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January 29, 2014

VIA ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
45 12th Street, SW
Washington, DC 20554

Re: MB Docket Nos. 09-182 and 07-294

Dear :

On January 29, 2014, Rebecca Hanson, SVP of Strategy and Policy for Sinclair Broadcast Group met with Clint Odom, Policy Director for Commissioner Jessica Rosenworcel. Ms. Hanson presented the attached presentation and discussed the benefits of joint sales agreements (JSAs) and shared services agreements (SSAs) to local broadcasting, news production, and minority media ownership.

She described the economics of the broadcast business, and the challenges that some stations face in smaller markets, where the hard costs of producing news often exceed a station's share of advertising revenue in that market, making news financially impossible to produce. JSAs and SSAs provide a solution for those stations by sharing the resources and costs, generating news for both stations to monetize with ad sales. These arrangements also facilitate bank financing, which is increasingly difficult to secure by stand-alone stations.

Ms. Hanson also described the community-based local programming of Armstrong Williams, America's only African American full-power television station owner, and how his ownership opportunities might not have been possible without his Sinclair JSA/SSA arrangements.

Ms. Hanson also described how the FCC has set out guidelines for JSAs and SSAs that the industry has relied upon for many years.

Sincerely yours,

Clifford M. Harrington

Attachment

cc: Clint Odom

Overview of Television Joint Sales Agreements / Shared Services Agreements

Federal Communications Commission
January 29, 2014

Rebecca Hanson
Senior Vice President, Strategy and Policy
Sinclair Broadcast Group

SBG
SINCLAIR BROADCAST GROUP

What are JSAs/SSAs?

A set of private contracts between TV broadcasters in a market that seeks to *maximize operational efficiencies* and cost savings.

- Can take a variety of forms, depending on the needs of individual parties
- Can be between network affiliates, or with independent stations

Common terms include:

- Outsourcing or sharing cost of services (administrative, payroll, engineering, maintenance)
- Ad sales support
- News gathering support
  - Similar to news sharing arrangements that FCC has approved for years

FCC has long approved TV JSAs/SSAs

- TV JSAs/SSAs don't violate any FCC rules or regulations
- TV JSAs/SSAs are not LMAs "in disguise"
  - They are *legitimate business arrangements* reviewed and approved by the FCC
  - FCC issues guidance on acceptable JSA terms
    - 20% of station value must be applied to license value
    - 85% of programming must be station controlled
    - 70% of net ad revenue must go to station receiving services
- JSAs/SSAs do not involve "shell corporations"
    - Participants range from network affiliates and experienced broadcast executives to new minority entrants
    - Participants remain FCC licensees fully responsible for their broadcast programming and other FCC obligations

Why do stations enter into JSAs/SSAs?

Desire to operate stations more efficiently than possible on a stand-alone basis

JSAs/SSAs also help some smaller stations get bank financing

- Easier to finance the license and select license assets
  - Typically 20% of total station value
  - Capital costs may be offloaded to larger station
- Banks are increasingly reluctant to finance stand-alone stations
  - Operational support of larger station increases smaller station's chance of success and reduces lender's risk
- Larger station might guarantee smaller station's loan
  - Smaller stations can leverage balance sheet of larger station

JSAs/SSAs support minority ownership

Financing structure makes minority ownership possible.

Previous path for minorities to broadcasting was LPTV.

- LPTV is a less robust opportunity due to lack of must carry, smaller audience due to lower power signal
- Why not let minorities enter into the full-power business?
- Future of LPTV is in question due to the incentive auction

Armstrong Williams is one of, if not the only, African American full-power broadcasters today

- Stations in Myrtle Beach, SC and Flint, MI (March, 2014)
- Town-hall style community affairs programming
  - Affordable health care, educational and entrepreneurial programs

SSAs increase newscasts in local markets

News is expensive to create

- Advertising revenue shifting away from broadcast television, but costs remain the same or increase
- Can't recover costs from viewers because broadcast is *free to consumers*
- News wouldn't be viable, especially in smaller markets, without cost and revenue sharing of SSA structure

Sinclair SSAs have resulted in additional newscasts

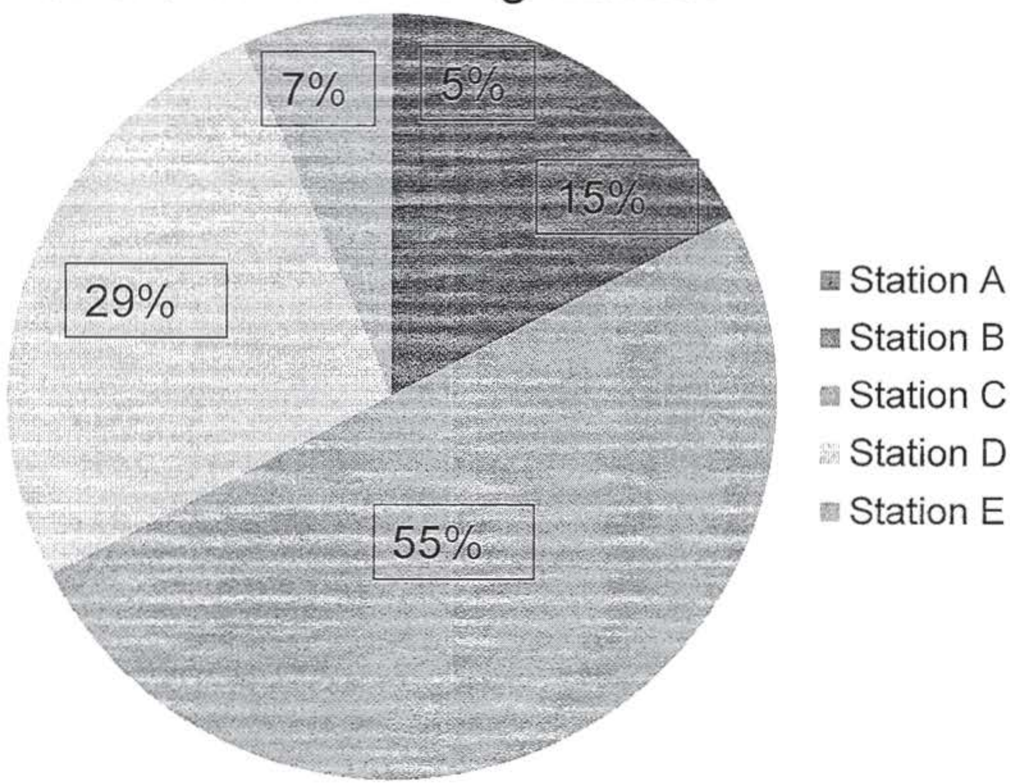
- Beaumont, TX – added morning news
- Cedar Rapids, IA – added morning and evening news
- Mobile, AL – added morning and evening news
- Under pending transactions Armstrong Williams would add stations with news in Charleston, SC and Harrisburg, PA

Sample scenario in mid-size market

Value of advertising market = $100 million

News costs $6 million a year to produce

Share of Advertising Market



- Station A can't afford to produce news
- Station B enters into JSA/SSA with Station A
- Station A frees up capital and shares resources to produce newscast
- Station A viewers now have access to newscast
- New news voice is added to market
- New time slot created to reach different audience/not overlap other newscasts
- Station A generates new revenue from newscast, ensuring financial viability for public interest obligations

No evidence of harm from JSAs

Sinclair has received no programming complaints from *actual, in-market viewers*

JSAs create competitive alternative for advertisers

- MVPDs sell local ads jointly through similar arrangements ("cable interconnects") without challenge from FCC
  - Comcast, Time Warner, Verizon, AT&T, Dish, DirecTV *all* pool inventory in various markets
  - No evidence of advertiser complaints about JSAs

JSAs that involve joint retrans negotiations do not impact programming decisions or leverage

JSAs/SSAs and FCC policy

- JSAs/SSAs are proven ways to achieve FCC policy goals of minority ownership, diversity, localism, and news.
- FCC should not let abstract, unsubstantiated speculation determine policy judgments.
- FCC should only review JSA/SSA policy in the context of a comprehensive review of ownership issues.