

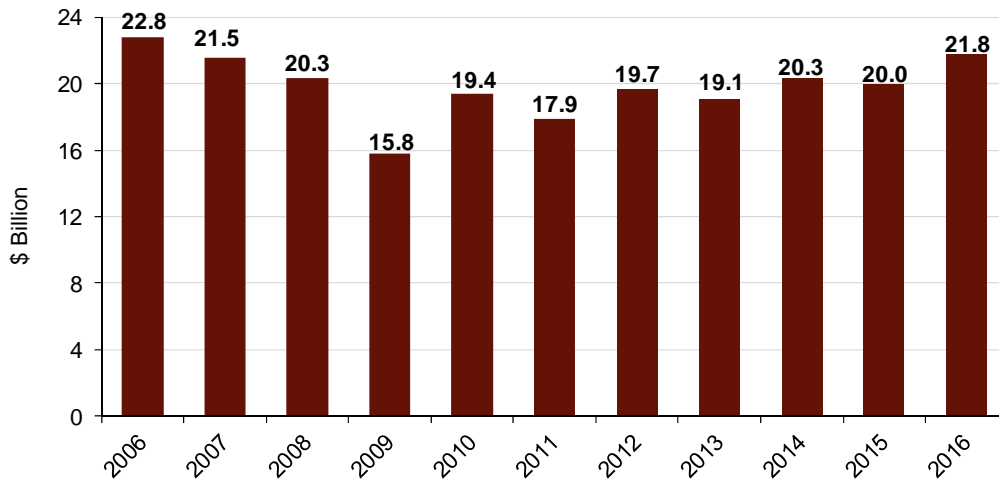
STATEMENT OF

MARK R. FRATRIK, Ph. D.

1. I am Mark Fratrik, Vice President, Chief Economist at BIA/Kelsey. I was the author of *The Economic Viability of WTTK(TV), Kokomo, Indiana If Operated as a Full-Service Television Station*, February 26, 2010 (the "Satellite Report"), Attachment 1, Exhibit 16, submitted as part of the assignment application filed by Tribune Broadcast Holdings, Inc., Debtor-in-Possession, licensee of WTTV(TV), Bloomington, Indiana, and WTTK(TV), Kokomo, Indiana. (See FCC File No. BALCDT-20100428AED.) I have prepared this statement to update the Satellite Report.
2. Since the Satellite Report was prepared, the television industry has continued to face strong competition from other media, including advertising-supported media. The local television industry currently generates significantly lower over-the-air advertising revenues than it did in 2006. Figure 1, which is based on the most recent edition of BIA/Kelsey's *Investing in Television: 2012*, provides an update of the total local television station over-the-air advertising revenues for the past ten years and projections of those revenues through 2016.

**Figure 1**

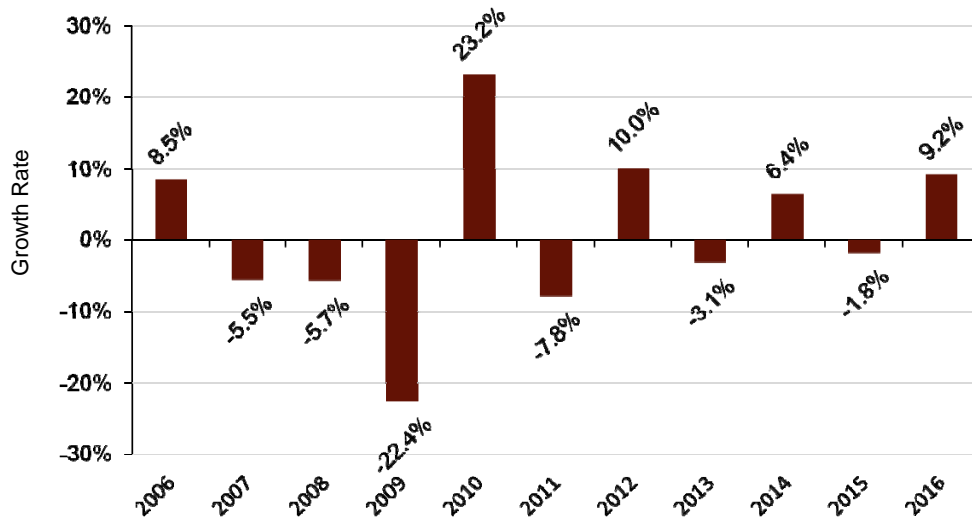
**Television Station Over-the-Air Advertising Revenues: 2006-2016**



3. Figure 2, which is based on the most recent edition of BIA/Kelsey's *Investing in Television: 2012*, provides an update of the annual growth rates for the past ten years for the local television station industry and projections of such growth rates through 2016. While the television industry experienced a greater increase in revenues than had been expected from 2009 to 2010, that increase was followed in 2011 by a greater than expected negative performance. Since 2006, the industry has experienced negative growth every year except for 2010.

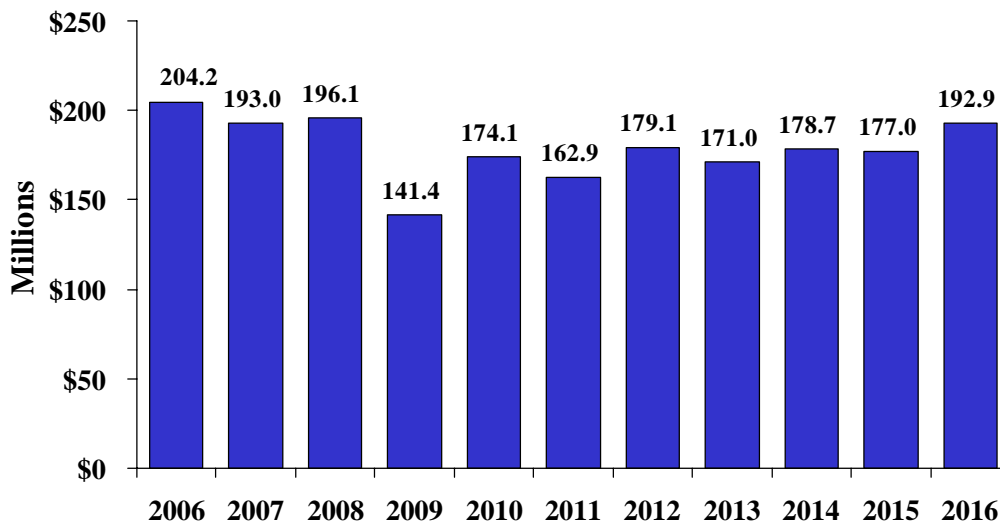
**Figure 2**

**Television Station Revenue Growth Rates 2006-2016**



4. Despite some expected growth in 2012 and in subsequent even numbered years, due in large part to political advertising, the negative growth that is expected in the upcoming odd-numbered years will prevent the industry from realizing television advertising revenues equal to the 2006 level any time in the foreseeable future.
5. The Indianapolis television advertising market, in particular, much like the nationwide local television station industry, has also rebounded somewhat, but Indianapolis television stations' revenues still fall short of the levels generated in 2006. Figure 3, which is based on the market revenue estimates included in BIA/Kelsey's Media Access Pro™, shows historical and predicted total market revenues for the Indianapolis, IN television market.

**Figure 3**  
**Television Station Over-the-Air Advertising Revenues: 2006-2016**  
**Indianapolis, IN Television Market**



6. As shown above, even with the slight increases in the level of total local television station over-the-air advertising revenues in upcoming even-numbered years, the Indianapolis, IN television market will not come close to generating the level of revenues experienced in 2006. Even in 2016, when revenue is expected to reach the highest level since 2006, projected revenues will still be more than eleven million dollars less than the level generated in 2006. As a result, advertising revenues in the Indianapolis market will not be sufficient to support an additional full service television station under current or forecast conditions.
7. As noted in the Satellite Report, WTTK(TV) would incur substantial capital costs to convert its current satellite operations to independent stand-alone operations. The Satellite Report included an estimate of the conversion costs prepared by Sid Shumate, then BIA's Senior Appraiser and Director of Engineering. Mr. Shumate has since left BIA. An update of the conversion costs has been prepared by Steve Zanolini, Vice President of Broadcast Technology for Tribune Broadcasting Company. The updated estimate, attached hereto as Exhibit 1, shows that converting WTTK(TV) to independent operations would cost \$1,337,629. As in 2010, this estimate assumes that WTTK(TV) would not have a local news operation.
8. The ability of WTTK(TV) to acquire a major television network affiliation is still extremely limited because the channel lineup of stations and affiliations is exactly the same as it was when I prepared the Satellite Report. As in 2010, the only major networks that lack over-the-air broadcast affiliates in Indianapolis are Spanish broadcasters Univision and Telemundo. The Hispanic population in Indianapolis is still relatively low

at 5.2%,<sup>1</sup> making it highly unlikely that WTTK(TV) would be successful as a Telemundo or Univision affiliate. In fact, even with local television stations now having the ability to provide multicast programming streams, no local television station is providing programming from either of those Spanish language networks.<sup>2</sup>

9. In addition to the revenue and affiliation challenges described above, stations like WTTK(TV) continue to face substantial operating expenses. According to the latest results, the median independent television station incurred operating expenses exceeding \$9.7 million in 2010.<sup>3</sup>
10. As a result of all these difficulties, my conclusion set forth in the Satellite Report remains unchanged -- full-service, independent television operations for WTTK(TV) would be extremely unlikely to be economically viable.

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<sup>1</sup> *Investing in Television: 2012.*

<sup>2</sup> Ibid.

<sup>3</sup> Table 80, *2011 NAB Television Financial Report*, National Association of Broadcasters, p. 161.

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**Exhibit 1 – Estimated Equipment Costs Associated With Converting a  
Satellite Station to a Full-Service Station (May 2012 Update)**

Quantity	Equipment	
	<b>Master Control Room:</b>	
1	Digital video commercial & program storage system std/High def.	\$160,000
1	Automation Interface software and traffic automation system	40,000
1	Master control switcher with automation interfaces	40,000
1	Video Monitors (in lots)	18,000
2	Loudspeakers	1,000
2	Sync Generator (with switchover assembly)	14,000
1	Routing Switcher	60,000
4	Panasonic DVCPRO VCR's for ingest and long term storage	60,000
1	Sony BetacamSP Videocassette Player	4,000
1	Waveform monitor	3,000
	Vectorscope ( 2009 assumes used unit purchased)	2,500
1	ATSC Stream Analyzer	13,000
4	Satellite Receiver with Videocypher decoder or MPEG decoder	20,000
1	Audio and Video distribution amplifiers (in lots)	16,500
1	Equipment Racks and Studio Consoles (in lots)	25,000
1	Audio and Video Cable (in lots)	20,000
1	Misc. DVD, VHS, DVD-Blue Ray recorder/players in lots	1,200
2	Computer workstation	1,800
1	Audio Power Amplifier	625
1	Misc. UPS units (in lots)	4,000
1	Installation and wiring of master control room equipment:	160,000
1	Caption Encoder/Decoder, EAS Equipment, Calm Act Compliance Equipment	35,000 <sup>1</sup>
	<b>Commercial Production Edit Room:</b>	
1	Avid or Equiv. Desktop Video Editing System / High Definition	18,000
1	Panasonic DVCPRO Videocassette Recorder	8,000
1	Video Monitors (in lots)	8,000
1	Audio Mixer	600
1	Microphone	789
1	Microphone Boom Arm	135
1	Editing Console Desk	2,000
1	Wireless intercom system	9,000
2	Loudspeakers	800
1	CD player	150
1	Blue-Ray DVD recorder/player	380
1	UPS unit	1,000
1	Video Production Switcher	12,000
1	Installation and wiring of Production Studio equipment	45,000

<sup>1</sup> Takes account of recently adopted regulatory requirements.

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	<b>Electronic Field Production Equipment:</b>	
2	3-CCD Broadcast Quality camcorder w/flash card or disc recorder	40,000
2	Studio lens control kit for camera and studio viewfinder	3,500
2	Field production kit with tripod, lighting kit, batteries and charger	9,500
3	Wireless microphone system	3,000
	<b>Engineering Shop:</b>	
1	Oscilloscopes, multimeters and other misc. test equipment (in lots)	14,000
1	Misc. hand and power tools (in lots)	2,000
	<b>Satellite Antennas:</b>	
1	4.2 meter C-band antenna with motorized mount	12,000
1	4.2 meter Ku-band antenna with motorized mount	12,000
1	3.8 meter C-band antenna with fixed mount	6,000
1	3.8 meter Ku-band antenna with fixed mount	6,000
4	Cables, conduit, foundations and installation	40,000
1	Satellite STL microwave system and antennas	60,000
	Construction cost to convert 4,000 square feet of flex-space	
	into a TV studio and office	220,000
	<b>Ancillary Items:</b>	
1	Misc. Studio furniture (in lots)	3,000
1	Misc. Office Furniture (in lots)	25,000
1	Misc. Office Equipment (in lots)	22,000
1	Office signage (in lots)	2,000
1	STL Tower and foundation	17,500
1	Relocation and realignment of Microwave STL system	10,000
1	Remote Control System Studio unit	3,000
1	Telephone System with 20 multifunction handsets	30,000
1	Misc. monitoring antennas and mast mounts (in lots)	500
	<b>Total:</b>	<b>\$1,337,629</b>