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July 28, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

VIA HAND DELIVERY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

Re: MM Docket Nos. 91-221, 87-8, 94-150, 92-51 and 87-154

Dear Mr. Caton:

On July 24, 1997 Sinclair Broadcast Group filed additional reply comments regarding the above referenced MM Docket numbers. Attached are additional file copies for each of the dockets.

Very truly yours,

Martin R. Leader

Attachments

MRL:cll
3070-000

BEAR STEARNS

BROADCASTING INDUSTRY

EQUITY RESEARCH

July 2, 1997

WILL CHOICES DROWN OUT THE VOICES? LOCAL BROADCAST TELEVISION OWNERSHIP UPDATE

SUMMARY POINTS

- Changes in local broadcast television ownership rules will pit a number of distinct "voices" concerns of the Federal Communications Commission (FCC) against the benefit of new "choices" that certain broadcasters are creating by investing in stations through local marketing agreements (LMAs).

- We believe that the FCC will be conservative in codifying the loosening of local ownership rules, especially in light of recent comments submitted by the Commerce and Justice departments. However, we believe the commission may ultimately permit "ad hoc" duopoly waivers on a case-by-case basis.

- Many broadcasters with LMAs would qualify for duopoly waivers, in our opinion. By our estimate, LMAs in the top 100 U.S. television markets earn only 1.2% of all local TV ad spending, and average 3.5% and 4.0% revenue and viewership share, respectively, of local markets.

- We believe that significant owners of LMAs, including LIN Television (rated Neutral), Sinclair Broadcast Group (Neutral), A.H. Belo Corporation (Buy), and Clear Channel Communications (not rated) may find relief through case-by-case duopoly waivers for the majority of their stations. Those stations that do not receive waivers (assuming they are "too viable") could be traded and capture significant value given today's trading environment.

- We believe that Congress may intervene with legislation or "jaw-boning" (influencing confirmation of new commissions, or holding oversight hearings, for example) that would loosen duopoly rules, potentially pre-empting the FCC's rulemaking process. Other influences to the rulemaking process include a change in the composition of the FCC, the "must carry" rules, digital television, and trade organizations.

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INVESTMENT CONCLUSION

We expect that in August 1997 (or later, depending on when a new commission is in place), new rules for local television ownership will be implemented by the FCC that address the fate of duopoly, local marketing agreements, and cross-ownership (which we do not discuss in this report). Elimination of the duopoly rule would give an operator the right to own two television stations in the same market. Local marketing agreements (LMAs) allow one broadcaster (the LMA-ing station) to program another licensee's station (the LMA-ed station) in the same market. In return, the LMA-ing station receives the right to sell the LMA-ed station's advertising inventory.

We believe the rulemaking process pits the FCC's concerns that elimination of the duopoly rule would reduce the number of distinct and separate media outlets (i.e., "voices") against certain broadcasters' belief that ownership of multiple local outlets creates more viewership (program) choices. Whatever course these rulemakings take, they are likely to be controversial (especially regarding LMAs) because the interpretation of the Telecommunications Act of 1996 by the FCC and Congress's intent on these matters seem divergent.

We expect the final rules to be conservative and do not expect the FCC to significantly change its duopoly rules, nor do we anticipate that it will permanently "grandfather" local market agreements. We believe this will occur given the cautious tone of the FCC's November 1996 Notice of Proposed Rulemakings (NPRM) and recent comments submitted by the Department of Justice (May 16) and the Department of Commerce (May 22), which are expected to strongly influence the FCC on the issue, and the FCC's recent Notice of Public Inquiry (June 17) requiring all broadcasters that have entered into LMAs to provide details of their LMA arrangements.

However, we do believe that the FCC may consider ad hoc duopoly waivers in cases where there is compelling evidence that relaxing duopoly restrictions may actually enhance the public interest in that local market. If this occurs, we feel that the majority of LMAs would probably qualify for these waivers. We have analyzed LMAs in the top 100 U.S. television markets and have found that most take very little revenue and viewership share out of a market. Moreover, it appears that the revenues of all of the LMAs in the top 100 markets combined account for only about 1% of all local television station spending. LMAs that would not obtain duopoly waivers are probably economically viable enough to sell into a healthy trading environment (which would benefit an option holder or an owner). Since many LMAs support the emerging WB and UPN networks, partners of these networks may be logical buyers.

Congress is also stepping in and may pre-empt or influence the FCC's rulemaking process. In the House of Representatives, Cliff Stearns, R-Fla., a member of the Commerce Committee, has introduced a bill (H.R. 1859) that would permit duopoly unless significant competitive harm or lack of media diversity is evident under the proposed duopoly transaction. In mid-June, Representative Ralph Hall, D-Texas, a member of the Commerce Committee, wrote FCC Chairman Reed Hundt requesting that the FCC permit UHF-VHF or UHF-UHF combinations and permit the permanent "grandfathering" of

LMAs. In addition, we believe that several other influences may also flavor the debate, including the composition of the new FCC (several commissioners are stepping down), "must carry" rules, digital television, and broadcasting trade organizations.

Obviously, duopoly relief would benefit those companies that have pioneered or acquired local marketing agreements, including Sinclair Broadcast Group, LIN Television, A. H. Belo Corporation, and Clear Channel Communications. As the largest holder of LMAs, Sinclair would stand to gain the most, considering the estimated cash flow that the LMAs contributes to the company.

Exhibit 1. Local Marketing Agreement Summary in Top 100 Television Markets

Owner	Number of LMA's	1996 Estimated LMA Revenues	1996 Estimated Total Market Revenues	LMA's % of Market Revenues	1996 Estimated LMA % of Cash Flow
Sinclair Broadcast Group	8	$68,500	$958,600	7.1%	13.0%
Clear Channel Comm.	7	$31,500	$537,600	5.9%	1.0%
LIN Television	4	$22,300	$789,300	2.8%	2.0%
A.H. Belo Corp.	4	$6,500	$450,300	1.4%	0.0%
Paxson Comm.	3	$7,900	$769,500	1.0%	NA
Sullivan Broadcasting	2	$8,500	$207,200	4.1%	NA
Capitol Broadcasting	2	$8,500	$273,700	3.1%	NA
Pappas Telecasting	2	$1,800	$59,600	3.0%	NA

Sources: BIA-Investing in Television; Bear, Stearns & Co. Inc.

In this report, we provide 1) some analysis of the local marketing agreement landscape, 2) a brief context of the duopoly/LMA debate, and 3) updates on recent regulatory filings/bills that address the local ownership debate.

REVENUE AND AUDIENCE SHARE OF AVERAGE LMA IS SMALL

To provide a context for the discussion of LMAs (and indirectly, duopoly, should multiple-ownership rules be changed), we analyzed existing local marketing agreements in the top 100 U.S. television markets. After analyzing the data included in Appendix One, we make the following observations:

- **LMAs in Top 100 Markets Capture Little of Total TV Advertising.** The revenues captured by LMAs in the top 100 markets in 1996, which we estimated totaled approximately $244.1 million, accounted for less than ***0.6%*** of all television advertising dollars ($40.3 billion) and ***1.1%*** of all local television station advertising spending ($20.7 billion).

- **Average LMA Captures Little of Local Market Revenue Share.** Of the LMAs in the top 100 markets, 72% (32 of 45) earned less than 5% of the local markets' revenue share.

Exhibit 2. Local Marketing Agreements — Revenue Percentage

1996 Revenue Percent	Number of LMAs	Percent Distribution
0%-2.5%	16	36%
2.5%-5.0%	16	36%
5.0%-7.5%	5	11%
7.5%-10.0%	3	7%
10.0%+	5	11%
Total	45	100%

Source: Bear, Stearns & Co. Inc.

- **Average LMA Captures Minimal Local Market Viewership Share.** Of these LMAs, 84% (38 of 45) had February 1997 viewership shares of less than 4%.

Exhibit 3. Local Marketing Agreements — Share

February 1997 Viewership Share	Number of LMAs	Percent Distribution
0	8	18%
1	0	0%
2	8	18%
3	11	24%
4	11	24%
5	0	0%
6+	7	16%
Total	45	100%

Source: Bear, Steams & Co. Inc.

- **Combined Revenue Shares of LMA-ing and LMA-ed Stations Are Typically Less Than 30%.** In 80% (36 of 45) of the cases, the combined revenue share of the local television station and its LMA was less than 30%, short of the 35%-40% range typically regarded as acceptable by the Department of Justice for radio revenue shares.

Exhibit 4. Local Marketing Agreements — Combined Revenue Share

1996 Combined Revenue Share	Number of LMAs	Percent Distribution
Less than 20%	13	29%
20.0-25.0%	15	33%
25.0-30.0%	8	18%
30%+	9	20%
Total	45	100%

Source: Bear, Stearns & Co. Inc.

- **LMA Stations Typically Support the Emerging WB and UPN Networks.** Of the LMA stations, 67% (30 of 45) are affiliated with the emerging networks, UPN (21 stations) and WB (9 stations), which are airing new entertainment programming in these markets.

Exhibit 5. Local Marketing Agreements — Affiliations

February 1997 Affiliation	Number of LMAs	Percent Distribution
UPN	21	47%
WB	9	20%
Fox	2	4%
Independent	5	11%
Home Shopping	4	9%
Big Three Affiliate (ABC, CBS, NBC)	3	7%
Dark	1	2%
Total	45	100%

Source: Bear, Stearns & Co. Inc.

BACKGROUND: FINAL RULES LIKELY TO BE CONTROVERSIAL

From 1991 to 1996, the Federal Communications Commission has released a series of Notices of Proposed Rulemakings that address, in part, local broadcast television ownership rules affecting duopolies, local marketing agreements, and cross-ownership (with emphasis on radio-television cross-ownership). No matter what course the FCC ultimately takes, the final rules are likely to be controversial, especially regarding LMAs. We believe that local ownership rules center on the battle between 1) broadcasters' emphasis that duopolies create programming diversity (choices) and 2) the FCC's concern that a diversity of media voices be maintained (and that advertisers and program suppliers be protected from the unfavorable effects of a concentration of power among too few broadcast operators).

Broadcasters Emphasize Choices, FCC Emphasizes Voices

In the local television ownership debate, certain broadcasters will stress competition from multichannel video competitors (cable, wireless cable, direct broadcast satellite), new competitors like the Internet, and "measured" media like newspapers and radio stations as reasons for relaxing the local ownership rules. The National Association of Broadcasters (NAB) will also highlight benefits derived from LMAs (investing in new stations and creating new signals to watch).

On the other hand, we believe the FCC is likely to proceed more cautiously. We believe the agency is probably concerned that local market consolidation may reduce the number of local market voices and have negative effects on advertisers and programmers.

Duopoly: Congress, the FCC, and the NAB Weigh In

We believe the FCC's ultimate position on duopoly is likely to be less controversial than its stance on LMAs. This is because the statute contained in the Telecommunications Act of 1996 and Congress' conference report (which provides the legislative history) are both vague enough to allow the FCC to interpret the Act as the commission believes it should be interpreted.

We do not believe that the FCC will provide duopoly relief by eliminating the rule limiting local TV station ownership. However, we expect it to permit operators to seek duopoly relief on an ad hoc case-by-case basis if the local public interest is better served and "voice" concerns are outweighed by "choice" concerns.

What the Telecom Act Says: "Section 202(c)(2): Local Ownership Limitations: The Commission shall conduct a rulemaking proceeding to determine whether to retain, modify, or eliminate its limitations on the number of television stations that a person or entity may own, operate, or control, or have a cognizable interest in, within the same television market."

What the Conference Agreement Says: "Subsection 202(c)(2) directs the Commission to conduct a rulemaking proceeding to determine whether its rules restricting ownership of more than one television station in a local market should be retained, modified or eliminated." In the case of duopoly, there is compatibility between the statute and the conference agreement.

FCC: Promotes "Out of Market" Duopoly: The FCC dealt with duopoly in the Second Further Notice of Proposed Rulemaking 96-438. In it, the commission endorses a form of duopoly by proposing to permit "out-of-market" duopolies that are in separate designated marketing areas (DMAs) and that do not have Grade A signal overlap. We believe that the FCC considers this to be a significant step in loosening local ownership. We do not believe that it will provide much duopoly relief beyond this.

What the NAB Resolved: In January 1997, the National Association of Broadcasters' board of directors voted 13-9 to adopt the following resolution: "In light of these changes (competition from more broadcast signals, DBS, cable, wireless cable), the Board believes that, if local television stations are to continue to play the unique role they have in their communities, the FCC's outdated local television ownership rules must be revised so that, as Congress indicated, 'broadcasters are able to compete fairly with other media providers while ensuring that the public receives information from a diversity of media voices.' The Board, therefore, urges the FCC to permit common ownership of two UHF stations or one UHF and one VHF station in a market."

Local Marketing Agreements: Likely to Be More Controversial

We believe the FCC's ultimate position on LMAs is likely to be highly controversial because the statute contained in the Telecommunications Act of 1996 is vague, while Congress's conference report is quite specific toward LMAs. Without clarity, we believe the FCC is likely to be influenced by the statute more than the conference agreement. We believe that the FCC is likely to require the attribution of LMAs (i.e., an LMA in the same market as a company-owned station would be considered a second station for that company), which would make LMAs' fate depend on the elimination of the duopoly rules. Our current thinking also leads us to believe that existing LMAs (which do not qualify for duopoly waivers) will more likely than not be grandfathered only through the existing term of the agreement.

What the Telecom Act Says: Section 202(g): "Nothing in this section shall be construed to prohibit the origination, continuation, or renewal of any local marketing agreement that is in compliance with the regulations of the Commission." The Telecom Act essentially permits LMAs as long as they are in compliance with FCC regulations. Unfortunately, these regulations, in terms of LMAs, have never been formalized; indeed, LMAs are at the heart of the rulemaking at hand.

What the Telecom Act Conference Agreement Says: "Subsection (g) grandfathers LMAs currently in existence upon enactment of this legislation and allows LMAs in the future, consistent with the Commission's rules. The conferees note the positive contributions of television LMAs, and this subsection assures that this legislation does not deprive the public of the benefits of existing LMAs that were otherwise in compliance with Commission regulations on the date of enactment." The conference agreement emphasizes the positive contributions of LMAs and anticipates LMAs in the future. This positive regard for LMAs did not translate into the actual language of the FCC's NPRM in November 1996.

The FCC: We believe the FCC has become progressively uncomfortable with LMAs, because, we believe, the commission feels that such agreements 1) lack consistency in terms of structure, 2) are a subrogation of duopoly rules, and 3) potentially lead to market concentration issues with advertisers and programmers. We believe that currently, the FCC is likely to attribute LMAs (treat them as if they are owned by the party that is effectively operating the station under an LMA) in a fashion similar to radio. In other words, if a broadcast operator programs more than 15% of a television station's time, the station will become attributable to that broadcast operator. If a station becomes attributable, then whatever rules the commission adopts on duopoly will apply.

The NAB: The NAB's Television Board passed a resolution on January 28, 1997, in support of LMAs. It said, "The NAB Television Board also recognizes that television local marketing agreements have enhanced competition and diversity in local markets, creating new stations and substantially strengthening others, to the benefit of the public. Congress also recognized these benefits. The Board therefore urges that the FCC should permit local marketing agreements to continue in effect or permit them to be converted to full ownership."

DEPARTMENTS OF JUSTICE AND COMMERCE REINFORCE FCC'S CAUTIOUS TONE

Department of Justice Comments to NPRM Are Cautious

On May 8, 1997, the Department of Justice (DOJ) filed comments addressing the FCC's November 1996 NPRM. Overall, we believe the DOJ's comments recommend a cautious course, mostly driven by the fact that the DOJ has "limited experience to date in evaluating competitive effects of mergers involving television broadcast stations operating in the same local market."

Summary points made within Justice's filing include:

- **Encourages Debt-or-Equity-Plus Concept.** The DOJ supports the FCC's proposed "debt-or-equity-plus" attribution rule, which acknowledges "relationships other than the ownership of voting stock and participation as an officer or director can allow an entity to influence substantially the operations and strategies of a station." Acknowledging that it may be difficult to create a "bright-line" test that could possibly "catch" all the multitude of relationships, the DOJ recommends creating reporting requirements that would require the disclosure of all relationships that provide significant control or influence over stations' core functions.

- **Cautious on Duopoly.** The DOJ cautions the FCC that mergers involving local television broadcast stations may raise significant antitrust concerns in local advertising markets, including the merged entity's potential control of a significant share of local advertising revenues, increasing concentration of television outlets in local markets that may affect the continued growth of new television networks, and merged companies' control of more digital spectrum.

- **Increasing DOJ Scrutiny Likely in TV.** The DOJ said that it will continue to monitor broadcasting markets to ensure compliance with federal antitrust laws and "will have an ongoing and complementary role in evaluating the future direction of broadcast markets in this country."

- **LMAs Should be Attributable.** Justice believes that LMAs, like joint service agreements (JSAs) in radio, in which an entity controls the sale of the majority of another licensee's advertising inventory, should be attributable.

- **LMAs Should Have Filing Requirements.** The DOJ argues that there should be a notification and filing requirement for television LMAs that would assist the commission and the DOJ in evaluating the significance of LMAs: "Indeed, the simple fact that television LMAs (unlike similar arrangements in the radio industry) have historically not been subject to any type of reporting requirement has had the practical effect of limiting scrutiny of such arrangements by either the Commission or antitrust authorities."

COMMERCE DEPARTMENT SEEKS DELAYS AND NO LOCAL OWNERSHIP CHANGES

On May 22, 1997, the U.S. Department of Commerce (National Telecommunications and Information Administration; NTIA) filed comments addressing the November 1996 NPRM. Overall, we believe the NTIA's comments are not only cautious, but also seem to recommend that the process at the FCC be slowed down to both recognize the Telecommunications Act of 1996's effects on the television business to date, and to proceed with a survey of LMA stations so that data can be assembled before any recommendations are made. Slowing the process may mean that 1) the White House would like the new FCC commissioners to vote on this issue or 2) the White House would prefer that no changes be made to local ownership rules whatsoever. Currently, w believe that the former is more likely than the latter.

Summary points made within the NTIA filing include the following:

- **Make No Local Ownership Changes Until Effects of Telco Act Hav Been Analyzed.** For television broadcasting, the Telecommunication Act of 1996 changed national ownership caps, while leaving loca ownership rules in place. Before the act, a local operator could only ow 12 television stations and was limited to reaching 25% of U.S. household with its owned and operated stations (with VHF and UHF station counted as 100% and 50% of a local market's households, respectively) The act eliminated limits on the number of stations an operator coul own and extended an operator's "reach" to 35% of U.S. households. Th NTIA would like to first assess the effects of this before addressing loca ownership issues. The NTIA also expressed concerns over increase competition and constriction of diversity that may occur, should loca ownership rules be loosened.

- **FCC Should Evaluate Impact of Digital Licenses.** The NTIA caution the FCC that "a change in ownership rules would permit (at least fo some period of years) accumulation not only of conventional televisio broadcast licenses, but their companion DTV licenses as well." The NTI believes the commission should defer action on the duopoly rule until DTV (digital television) is deployed. DTV is not expected to be deployed nationwide until at least the year 2006.

- **Minorities May Be Progressively Shut Out.** The NTIA argues that i local ownership rules are relaxed, demand for broadcast properties will rise, and only those with sufficient capital would be able to afford the price to play. "Thus, a change in local ownership limitations may reduce opportunities [its filing says] for minorities below the meager levels that already exist."

- **"For All of these Reasons, NTIA Strongly Recommends Against Any Action that Would Relax the Commission's Current Limitations on Local Television Ownership."** In summary, the NTIA believes there should be no relaxation of these limitations. It does not support UHF-UHF mergers, citing the eventual creation of signal parity, via digital television and its ultimate migration to the UHF band.

- **NTIA Supports Debt-or-Equity-Plus Concept.** The NTIA believes a station should be attributable to a licensee if 1) a party holds a certain level of the capital structure (debt or equity) of another licensee or 2) has programming, personnel, or budgetary decision-making powers in an affiliate. The NTIA has requested that the FCC compile a specific list of relationships that may cause one station to be attributable to someone other than the licensee/owner.

- **Attribute, Conduct a Survey of, and Review All Existing LMAs.** The NTIA believes that LMAs should be attributable in a manner similar to radio (if an entity other than the licensee programs more than 15% of the day, the station would be attributable to that "programming entity"). However, the NTIA also believes that a survey of LMAs should be conducted before a final rule is made. To address this concern, on June 17, the FCC issued a Notice of Public Inquiry to gather information from all broadcasters that have entered into LMAs. Lastly, the NTIA suggests that "any LMA concluded before the November 7, 1996, release date of the Further Notice should be reviewed before allowing it to continue until the end of its current term."

HOUSE BILL OR "JAWBONING" COULD PREEMPT FCC DUOPOLY RULES

Representative Cliff Stearns, R-Fla., who is a member of the House Telecommunications Subcommittee, has introduced a bill that we believe has the intent of supporting UHF-UHF and VHF-UHF duopolies. Such legislation would effectively pre-empt the FCC rulemaking process. However, the proposed bill's language still acknowledges that the FCC may deny a duopoly for competitive and diversity-of-voice reasons. The bill states, in part: "(a) Limitation on Duopoly Rules — The Commission shall not prohibit a person or entity directly from owning, operating, or controlling or having a cognizable interest in, two television stations within the same television market if at least one of such stations is a UHF television station, unless the Commission determines that permitting such ownership, operation, or control will significantly harm competition or will significantly harm the preservation of a diversity of media voices in the local television market." Representative Billy Tauzin, R-La., chairman of the House Telecommunications Subcommittee, and Representative Mike Oxley, R-Ohio, are co-sponsors of the Stearns bill.

MANY OUTSIDE INFLUENCES STILL COULD AFFECT ULTIMATE RULEMAKING

Influence Number One: Congress's Intent. This legislative body's influence will be felt from the Senate and House Commerce committees (and the telecommunications subcommittee). We expect Senator John McCain, R-Ariz., and Representative Tauzin to be the most vocal. We believe that Senator McCain wants more deregulation (he did not sign the Telecom Act of 1996 because he felt it was not deregulatory enough), and Representative Tauzin is considered to be staunchly pro-broadcast. Already, signs of action are evident. As mentioned, a bill has been introduced by Representative Stearns that would provide some presumptive relief for duopoly, except for those instances in which the FCC would consider a deal to be anticompetitive or abusive in some manner. In addition, the issue seems to be gaining some bipartisan support. There is evidence of bipartisan support for the duopoly issue. Representative Hall, another member of the telecommunications subcommittee, wrote a letter to FCC Chairman Hundt supporting modification of the duopoly rule.

Influence Number Two: The Composition of the FCC. The FCC's composition will change dramatically in the next several months, capped off by the recent announcement by Chairman Hundt that he would resign once a new chairman was selected. Also, recently the White House put forth two candidates, Harold Furchtgott-Roth, the House Commerce Committee's chief economist, who was nominated to take the Republican seat vacated by Andrew Barrett, and William Kennard, former general counsel of the FCC and former NAB attorney, who is nominated to take the Democratic seat of the retiring James Quello. We expect Colin Powell's son, Michael, who is currently at the Justice Department, to be nominated to take the seat of Commissioner Rachel Chong and that this nomination may come packaged with President Clinton's nomination for the new commissioner. Commissioner nominations may include Susan Ness (an existing commissioner, who only needs the President's nod to become chairman and who would not need confirmation hearings); Kathleen Wallman, former head of the FCC's Common Carrier Bureau and a White House insider; Mr. Kennard, who has already been nominated to become a new commissioner and Ralph Everett, a former staff aide to Senator Fritz Hollings, and who currently practices law in Washington. We believe the Department of Commerce's comments, which seem to request a delay on the rulemakings, may de facto be asking the current commission to wait on local ownership rules until a new commission is formed. The new body would provide the President with a 3-2 vote advantage and would not be full of "lame-duck" members (Commissioner Ness will be the only returning member). If the President seats a commission friendly to his conservative stance (translation — a commission that does not loosen local ownership restrictions), which is more likely than not, the rulemaking will not likely advance the cause of LMAs and duopoly, except for case-by-case ad hoc waivers.

Influence Number Three: The Association of Local Television Stations. The Association of Local Television Stations (ALTV) has been particularly active in submitting reply comments to the FCC's NPRM. In these comments, we believe the association has identified compelling arguments that would support loosening of local ownership rules. In its March 21, 1997 filing, ALTV sought to draw attention to the benefits that LMAs currently provide, including 1) adding voices to a local community (news, public affairs, children's programming, sports), 2) saving stations from financial distress, 3) supporting the emerging WB and UPN networks, and 4) adding jobs in local communities. It provided this perspective by analyzing and describing station-by-station details of 33 local marketing agreements. We believe that the FCC was particularly interested in these case studies, and ultimately may have to consider an ad hoc waiver policy to address LMAs that are actually constructive.

Influence Number Four: The Ramifications of "Must Carry." When the "must carry" rules were upheld, we expressed concern that they could have an effect on the local ownership rulemaking. We speculated that policymakers would theorize that the ability of a "weak" station to guarantee that it will be carried on a cable system may dilute the argument that duopoly would be necessary to provide weaker stations with negotiating power versus cable systems when it came to carriage, which a stronger local station could provide. In a sense, we believe that had "must carry" not been upheld, such an outcome might have been better for duopoly prospects.

Indeed, in its comments to the November 1996 NPRM, the Department of Commerce implored the commission to delay any decision on duopoly until the impact of the translation to digital television was known, citing that "during the DTV transition period, UHF licensees will have the security of knowing that the Supreme Court has upheld the constitutionality of the must-carry rules."

Influence Number Five: Digital Television. We had believed that the high cost for small stand-alone stations to convert to digital would be a compelling reason for government agencies or the commission to permit duopolies. Instead, in its comments on the NPRM, the Department of Commerce urged the FCC to delay its local ownership rulemaking process until the effect of the digital transition was studied more closely. Commerce is concerned that, if duopoly were permitted, an owner would be able to control four local signals (two analog and two digital). However, we believe this argument fails to recognize the cost of digital television, which will range from $3-$7 million per television station. As we discussed earlier, the average LMA only earns slightly more than $5 million in revenues. We believe that stand-alone LMAs may have an exceedingly difficult time affording the digital conversion without outside capital.

Companies mentioned:

A.H. Belo Corp. (BLC-42)
Clear Channel Communications (CCU-62)
LIN Television Corp. (LNTV-44)
Paxson Communications (PXN-13)
Sinclair Broadcast Group* (SBGI-30)

* Bear, Stearns & Co. Inc. is a market maker in the security of this company and may have a long or short position in the security.

Exhibit 6. Local Marketing Agreement Summary in Top 100 Television Markets

Market	Market Rank	LMA Partner Station	LMA	1996 LMA Revenue	1996 Total LMA Revenues	1996 Market Revenues	1996 Percent of Market Rev.
Seattle	12	A.H. Belo	Susan Uecker	$0		$283,500	0.0%
Honolulu	69	A.H. Belo	Ka' Ikena Lani TV	$2,600		$65,100	4.0%
Spokane	73	A.H. Belo	KSKN Inc.	$0		$47,600	0.0%
Tucson	78	A.H. Belo	Clear Channel	$3,900	$6,500	$54,100	7.2%
Green Bay	70	Aries Telecom	Ace TV Inc.	$2,200	$2,200	$49,800	4.4%
Louisville	50	Blade Communications	Greater Lousiville TV	$3,500	$3,500	$91,000	3.8%
Cleveland	13	Cannell Cleveland LP	Malrite Communications	$28,000	$28,000	$259,300	10.8%
Charlotte	28	Capitol Broadcasting	Roxboro Broadcasting	$5,500		$146,900	3.7%
Raleigh-Durham	29	Capitol Broadcasting	Carolina Broadcasting	$3,000	$8,500	$126,800	2.4%
Memphis	42	Clear Channel	TV Marketing Group	$8,000		$96,000	8.3%
Harrisburg, PA	45	Clear Channel	Gateway Comm.	$3,100		$80,900	3.8%
Providence	47	Clear Channel	Argyle	$7,500		$75,200	10.0%
Jacksonville	54	Clear Channel	Mercury Broadcasting	$5,200		$88,500	5.9%
Little Rock	57	Clear Channel	Mercury Broadcasting	$2,700		$66,100	4.1%
Tulsa	58	Clear Channel	Mercury Broadcasting	$3,000		$71,100	4.2%
Mobile-Pensacola	61	Clear Channel	Mercury Broadcasting	$2,000	$31,500	$59,800	3.3%
Orlando	22	Cox Broadcasting	Reece Associates	$0	$0	$213,600	0.0%
Dallas	8	Fox Television	DMIC Corp.	$11,500	$11,500	$464,000	2.5%
Mobile-Pensacola	61	Fox (Heritage Media)	TV Fit for Life	$500	$500	$59,800	0.8%
Sacramento	20	Kelly Broadcasting	Channel 58 Inc.	$11,500	$11,500	$194,100	5.9%
Albuquerque	48	Lee Enterprises	Ramar Communications	$1,000	$1,000	$82,500	1.2%
Grand Rapids-Kalamazoo	37	LIN Broadcasting	Channel 41 Inc.	$3,300	$3,300	$88,900	3.7%
Dallas	8	LIN Television	Christian Broadcasting	$16,000		$464,000	3.4%
Hartford	27	LIN Television	K-W Televison	$1,500		$156,700	1.0%
Norfolk	40	LIN Television	Entravision Holdings	$1,800		$92,300	2.0%
Austin	63	LIN Television	54 Broadcasting	$3,000	$22,300	$76,300	3.9%
Phoenix	17	Media America Corp.	Brooks Broadcasting	$10,000	$10,000	$302,300	3.3%
Columbus	34	NBC	Fant Broadcasting	$4,500	$4,500	$162,200	2.8%
Fresno	55	Pappas Telecasting	Cocola Broadcasting	$700		$66,550	1.1%
Omaha	75	Pappas Telecasting	Cocola Broadcasting	$1,100	$1,800	$59,600	1.8%
Atlanta	10	Paxson Communications	Whitehead Media	$1,400		$408,000	0.3%
Cleveland	13	Paxson Communications	Whitehead Media	$1,800		$259,300	0.7%
West Palm Beach	44	Paxson Communications	Viacom	$4,700	$7,900	$102,200	4.6%
Raleigh-Durham	29	Ramcast Corp.	Robinson Everett	$0	$0	$126,800	0.0%
Pittsburgh	19	Sinclair Broadcast	Glencairn Ltd.	$8,900		$203,900	4.4%
Baltimore	23	Sinclair Broadcast	Glencairn Ltd.	$20,300		$185,600	10.9%
Raleigh-Durham	29	Sinclair Broadcast	Glencairn Ltd.	$8,200		$126,800	6.5%
Milwaukee	31	Sinclair Broadcast	Glencairn Ltd.	$15,500		$144,600	10.7%
Anderson, NC	35	Sinclair Broadcast	Glencairn Ltd.	$2,500		$88,400	2.8%
San Antonio	38	Sinclair Broadcast	Glencairn Ltd.	$10,100		$122,000	8.3%
Birmingham	51	Sinclair Broadcast	Glencairn Ltd.	$3,000	$68,500	$87,300	3.4%
Nashville	33	Sullivan Broadcasting	Mission Broadcasting	$8,500		$136,000	6.3%
Greensboro	46	Sullivan Broadcasting	Mission Broadcasting	$0	$8,500	$71,200	0.0%
Hartford	27	Viacom	Counterpoint Comm.	$5,800	$5,800	$156,700	3.7%
Ft. Meyers	83	Waterman Broadcasting	Montclair Comm.	$6,800	$6,800	$49,900	13.6%
Summary Statistics				**$244,100**		**$6,413,250**	**3.8%**

Sources: BIA-Investing in Television; Bear, Stearns & Co. Inc.

1996 Total Revenues	Percent Revenues	Share Feb 1997	Share Nov 1996	Share May 1996	Share Feb 1996	Share Nov 1995	Primary Station Revenue	Primary + LMA Revenue	Percent of Market Revenues	Affiliation
		0	0	0	0	0	$84,000	$84,000	29.6%	Independent
		6	5	5	7	5	$11,500	$14,100	21.7%	UPN
		0	0	0	0	0	$14,100	$14,100	29.6%	HSN
$450,300	1.4%	4	4	3	5	4	$8,500	$12,400	22.9%	UPN
$49,800	4.4%	4	3	3	5	4	$10,500	$12,700	25.5%	UPN
$91,000	3.8%	3	4	4	3	3	$17,000	$20,500	22.5%	UPN
$259,300	10.8%	10	9	10	9	9	$46,000	$74,000	28.5%	CBS
		4	3	4	4	3	$15,500	$21,000	14.3%	WB
$273,700	3.1%	3	2	2	2	2	$39,000	$42,000	33.1%	WB
		6	7	5	6	5	$13,500	$21,500	22.4%	UPN
		2	2	2	2	3	$9,500	$12,600	15.6%	UPN
		4	4	4	5	5	$20,000	$27,500	36.6%	Fox
		4	4	3	4	4	$15,900	$21,100	23.8%	UPN
		3	3	2	2	3	$8,700	$11,400	17.2%	UPN
		2	2	3	3	2	$12,500	$15,500	21.8%	UPN
$537,600	5.9%	4	4	3	3	2	$9,500	$11,500	19.2%	UPN
$213,600	0.0%	0	0	0	0	0	$59,000	$59,000	27.6%	Dark
$464,000	2.5%	3	3	4	3	4	$63,000	$74,500	16.1%	Independent
$59,800	0.8%	0	0	0	0	0	$18,800	$19,300	32.3%	WB
$194,100	5.9%	4	5	5	5	5	$53,000	$64,500	33.2%	UPN
$82,500	1.2%	2	0	0	2	2	$16,500	$17,500	21.2%	UPN&WB
$88,900	3.7%	4	5	4	4	5	$25,300	$28,600	32.2%	ABC&UPN
		2	2	5	4	4	$94,000	$110,000	23.7%	Independent
		2	2	1	0	0	$36,500	$38,000	24.3%	WB
		2	2	2	2	1	$24,500	$26,300	28.5%	WB
$789,300	2.8%	3	3	3	3	3	$20,500	$23,500	30.8%	WB
$302,300	3.3%	4	4	4	4	3	$50,000	$60,000	19.8%	WB
$162,200	2.8%	3	2	3	3	2	$47,500	$52,000	32.1%	WB
		0	0	0	0	0	$15,500	$16,200	24.3%	Infomercial
$126,150	1.4%	4	4	4	4	4	$10,600	$11,700	19.6%	WB
		0	0	0	0	0	$5,300	$6,700	1.6%	Infomercial
		0	0	0	0	0	$2,000	$3,800	1.5%	Infomercial
$769,500	1.0%	3	3	3	4	4	$15,100	$19,800	19.4%	UPN&WB
$126,800	0.0%	0	0	0	0	0	$0	$0	0.0%	Fox
		3	3	3	3	3	$36,500	$45,400	22.3%	UPN
		7	7	6	6	6	$36,800	$57,100	30.8%	UPN
		4	4	3	3	3	$22,600	$30,800	24.3%	UPN
		6	6	7	7	6	$15,600	$31,100	21.5%	Independent
		2	2	2	2	2	$21,500	$24,000	27.1%	Independent
		6	7	6	6	7	$19,500	$29,600	24.3%	UPN
$958,600	7.1%	3	4	2	2	2	$14,300	$17,300	19.8%	UPN
		3	3	3	4	3	$19,500	$28,000	20.6%	UPN
$207,200	4.1%	2	2	0	0	0	$10,600	$10,600	14.9%	UPN
$156,700	3.7%	3	2	2	2	2	$36,500	$42,300	27.0%	UPN
$49,900	13.6%	8	10	10	8	11	$21,300	$28,100	56.3%	ABC
							$1,037,900	**$1,279,400**	**19.9%**	

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