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

In the Matter of
Applications of Nexstar Broadcasting Group, Inc. and Media General, Inc. For Consent to the Transfer of Control and Assignment of Licenses ) MB Docket No. 16-57

COMMENTS IN SUPPORT OF FORMAL REQUEST FOR WAIVER

Heartland Media, Inc. (“Heartland”), by its counsel, hereby submits these comments in support of a request (the “Waiver Request”) filed by Nexstar Broadcasting Group, Inc. (“Nexstar”) and Media General, Inc. (“MEG”) requesting that the Federal Communications Commission waive Sections 1.2204(b) and (d)(3) of the Commission’s Rules, 47 C.F.R. §§ 1.2204(b) & (d)(3), to allow the consummation of the proposed merger between Nexstar and Media General prior to the conclusion of the broadcast television spectrum incentive auction (the “Incentive Auction”). Grant of the requested waiver would also allow the consummation of certain related divestiture transactions, including the assignment of licenses for five full-power television stations to affiliates of Heartland. As demonstrated in the Waiver Request, good cause exists to waive the auction rules, and grant of such waiver would not frustrate the Commission policies underlying those rules. As a proposed assignee of stations from Nexstar and MEG, continued delay in consummating these transactions also harms Heartland by forcing it to keep open financing for the acquisition without being able to anticipate when it may close. Heartland is also, during the pendency of these applications, forced to forego other possible acquisitions and other business opportunities. Heartland fully supports grant of the requested waiver to remove the uncertainty currently burdening all of the parties to these transactions and to allow them to close promptly.
Heartland is the manager and an indirect minority owner of six full-power television stations in five designated market areas (DMAs). As part of the Nexstar-MEG merger, certain affiliates of Heartland have applied to acquire the licensee and assets of full power stations in five additional DMAs from Nexstar and MEG: KIMT, Mason City, Iowa, WFFT-TV, Fort Wayne, Indiana, WTHI-TV, Terre Haute, Indiana, WLFI-TV, Lafayette, Indiana, and KQTV, St. Joseph, Missouri.

Under Sections 1.2204(b) and 1.2204(d)(3) of the its Rules, the Commission is prohibited, absent waiver, from allowing applicants to consummate a transfer of control or assignment of license for any station participating in the Incentive Auction until the auction has concluded. As explained in the Waiver Request, this has prevented Nexstar and MEG from consummating their proposed merger, including the sale of various stations to independent buyers, including Heartland, required to bring the transaction into compliance with the Commission’s ownership rules. While all parties anticipated some delay based on these rules, no one, including the Commission, anticipated the open-ended delay that the parties are now subject to. At the time the applications were filed, the parties, in part relying on the Commission’s own estimates of the timing of the Incentive Auction, reasonably believed that they would be able to consummate the transactions in the third or fourth quarter of 2016. It now appears highly unlikely that that deadline will be met. Indeed, if the Incentive Auction is forced to include multiple stages, a situation that appears increasingly likely, the auction will not conclude until at least well into 2017. Holding this transaction in limbo for an extended, and indefinite, period of time, is harming all of the parties to the transaction, including Heartland, and does not serve the public interest.
As Nexstar and MEG noted in the Waiver Request, extended delay harms all parties to the transaction by leading to increased costs of financing. Lenders impose additional fees to keep open lines of financing, meaning that potential buyers, such as Heartland, must pay more to lenders the longer a transaction remains pending with the FCC. Such expenditures harm the public interest by diverting funds that could otherwise be available upon closing for operation of the stations involved. Moreover, continued Commission delay in approving broadcast transactions may in the future discourage lenders from investing in broadcast transactions, or lead to even greater expenses to address the uncertainty created by such delay.

Increased delay in closing this transaction also creates additional complications for an existing group operator such as Heartland. As a group operator, Heartland negotiates certain agreements, such as retransmission consent agreements and agreements with program and equipment suppliers, for multiple stations at once. These negotiations can be significantly complicated when Heartland is unable to determine when it will be able to close on its acquisition of five additional stations from Nexstar and MEG. The delay, and the uncertainty of when it may be resolved, leads to increased transaction costs, again diverting funds that could otherwise be used more productively in the operation of Heartland’s stations in the public interest.

Finally, having these transactions pending for an open-ended period that may far exceed that expected by the parties creates significant opportunity costs for Heartland. While it has committed funds and resources devoted to these pending transactions, it is unable to use those funds and other resources to pursue other potential acquisitions, or to invest in other opportunities. Although Heartland certainly anticipated some delay in approval of these transactions due to the incentive auction, it had anticipated that the transaction would be able to
close in the third or fourth quarter of 2016, based in large part on statements the Commission had made regarding the anticipated progress of the auction.

For the foregoing reasons, Heartland fully supports the request filed by Nexstar and MEG that the Commission waive Sections 1.2204(b) and (d)(3) of the its Rules to allow the consummation of the proposed merger between Nexstar and MEG, including related divestiture applications, prior to the conclusion of the broadcast television spectrum incentive auction.

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Respectfully submitted,

/s/ Daniel A. Kirkpatrick
Frank R. Jazzo
Daniel A. Kirkpatrick
FLETCHER, HEALD & HILDRETH, PLC
1300 North 17th Street
11th Floor
Arlington, VA 22209
(703) 812-0400
Counsel to Heartland Media, Inc.