Station Waiver Request**

This application seeks FCC consent to the transfer of control of Local TV Arkansas License, LLC, the licensee of television stations KFSM-TV, Fort Smith, and KXNW(TV), Eureka Springs, both Arkansas, from the members of Local TV Holdings, LLC (“Local TV”) to Tribune Broadcasting Company II, LLC, a wholly-owned subsidiary of Tribune Company (together, “Tribune”). Both KFSM-TV and KXNW(TV) are located in the Fort Smith-Fayetteville-Springdale-Rogers, Arkansas Designated Market Area (DMA).<sup>1</sup> Although only one of the stations, KFSM-TV, is ranked among the top-four stations in the market, there are fewer than eight independent television voices in the DMA. Accordingly, the duopoly was formed in January 2012 pursuant to a waiver granted under the Note 7(2) “failing station” exception to Section 73.3555(b) of the Commission’s Rules, the Local Television Multiple Ownership Rule (the “Duopoly Rule”).<sup>2</sup> Because the station’s performance has not materially changed over the intervening 18 months, Tribune respectfully requests reauthorization of KXNW(TV)’s waiver.

As the record demonstrated in *Riverside Media, LLC*, KXNW(TV) has failed financially and operationally under a succession of owners, and under a variety of formats, since commencing operation in 2000. Although the combination of KXNW(TV) with Local TV’s KFSM-TV has generated public interest benefits over the past year and a half, the station has

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<sup>1</sup> The digital noise-limited contours of KFSM-TV and KXNW(TV) overlap. As the Media Bureau has noted, although the Duopoly Rule refers to television stations’ Grade B contours, following the transition to digital broadcasting, the FCC has treated digital noise-limited contours as the “functional equivalent” of Grade B contours for purposes of this rule. *Riverside Media, LLC*, 26 FCC Rcd 16038 16060 n.2 (2011) (citation omitted).

<sup>2</sup> *Id.* (referring to KXNW(TV) by its former call sign, KPBI(TV)). Local TV Arkansas License, LLC, acquired KXNW(TV) as of January 5, 2012.

continued to be unprofitable and struggled to find a competitive foothold in the Fort Smith-Fayetteville-Springdale-Rogers market -- such that KXNW(TV) continues to qualify as a failing station under the Note 7(2) criteria. Reauthorization of the existing waiver would serve the public interest by enabling Tribune to continue to leverage the resources of KFSM-TV in order to enhance KXNW(TV)'s service.

**1. KXNW(TV) Qualifies As a Failing Station.**

The Commission has identified the following four criteria, all of which are satisfied here, for waiver of the Duopoly Rule on the grounds that one of the stations is a failing station:

- One of the stations has a low all-day audience share (*i.e.*, 4 percent or lower);
- The financial condition of one station is poor (with a waiver more likely to be granted if the station has had a negative cash flow for the previous three years);
- The merger will produce public interest benefits; and
- The in-market buyer is the only reasonably available candidate willing and able to acquire and operate the station, and selling the station to an out-of-market buyer would result in an artificially depressed price.<sup>3</sup>

***Low All-Day Audience Share.*** KXNW(TV) consistently has failed to achieve a meaningful audience share. As noted when the Media Bureau authorized the waiver in *Riverside Media*, the station (then under call sign KPBI(TV)) historically had failed to achieve a measureable share. Since Local TV's acquisition of the station (*i.e.*, since the February 2012 sweeps period), and through the February 2013 audience measurement period, Nielsen Media

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<sup>3</sup> *Review of the Commission's Regulations Governing Television Broadcasting*, Report and Order, 14 FCC Rcd 12903 (1999) ("*Local Ownership Order*"), *recon. granted in part*, 16 FCC Rcd 1067 (2001).

Research has continued to report no measureable audience share for the station. Only as of the May 2013 sweeps period has KXNW(TV) been able to achieve a measureable audience share; however, it is very low (2 percent). With a consistent failure to achieve an audience share at the 4 percent share benchmark, KXNW(TV) satisfies the first criterion of the failing station exception.

**Poor Financial Condition.** This prong of the standard focuses on the three years immediately preceding the filing of the application. With its low audience share, KXNW(TV) has struggled financially since commencing service. The record developed in *Riverside Media, LLC* demonstrates negative cash flow starting at least in 2009; and, as shown in Attachments A and B, the station has experienced negative cash flow continuously over a three-year period both before and after its acquisition by Local TV.<sup>4</sup> The attached financial data reflects that the station reported net losses of nearly \$34,000 in the last two months of 2009, more than \$209,000 in 2010, and more than \$150,000 in the first seven months of 2011.<sup>5</sup> It has continued to sustain net losses -- more than \$150,000 in 2012 and \$88,000 in the first half of 2013. Thus, the second prong of the failing station test is satisfied.

**Public Interest Benefits.** The programming and operational improvements resulting from common ownership will continue with reauthorization of the existing waiver. Since acquiring KXNW(TV), Local TV has revamped the station's programming line-up.

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<sup>4</sup> Financial data for late 2009, for 2010, and for the first half of 2011 previously was submitted to the Media Bureau in support of the waiver request filed with the FCC when Local TV sought to acquire KXNW(TV). This data is resubmitted as Attachment A hereto. Financial data for 2012 and January through June 2013 is provided as Attachment B hereto.

<sup>5</sup> Data for the last five months of 2011 -- *i.e.*, the period between the filing of Local TV's waiver request and grant of that request -- is unavailable.

KXNW(TV) now carries programming on its primary channel from the MyNetworkTV program service, which provides a popular slate of syndicated programming, such as *House*, *Monk*, and *Bones*, and from the Antenna TV network, which offers classic television programming that the station broadcasts on weekends and overnight. In addition, KXNW(TV) now carries on one of its digital multicast channels a simulcast of KFSM-TV's primary channel, which is affiliated with the CBS television network, thereby expanding the reach and availability of this programming to viewers throughout the northern portion of the Ft. Smith DMA.

Prior to its acquisition by Local TV, KXNW(TV) aired no local news programming and had no local weather coverage. The station now carries *5News*, the local newscast produced by sister station KFSM-TV, every evening at 9:00. On weekday mornings between 7:00 and 9:00, KXNW(TV) airs the morning news program *Eye Opener*. Local news reports are inserted into *Eye Opener* four times per hour, along with weather updates, and the station offers live coverage of breaking news and severe weather events in northwest Arkansas. The sister stations also have been able to complement each other when breaking news stories or sports programming cause preemptions. For example, when KFSM-TV's Sunday 5:30 p.m. local newscast is preempted by NFL football games, the newscast airs live on KXNW(TV). Both stations provide live weather coverage during severe weather events, with KXNW(TV) often continuing to provide extended coverage after the immediate threat has passed, while KFSM-TV resumes regular programming. KXNW(TV) also airs the *Community Calendar*, a daily feature that runs at least 10 times per day and that promotes local events.

KXNW(TV) also airs other programs of local public interest, including programs that are locally produced. These include a locally-produced sports talk show, a local fishing show, a weekend program focused on local business matters and local politics, a live broadcast

of a Fort Smith church service, several programs providing local sports coverage, and coverage of local spelling bees.

Meanwhile, common ownership with KFSM-TV has enabled substantial investments in operations and infrastructure at KXNW(TV). For example:

- KXNW(TV) formerly relied on an antiquated and unreliable transmitter and lacked the resources necessary to invest in a new transmitter. Under common ownership with KFSM-TV, the station has been able to upgrade essential equipment and has purchased a new transmitter, generator, and video encoders. It also has been able to provide for a fiber connection to several multichannel video programming distributors.
- The station has been able to install new video servers and a new automation system to improve the playback of programming and commercial content.
- KXNW(TV) has not previously broadcast in high definition (HD) digital format. The station is nearing completion of upgrades to HD, and intends to complete the upgrades this month. The upgrades to HD will enable the station to provide superior picture and sound quality to area viewers.

In short, the public has benefited from common ownership of KXNW(TV) and KFSM-TV, as KXNW(TV) has been able to leverage KFSM-TV's programming resources, newsroom personnel, and financial strengths to deliver improved services that were not possible previously. Tribune will ensure that KXNW(TV) viewers continue to benefit from the more robust service possible through common ownership and operation of KSNW(TV) and KFSM-TV. The operational and programming improvements realized over the past year-and-a-half demonstrate the public interest benefits of continued common ownership and satisfy the third prong of the failing station test.

***No Rational Out-of-Market Buyer.*** Buyers are not willing and able to acquire and operate a failing station such as KXNW(TV) without the ability to operate it in conjunction

with a stronger, in-market station (such as KFSM-TV) and thereby to take advantage of the synergies that generate public interest benefits like those described above. The record developed less than two years ago in *Riverside Media, LLC* demonstrates the historical failure of efforts to sell the station on a stand-alone basis to an out-of-market buyer.

Attachment C hereto is the Declaration of Moelis & Company describing the sale process that resulted in the proposed transaction and stating that no potential buyer expressed interest regarding the purchase of KXNW(TV) on a standalone basis. It further explains that, on the basis of Moelis & Company's evaluation of factors including KXNW(TV)'s standalone financial performance, the significant capital expenditures required to operate KXNW on a standalone basis, and the current economic and competitive environment, "it is unlikely that KXNW on a standalone basis could be sold to an out-of-market buyer." Thus, the fourth prong of the failing station test is satisfied because an in-market buyer is the only reasonably available candidate to acquire KXNW(TV).

\* \* \*

Tribune respectfully submits that the public interest would be served by reauthorization of the waiver granted in 2011 in order to allow continued common ownership of KXNW(TV) and KFSM-TV. In adopting the failing station exception to the Duopoly Rule, the Commission stated that allowing failing stations to combine with stronger stations would "pose minimal harm to our diversity and competition goals, since their financial situation typically hampers their ability to be a viable 'voice' in the market."<sup>6</sup> That clearly has been demonstrated here, as KXNW(TV) previously was unable to invest in operations or programming in order to

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<sup>6</sup> *Local Ownership Order*, 14 FCC Rcd at 12938-39.

be a viable voice in the DMA. Its recent combination with KFSM-TV has made available new financial, operational, and programming resources that have allowed service improvements -- even though those improvements to date have not produced significant viewing or reversed the station's historical negative financial performance.

In light of the demonstrable benefits of common ownership, and given that KXNW(TV) remains a "failing" station under the Note 7(2) standard, the public interest would be served by reauthorization of KXNW(TV)'s existing waiver of the Duopoly Rule.

**Attachment A**  
**Financial Data - November 3, 2009 - July 30, 2011**



**Pinnacle Media, LLC**  
**Profit & Loss**  
November 3 through December 31, 2009

	<u>Nov 3 - Dec 31, 09</u>
Ordinary Income/Expense	
Income	
40000 · Local/Direct Sales	2,247.15
40500 · Local Sales - Other	(558.51)
40700 · Local Agency	4,951.71
41500 · National Sales	<u>11,062.65</u>
Total Income	17,703.00
Expense	
52000 · National Agency Commission	-
60000 · Labor Cost - Mgmt/Sales	22,949.74
60400 · Bank Service Charges	0.45
62100 · Rent Expense-Site/Tower	7,600.00
62300 · LMA Expense	(979.13)
63000 · Office Equipment	241.07
63200 · Production Expense	-
64000 · Telephone & Utilities	6,195.50
65000 · Office Supplies	353.40
66700 · Postage&Mailing Service	17.60
66800 · Freight&Overnight Serv.	209.15
67300 · Satellite Time	-
68000 · Legal & Accounting	5,207.01
68200 · Insurance Expense	1,565.20
68300 · Interest Expense	1,350.12
68500 · Computer and Internet Expense	68.45
70000 · Travel Expense	1,093.56
70700 · Engineering	309.51
70900 · Repairs & Maintenance	5,485.97
79000 · Charitable Donations	-
Total Expense	<u>51,667.57</u>
Net Ordinary Income	-33,964.57
Other Income/Expense	
Other Expense	
Total Other Expense	<u>0.00</u>
Net Other Income	<u>0.00</u>
Net Income	<u><u>-33,964.57</u></u>

**Pinnacle Media, LLC**  
**Profit & Loss**  
January 1 through August 15, 2010

	<u>Jan 1 - Aug 15, 10</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
40000 · Local/Direct Sales	28,570.59
40700 · Local Agency	35,135.29
41000 · Regional Sales	165.31
41500 · National Sales	10,492.79
42000 · National Paid Progrmmg	2,328.53
43000 · Political Sales	115.18
45000 · Other Income	486.31
<b>Total Income</b>	<u>77,294.00</u>
<b>Expense</b>	
52000 · National Agency Commission	-
60000 · Labor Cost - Mgmt/Sales	98,252.13
60400 · Bank Service Charges	269.08
62000 · Rent Expense-Office	5,000.00
62100 · Rent Expense-Site/Tower	36,125.03
63000 · Office Equipment	202.46
63100 · Program Costs	-
63200 · Production Expense	-
64000 · Telephone & Utilities	21,501.43
65000 · Office Supplies	998.76
66700 · Postage&Mailing Service	22.70
66800 · Freight&Overnight Serv.	250.24
67300 · Satellite Time	-
68000 · Legal & Accounting	3,701.25
68200 · Insurance Expense	7,559.44
68300 · Interest Expense	6,377.62
68500 · Computer and Internet Expense	358.80
69000 · Advertising & Promotion	-
70000 · Travel Expense	1,501.96
70300 · Meals and Entertainment	204.45
70500 · Auto Expense	213.36
70700 · Engineering	1,287.38
70900 · Repairs & Maintenance	787.45
<b>Total Expense</b>	<u>184,613.51</u>
<b>Net Ordinary Income</b>	-107,319.51
<b>Other Income/Expense</b>	
<b>Other Expense</b>	
<b>Total Other Expense</b>	<u>0.00</u>
<b>Net Other Income</b>	<u>0.00</u>
<b>Net Income</b>	<u><u>-107,319.51</u></u>

**Riverside Media, LLC**  
**Profit & Loss**  
August 16 through December 31, 2010

**Aug 16 - Dec 31, 10**

<b>Ordinary Income/Expense</b>	
<b>Income</b>	
40000 · Local/Direct Sales	16,146.29
40700 · Local Agency	24,429.68
41500 · National Sales	3,421.02
<b>Total Income</b>	<b>43,997.00</b>
<b>Expense</b>	
52000 · National Agency Commission	-
60000 · Labor Cost - Mgmt/Sales	54,355.32
60400 · Bank Service Charges	118.15
62000 · Rent Expense-Office	2,500.00
62100 · Rent Expense-Site/Tower	21,675.02
63000 · Office Equipment	1,505.68
63100 · Program Costs	-
63200 · Production Expense	-
64000 · Telephone & Utilities	15,813.23
65000 · Office Supplies	685.37
66700 · Postage&Mailing Service	45.00
66800 · Freight&Overnight Serv.	132.03
67300 · Satellite Time	-
68000 · Legal & Accounting	6,432.22
68100 · FCC Filing/Reg. Fees	4,700.00
68200 · Insurance Expense	3,796.51
68300 · Interest Expense	4,009.05
68500 · Computer and Internet Expense	2,372.41
69000 · Advertising & Promotion	-
70000 · Travel Expense	2,332.37
70300 · Meals and Entertainment	346.77
70500 · Auto Expense	2,109.10
70700 · Engineering	3,180.87
70900 · Repairs & Maintenance	306.63
78600 · Bad Debt Expense	20,011.67
<b>Total Expense</b>	<b>146,427.35</b>
<b>Net Ordinary Income</b>	<b>-102,430.35</b>
<b>Other Income/Expense</b>	
<b>Other Expense</b>	
<b>Total Other Expense</b>	
	0.00
<b>Net Other Income</b>	<b>0.00</b>
<b>Net Income</b>	<b>-102,430.35</b>

**Riverside Media, LLC**  
**Profit & Loss**  
January through July 2011

**Jan 1 - Jul 31, 11**

**Ordinary Income/Expense**

**Income**

40000 · Local/Direct Sales	14,111.29
40700 · Local Agency	25,862.69
41500 · National Sales	4,023.02
<b>Total Income</b>	<b>43,997.00</b>

**Expense**

52000 · National Agency Commission	-
60000 · Labor Cost - Mgmt/Sales	115,129.89
60400 · Bank Service Charges	158.36
62000 · Rent Expense-Office	6,875.00
62100 · Rent Expense-Site/Tower	27,300.00
63100 · Program Costs	-
63200 · Production Expense	-
64000 · Telephone & Utilities	14,337.45
65000 · Office Supplies	1,664.84
66800 · Freight&Overnight Serv.	178.12
67300 · Satellite Time	-
68000 · Legal & Accounting	6,493.39
68200 · Insurance Expense	9,454.35
68300 · Interest Expense	5,410.84
68500 · Computer and Internet Expense	1,946.13
69000 · Advertising & Promotion	-
70000 · Travel Expense	5,865.97
70300 · Meals and Entertainment	263.60
70500 · Auto Expense	(309.00)
70700 · Engineering	2,847.23
70900 · Repairs & Maintenance	615.37
78600 · Bad Debt Expense	509.50
<b>Total Expense</b>	<b>198,741.02</b>

**Net Ordinary Income** -154,744.02

**Other Income/Expense**

**Other Expense**

78600 · Bad Debt Recovery	(1,500.00)
<b>Total Other Expense</b>	<b>-1,500.00</b>

**Net Other Income** 1,500.00

**Net Income** **-153,244.02**

**Attachment B  
Financial Data - 2012 and January through June 2013**

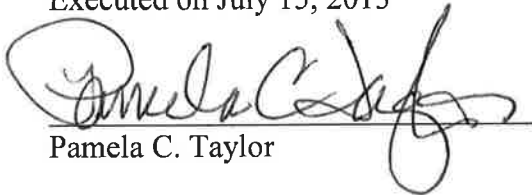
This attachment contains confidential financial data and is being filed separately with the Commission, together with a request for confidential treatment. An affidavit of Pamela C. Taylor, Local TV's President and Chief Operating Officer, is attached hereto, pursuant to 47 C.F.R. § 0.459.

## DECLARATION OF PAMELA C. TAYLOR

I, Pamela C. Taylor, hereby declare under penalty of perjury that:

1. I am the President and Chief Operating Officer of Local TV Holdings, LLC ("Local TV").
2. Local TV indirectly owns and controls KFSM-TV, Fort Smith, and KXNW(TV), Eureka Springs, both Arkansas (the "Stations").
3. The financial data relating to the Stations is competitively sensitive and confidential, and the public disclosure of such information likely would have a significant and material adverse impact on the Stations.
4. Local TV is submitting this data to the Commission under a request for confidential treatment. All of the data is sensitive, not publicly available, and customarily shielded from competitors. Accordingly, it is not possible to submit a redacted version of this information.

Executed on July 15, 2013



Pamela C. Taylor

**Attachment C**  
**Declaration of Moelis & Company**

1999 AVENUE OF THE STARS  
SUITE 1900  
LOS ANGELES, CALIFORNIA 90067

MOELIS & COMPANY

T 310.443.2300  
F 310.443.8700

July 12, 2013

I, John Momtazee, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information and belief:

1. I am a Managing Director of Moelis & Company LLC ("Moelis"), a global investment bank that provides financial advisory, capital raising and asset management services to a broad client base including companies in the television and media industries. Prior to joining Moelis, I was the Head of Broadcasting Investment Banking at UBS AG and I have over 15 years of experience in the broadcasting sector. During this time, I have been involved in over \$28.5 billion of broadcasting industry transactions.

2. In January 2013, Local TV Holdings, LLC ("Local TV" or the "Company") retained Moelis to advise Local TV on the sale of its television broadcasting business and to conduct a broad sale process (the "Process"). Beginning in March 2013, Moelis approached 72 buyers regarding a potential purchase of Local TV in whole or in part, 69 of which had no existing television stations in the Ft. Smith-Fayetteville-Springdale-Rogers, AR, market ("Ft. Smith Market"). In April 2013, Moelis received initial indications of interest for the entire portfolio of stations and several indications of interest for groups of stations within the portfolio. Two indications of interest, including one from an in-market buyer, included the Ft. Smith Market as part of a larger, more comprehensive bid. Of the two indications of interest that included the Ft. Smith Market, none considered the purchase of KXNW on a standalone basis.

3. The Process was broadly publicized and Moelis received multiple unsolicited inquiries regarding the purchase of individual television properties. None of these buyers expressed interest in Local TV's KXNW station specifically. In June 2013, the Wall Street Journal and other widely distributed publications reported that Local TV was in the final rounds of its sale process regarding a sale of the Company in whole or in part. Despite this publicity regarding the Process, during this time, no buyers approached Moelis regarding the purchase of KXNW on a standalone basis.

4. Local TV management estimates that KXNW, operating on a standalone basis, would have generated negative EBITDA in the fiscal years ended December 31, 2010, 2011 and 2012. In addition, management estimates that an out-of-market buyer would require significant upfront capital expenditures in order to operate KXNW on a standalone basis.

5. Based on the foregoing sale Process, KXNW's standalone financial performance, the significant capital expenditures required to operate KXNW on a standalone basis, my experience, and today's economic and competitive environment, it is my opinion that it is unlikely that KXNW on a standalone basis could be sold to an out-of-market buyer.

  
John Momtazee

Moelis & Company LLC

Date: 7/15/13