Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Promoting Diversification of Ownership in the Broadcasting Services	)	MB Docket No. 07-294
	)	
Rules and Policies to Promote New Entry and Ownership Diversity in the Broadcasting Services	)	MB Docket No. 17-289
	)	

COMMENTS OF SKIP FINLEY

Skip Finley hereby submits these comments on the Federal Communications Commission's (FCC's) Notice of Proposed Rulemaking in the above-captioned proceeding, which seeks comment on how it should structure an "incubator program to help facilitate new entry into the broadcast services." Chairman Pai has made clear the importance of an incubator program aimed at boosting broadcast ownership by women and minorities, explaining that creating such a program is a "personal priority" for him and tasking the FCC's Diversity Advisory Committee with helping to develop the overall structure and method for rolling out an incubator program.[1] As the Chairman has explained, he believes that established companies could help a new entrant with such things as management or technical assistance, loan guarantees, direct financial assistance, training or business planning assistance.[2] In the

[1] Remarks of FCC Chairman Ajit Pai, MMTC's 9th Annual Broadband and Social Justice Summit (Feb. 6, 2018).

[2] *Id.*

Chairman's words, "[o]ur goal is to develop an incubator program that will help address barriers to station ownership, such as lack of access to capital and the need for technical experience—and for these solutions to increase broadcast ownership diversity."[3] In a Notice of Proposed Rulemaking adopted in November 2017, the Commission asked broadcasters and other interested groups to share their thoughts on how it should be designed—including what reward current broadcasters should receive for their participation for helping new entrants.

As the President of the licensee of Low Power FM radio station WYOB (105.5 FM), /Oak Bluffs, MA and a former professional broadcaster, I am pleased to offer my ideas for the design of an incubator program. LPFM station WYOB-LP is located at Martha's Vineyard Regional High School and is used to teach professional broadcasting to high school students.[4] I have personally owned 3 FM and 1 AM stations in the markets of Omaha, NE, Salt Lake City, UT and Washington, DC, and my Omaha stations KEZO AM/FM were acquired with the assistance of the former FCC Tax Certificate. During my career, I have been responsible for the operations of 43 FCC licensed radio stations in 17 markets, 3 radio networks, 2 nationally syndicated radio programs, 1 syndicated full time radio format and 1 satellite channel between 1974 and 2011. I have been personally involved with the Carter Broadcast Group, the nation's longest-existing (and second) black owned radio company since 1988, where I am a board member, Executive Vice President and consultant. In addition, I am a former Chairman of the Radio Advertising Bureau, Vice Chairman of the Radio Board of the National Association of Broadcasters and a board and Executive Committee member of the Broadcasters Foundation of America. I have

---

[3] *Id.*

[4] *See* www.wyob.org.

also been acknowledged with Radio Ink Magazine's Radio Wayne Award as *Best Overall Broadcaster* in 1994, American Urban Radio Networks *Urban Knight Hall of Fame* Award in 2003 and a Broadcaster's Foundation of America *Ward L. Quall Leadership* Award in 2012.

Although a minority, I have enjoyed a long and successful career in radio broadcasting, including ownership. I would not have been able to acquire my first broadcast properties (KEZO AM/FM, September 1983) without the former Federal Communications Tax Certificate (Section 1071 of the Tax Code) that was eliminated in 1995. It was thanks to the success of that first acquisition that enabled me to acquire stations in Utah (1985) and Washington, DC (1988) that I sold in 1995 to another established minority owned company, Urban One (formerly Radio One).

The evidence that minority ownership has languished since elimination of the Tax certificate is more than apocryphal. The three most important factors driving broadcast ownership for minorities are experience, availability of station inventory for sale, and access to capital. In my case, I had twelve years of professional experience and was a reasonably well-known operator before being able to acquire my first station. That notwithstanding, it took well over a year to identify a property for sale even though there were many on the market. Minorities did not have much credibility as buyers in those years. Since then, access to capital has remained the largest impediment to ownership.

In an effort to address these issues, I propose the establishment of a Broadcasters Incentive Program where existing licensed companies that provide ownership opportunity to those with financial incapacity and parties seeking to overcome historical disadvantages would receive tangible benefits. For example, for each station a company assists with ownership, the FCC would grant an exception to allow an additional AM or FM facility in a market exceeding

the cap (or the AM or FM subcaps) by one station, to the extent that the proposed combination would not exceed a 40% revenue share. This revenue share limit would avoid harm to other existing in-market companies, while rationalizing individual markets and providing an exit plan for those who might wish to leave broadcasting for other endeavors.

To qualify for the Broadcasters Incentive Program, a company would be required to invest/provide 25% of the economics of a/each station acquired by a disadvantaged entity. A level of 25% is analogous to the Foreign Ownership limits and does not permit control or, standing alone, create an attributable ownership interest. A 25% standard would also avoid issues under other pertinent FCC constraints, including the 33% "equity-plus-debt" standard. The expectation would be that the company would participate in a non-attributable fashion, to wit, without board participation and holding only non-voting stock in a C corporation, or only insulated (passive) units in a limited partnership or limited liability company. Interests (including debt) could be convertible into equity upon receipt of prior FCC consent. The sponsor could also take back end warrants which could be exchanged for sale proceeds in the event of a sale. This proviso may include a combination of (a) equity, provision for returns; (b) limited partnership or LLC membership units, provision for returns; (c) subordinated debt structures, provision for returns; or (d) sale of 75% of an existing facility, retain 25%, provision for returns.

To prevent abuse, the Commission could require that the value of the station owned by the disadvantaged entity and that the value of the additional station to be acquired by the company seeking to exceed the ownership limits be proportional. In addition, to promote widespread distribution of benefits, the Commission could allow a company to assist a

disadvantaged entity in one market while exceeding the ownership limit in another market, provided that the markets were comparable (such as markets 1-5, 5-10, 10-20, etc.). The Broadcasters Incentive Program would provide substantive financial assistance to those with financial incapacity and parties seeking to overcome historical disadvantages with the benefit of an additional business opportunity with mitigated risk to the broadcaster. The structure would also encourage and offer incentives to monitor or lend management assistance to these buyers. Below is a sample financial acquisition model with assumptions, demonstrating how the proposed Broadcasters Incentive Program might work.

<u>Sample Financial Acquisition Model & Assumptions</u>
[Medium Market FM Station]

Gross Revenue = $850,000
Operating Income = $195,000 (23%)
Purchase Multiple = 6X
Purchase Price = $1,200,000

<u>Acquisition Tranche/Sources</u>
[Asset Purchase, negotiate receivables]
25% = $300,000
Senior Debt (4X) = $780,000
<u>Owners' Equity (10%) = $120,000</u>
Acquisition Cost = $1,200,000

<u>Sample Operating Results</u>

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Income	195,000	200,000	197,000	198,000	225,000
Less;					
Cap Ex	15,000		10,000		15,000
Misc.	20,000	25,000	30,000	35,000	40,000
Senior	139,000	139,000	139,000	139,000	139,000
Tax	17,250	19,500	16,800	17,700	18,750
Cash Left	3,750	16,500	1,200	6,300	12,250
Working Capital	3,750	20,250	21,450	27,750	40,000

Respectfully submitted,

/s/ Skip Finley

Skip Finley
35 Tower Ridge Rd.
Oak Bluffs, MA 02557

March 9, 2018