Before the FEDERAL COMMUNICATIONS COMMISSION Washington, DC 20554

In the Matter of)
Complaint and Request for Emergency Relief)
Regarding Shared Services Agreement)
between Raycom Media and MCG Capital for)
Joint Operation of Television Stations KHNL,)
KEVE and KGMR Honolulu Hawai'i)

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SUMMARY

Media Council Hawai`i requests the FCC issue an order compelling Raycom Media and MCG Capital to cease and desist from executing their proposed shared services agreement in Honolulu to prevent imminent harm to viewers in the state of Hawai`i.

Under the unprecedented agreement, announced on August 18, 2009, Raycom, the licensee of television stations KHNL, an NBC affiliate, and KFVE, a MyNetworkTV affiliate, will acquire control over KGMB, a CBS affiliate, owned by MCG. All three stations will be housed in Raycom's new facility in Kalihi. Current KGMB general manager, Richard "Rick" Blangiardi, will run KGMB and KHNL, the network affiliates, while current KHNL general manager Jon Fink will run KFVE. Current KGMB employees have been given notices of termination, and employees at all three stations will have to re-apply to the joint operation. It is expected that over sixty jobs will be lost due to the agreement. The stations will merge their local news productions to produce news programming that will be shown on all three stations.

The Communications Act and FCC rules mandate that no license may be transferred without prior Commission approval must and a finding that the transfer is in the public interest. In determining whether a transfer has occurred, the FCC looks beyond what an agreement is called and instead looks to whether a licensee is maintaining control over programming, personnel and finances. Under this agreement, Raycom will exercise control over KGMB's programming, personnel and finances. Implementation of this agreement constitutes an unauthorized transfer of control of a license.

Raycom's control over KGMB also violates the local television ownership rule. This rule prohibits an entity from controlling two top-four stations or controlling more than two stations

serving the same area. These rules were promulgated to promote diversity and competition in local television. Under this agreement, Raycom will violate the rule in two ways. Raycom will control three stations serving the Honolulu DMA and will control two stations ranked among the top four. This agreement will harm local viewers through its negative impact on diversity and competition. Prior to this agreement, viewers in Honolulu had access to four independent sources for local news. After this agreement is consummated, citizens of Honolulu will have access to only three independent sources for local news. This agreement will result in Raycom controlling approximately 44% of the market, thereby decreasing competition for both the sale of advertising time and the production of local news. Because this agreement is expected to go into effect in mid-October, we urge the FCC to act quickly to prevent this irreparable harm to the public interest.

TABLE OF CONTENTS

SUM	IMARY	7	i	
I.	Partie	es	2	
	A.	Media Council Hawai`i		
	B.	Raycom Media Inc.		
	C.	MCG Capital Corp		
II.	Background			
	A.	The Honolulu DMA		
	B.	Raycom-MCG Shared Services Agreement		
		1. Raycom Will Control Programming on Three Stations	10	
		2. Raycom Will Control Hiring at All Three Stations	11	
		3. Raycom Will Receive Revenues from KGMB	12	
		4. Additional Evidence of Raycom's Control Over All Three Stations	12	
III.	The Raycom-MCG Agreement Violates the Communications Act as well as FCC Rules and Policies			
	A.	The Raycom-MCG Agreement Will Effect an Unauthorized Transfer of Control		
	B.	Raycom's Control Over KGMB Violates the Local Television Ownership Rules		
		The Local TV Rule is Designed to Promote Diversity and Competition	17	
		2. The Agreement Will Harm the Citizens of Hawai`i by Decreasing Competition and Diversity in Local News and Other Local Programming	20	
		3. The Agreement Will Reduce Competition in the Sale of Advertising Time	23	
	C. The Raycom-MCG Agreement Violates the Commission's Cross-Interest Policy		24	
IV.	Requ	est for Relief	25	
LIST	OF EX	XHIBITS	28	

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Media Council Hawai`i requests the Federal Communications Commission ("FCC" or "Commission") to order Raycom Media Inc. ("Raycom") and MCG Capital Corp. ("MCG") to show cause why a "cease and desist order" should not be issued to stop the implementation of the Shared Services Agreement ("Agreement") announced on August 18, 2009. This unprecedented Agreement contemplates that without seeking prior FCC approval, Raycom, the licensee of Honolulu television stations KHNL, an NBC affiliate, and KFVE, a MyNetworkTv affiliate that broadcasts the University of Hawai`i sports, will take over the operation of KGMB, a CBS affiliate, licensed to MCG. Under the Agreement, Raycom – not MCG – will exercise control over KGMB's programming, personnel and finances. Thus, if permitted to take effect, the Agreement would result in an unauthorized transfer of control in contravention of the Communications Act and FCC rules.

Permitting this Agreement to take effect would also violate the local television rule by giving Raycom control over three television stations in the Honolulu Designated Market Area ("DMA"), including two top-four network affiliates. Raycom intends to combine the news operation of all three stations, producing local news programs at a single shared facility. It also plans to have the same General Manager for both network affiliates and to lay off about one third

of the combined workforce. These actions would harm the members of Media Council Hawai`i and the public generally by reducing the number of independent voices providing local news from four to three, and by substantially reducing competition in the provision of local news and the sale of advertising time.

To prevent imminent irreparable harm to the public from this Agreement that is expected to take effect in mid-October, Media Council Hawai`i asks the FCC to promptly issue a "standstill order" enjoining Raycom and MCG from taking any further action pursuant to the Agreement until the FCC has issued the order to show cause, the media companies have had the opportunity to respond, and a final order has been issued.

I. PARTIES

A. Media Council Hawai`i

Media Council Hawai'i, formerly known as the Honolulu Community Media Council, was established in 1970 and is the oldest of the five volunteer media councils that exist in the United States. The Council is composed of individuals who reside in the area served by KGMB, KHNL and KFVE. The Council is a non-partisan, non-profit, non-governmental independent group. Media Council Hawai'i seeks to improve public access to information, strengthen public support for First Amendment rights and freedoms, broaden public understanding of the role of the media, and promote accurate and fair journalism in Hawai'i. Chris Conybeare is the president of Media Council Hawai'i and its board members include Gerald Kato, professor of journalism at the University of Hawai'i, Jean King, former Lieutenant Governor of Hawai'i, and many other prominent members of the community.

As described in the attached declarations from Conybeare, Kato and King, members of Media Council Hawai`i will be harmed by the loss of an important independent news voice, the

drastic reduction in the news staff, and the resulting diminution in local news coverage, diversity, and competition if Raycom and MCG are permitted to go forward with the Agreement.

B. Raycom Media Inc.

Raycom, which has its headquarters in Montgomery, Alabama, is the one of the largest broadcasters in the United States. The President and CEO of Raycom is Paul McTear. Raycom owns 46 television stations in 36 markets throughout 18 states. Raycom's holdings include duopolies in Baton Rouge, LA, Cape Giradeau, MO, and Cleveland, OH.¹ When Raycom recently acquired a second network affiliate in Richmond, VA, the Department of Justice ("DOJ") filed a complaint alleging that the acquisition violated antitrust laws and obtained a Final Judgment requiring Raycom to divest one of the stations.²

In Hawai`i, Raycom holds licenses for four television stations. Raycom acquired KHNL, channel 13, Honolulu, from the Belo Corporation in 1999, along with its local marketing agreement with KFVE, channel 5, Honolulu. Following the FCC's relaxation of the television duopoly rule in 1999, Raycom purchased KFVE outright.³ KHNL is an NBC affiliate. KFVE is affiliated with MyNetworkTv and carries University of Hawai`i sports.⁴ Raycom currently rebroadcasts news produced by KHNL with virtually the same copy and talent, on KFVE.

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¹ Raycom Media, About, http://www.raycommedia.com/about/ (last visited Sept. 20, 2009). In addition, Raycom owns Raycom Sports, a marketing, production and events management and distribution company; Raycom Post, a post production facility; Broadview Media, a post production telecommunications company; and CableVantage, a cable advertising sales group. *Id.* Raycom has similar joint services arrangements with TV stations in Wilmington, NC and Columbia, GA. Rick Daysog, *Honolulu TV Stations KGMB*, *KHNL*, *K5 will combine operations*, Aug. 18, 2009 (For your convenience articles from Hawaiian newspapers are attached as Exhibits 9-22).

² United States v. Raycom Media, Inc., No. Civ.A. 08-1510, 2008 WL 5467611 (D.D.C. Dec. 4, 2008).

³ Erika Engle, TV Stations' Pact Draws Fire, Honolulu Star Bulletin, Aug. 19, 2009.

⁴ Broadcasting & Cable Yearbook 2009 B-38, ProQuest (2008).

Raycom also owns KHBC, Hilo, and KOGG, Wailuku, which rebroadcast KHNL's programming.

C. MCG Capital Corp

MCG Capital Corp. is a venture capital firm based in Arlington, VA. It provides capital to a variety of small and mid-sized businesses. It describes itself as "a diversified finance company offering one-stop capital solutions. We provide all of the funds necessary to complete a transaction - whether it be senior debt, second lien debt, mezzanine debt or equity - and can create custom solutions using a full range of options." Its holdings include cable operators, competitive local exchange carriers, food services, healthcare providers and other companies. KGMB, channel 9, Honolulu, HI, is its only broadcast station. KGMB is licensed to HITV License Subsidiary Inc., a subsidiary company of Greenlaw/Marshall Communications (GMC) Television, which, in turn is a wholly owned portfolio company of MCG.

KGMB was the first broadcast television station in Hawai`i. When it signed on December 1, 1952, it aired programming from all three networks. Over time it became exclusively a CBS affiliate. KGMB is widely known for quality local programming and its topnotch news operation. It won Hawai`i's first ever Peabody Award, followed by the market's first Emmy in 1981.

4

⁵ MCG Capital Corporation, Solutions, http://www.mcgcapital.com/solutions.htm (last visited Sept. 20, 2009).

⁶ MCG Capital Corporation, Portfolio, June 30, 2009, *available at* http://www.mcgcapital.com/portfolio.htm (follow hyperlink "here" for investment spreadsheet); *see also* Broadcasting & Cable Yearbook 2009 B-38 (showing HITV License Subsidiary, Inc. as license holder for KGMB).

⁷ KGMB9, The KGMB Legacy, http://kgmb9.com/main/content/view/5/47/ (last visited Sept. 21, 2009).

⁸ *Id*.

MCG invested \$40 million in GMC television in June 2007.⁹ Richard "Rick" Blangiardi, MCG's representative in Hawai`i, is Vice President of GMC and General Manager of KGMB.¹⁰ In January 2008, to prepare for a "future relocation to a new, larger facility," MCG sold the land and building that housed KGMB to a local investor for \$12.35 million. ¹²

II. BACKGROUND

A. The Honolulu DMA

Honolulu is currently the seventy-second ranked DMA with over 430,000 television households. Fifteen full-power broadcast television stations serve the market. However, only five stations provide regularly-scheduled local news. Besides KHNL, which creates the newscast for KFVE, and KGMB, the other stations providing local news are KITV, channel 4, an ABC affiliate owned by Hearst Television, and KHON, channel 2, a Fox-affiliate owned by New Vision Television. These stations have associated translators and repeaters that allow them to cover virtually the entire state of Hawai'i. In addition, these stations are carried by cable or other MVPD systems. Penetration of MPVD in Hawai'i is ninety-four percent, one of the

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⁹ Press Release, MCG Capital Invests \$40 Million in GMC Television (June 11, 2007), *available at* http://investor.mcgcapital.com/releases.cfm?Year=2007.

¹⁰ Hawai`i Certificate of Incorporation for GMC Television Broadcasting Holdings, File No. 36780 (April 1, 2009).

Erika Engle, *KGMB Building Sold*, Honolulu Star Bulletin, Jan. 8, 2008, (quoting Rick Blangiardi, General Manager of KGMB).

¹² KGMB Owner Sells Land Under Station, Honolulu Advertiser, Jan. 8, 2008.

¹³ The Nielson Company, *Local Television Market Estimates*, (Sept. 2008), *available at* http://enus.nielsen.com/etc/content/nielsen_dotcom/en_us/home/measurement/tv_research.mbt.39577.Re latedLinks.13293.MediaPath.pdf

¹⁴ Broadcasting & Cable Yearbook 2009 B-38, ProQuest (2008).

¹⁵ *Id.* at B-146.

¹⁶ *Id.* at B-38. KGMB rebroadcasts its signal on KGMB in Hilo and KGMV in Wailuku. KHNL rebroadcasts on KHBC in Hilo and KOGG in Wailuku. *See* FCC Ownership Reports.

highest in the nation.¹⁷ However, because Hawai'i is made up of a chain of islands in the Pacific, it does not receive any television signals from other markets.

The five stations that provide local news garner 91% of the market in the Honolulu DMA. According to 2006 revenue figures, the market shares are as follows: 18

Call Letters	Affiliate	Owner	'06 Revenue Share (%)
KHON-TV	FOX	Montecito Bcst Gp	27.0
KITV	ABC	Hearst-Argyle TV Inc	19.8
KGMB	CBS	HITV License Sub	18.9
KHNL	NBC	Raycom Media Inc	16.0
KFVE	MyNetworkTV	Raycom Media Inc	9.3

In addition to these five television stations, the public television station KHET, channel 11, provides some locally-oriented programming. The remaining stations air either religious programming or Asian-language programming.

B. Raycom-MCG Shared Services Agreement

On August 18, 2009, Raycom and MCG issued a press release to announce they had entered into a "Shared Services Agreement which, upon completion, the two companies would combine the three stations to creatively and successfully address the impact of the negative economy and to secure the future of all three television stations in Hawai'i." The Press Release states Raycom will provide certain services to all three stations:

The Shared Services Agreement creates what would be the largest local television news operation available to cover local, national and international news for

 $^{^{\}rm 17}$ Television Bureau of Advertising, Cable and ADS Penetration by Market, July 2009, available at

http://www.tvb.org/rcentral/markettrack/Cable_and_ADS_Penetration_by_DMA.asp. Alternate Delivery Systems (ADS) refers to reception of TV programming via satellite (DBS or Large Dish), or from satellite master antenna systems (SMATV), or from multipoint distribution systems (MDS). *Id*.

¹⁸ Investing in Television 2007 Market Report, BIA Financial Network, Inc., (2007, 2d ed.).

¹⁹ Press Release, Raycom Media, Owners of KHNL/K55 and KGMB Reach Agreement to Secure the Future of Television Programming and its Three Stations in Hawai`i, http://www.raycommedia.com/news/. (See attached as Exhibit 4).

Hawai`i. The KGMB, KHNL, K5 newsroom and all those working there plan to produce more than 40 hours of local news each week, making it among the most productive newsrooms in the country.

* * *

Under a Shared Services Agreement, the three stations will share in the news services as well as other combined services. It's anticipated that, once the two companies swap call letters, the national networks and other programming, along with the accompanying channel positions of each of the three stations, will remain the same.

The Agreement is expected to take effect on or about October 18, 2009.²⁰

Raycom and MCG have made it clear that they plan to consummate the agreement without seeking prior FCC approval. The Press Release states that although Raycom will "provide certain services to all three stations" the Agreement "is an operational arrangement, not an ownership change agreement." At the press conference announcing the Agreement, representatives of both companies declared that they would not seek and did not need the Commission's authority to enter this Agreement. A few days later, Raycom President Paul McTear elaborated on this point in an Island Commentary published in the *Honolulu Star Bulletin*.

Those who have been following this story may have questions about whether this agreement violates any Federal Communications Commission rules and regulations regarding ownership of multiple stations in a market. Based on everything we know, the examples we are aware of in other markets around the country, and our discussions with regulatory agencies and legal counsel, we do not anticipate any problems in moving forward with the agreement now in place.²³

²⁰Id. See also Termination Letter from John Fink, Vice President/General Manager of KHNL, to employees of KHNL. (See attached as Exhibit 5).

²¹ Press Releases from KGMB-TV, KHNL-TV, KFVE-TV and Raycom Media, Honolulu Star Bulletin, Aug. 18, 2009. See also Rick Daysog, KGMB says Financial Losses Prompted Consolidation Deal, Honolulu Advertiser, Aug. 20, 2009.

²² Daysog, *KGMB says Financial Losses Prompted Consolidation Deal* (stating that Raycom and MCG Capital do not believe they need approval from the FCC because the agreement does not transfer ownership or licenses) (emphasis added).

²³ Paul McTear, *Shared TV Services Strengthen Stations*, Star Bulletin, Aug. 23, 2009.

Even after an attorney who represents several Hawai`i stations suggested that that Raycom-MCG Agreement "may result in questions by the FCC concerning whether an unauthorized transfer of control has occurred, and whether there is a violation of the FCC's multiple ownership limitations," McTear reiterated his confidence that no FCC approval was required.²⁴

Announcement of the Raycom-MCG Agreement generated a great deal of attention in the press. Local newscasters described it as an "unprecedented three station deal,"²⁵ "a major shift in local media landscape,"²⁶ and a deal that "will change the face of television news in Hawai'i."²⁷ Despite Raycom's insistence that it was merely entering into an "operational agreement," reporters called it a merger.²⁸ Indeed, one article even quoted Raycom President McTear as saying that it was "not common place" for a single broadcast owner to have two network affiliates in one market.²⁹

To find out the details of the Agreement, three members of Media Council Hawai`i visited the stations to try to view the public file on September 3, 2009. Even though FCC rules

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²⁴ Erika Engle, *Execs explain TV swap, but some see it as blurry*, Star Bulleting, Aug. 20, 2009. See also Rick Daysog, *D.C. law firm to challenge TV stations' merger plans*, Honolulu Advertiser, Sept. 5, 2009 (quoting McTear as saying that "We at Raycom Media are very confident that the form of transaction ... will stand up to the scrutiny of the council and the FCC.").

²⁵ KHON-TV2 5pm News, *Employees Lose Jobs*, KHON, Honolulu, HI (broadcast Aug. 18, 2009). (For your convenience all transcripts of local news broadcasts cited are attached as Exhibits 23-27).

²⁶ KHNL-8, 6pm News, *KHNL K5 and KGMB to Merge*, KHNL, Honolulu, HI (broadcast Aug. 18, 2009).

²⁷ KGMB9, 5pm News, *Three Stations Merge*, KGMB, Honolulu, HI, (broadcast Aug. 18, 2009). *See also* KITV4 5pm News, *Change in Local TV Market*, KITV, Honolulu, HI (broadcast Aug. 18, 2009)(calling it "a big change in local TV."); Dan Nakaso, *Consolidation Biggest On-air Change since* '95, Honolulu Advertiser, Aug. 19, 2009 (reporting that "[t]he landscape of television news in Hawai`i is about to undergo its biggest change").

²⁸ See, e.g., KITV4 5pm News, Change in Local TV Market, KITV, Honolulu, HI (broadcast Aug. 18, 2009).

²⁹ Engle, Execs explain TV swap, but some see it as blurry.

require that stations make their public files available for inspection during normal business hours, ³⁰ KHNL and KFVE, which are located at the same address, failed to do so. The General Manager, John Fink told them that he did not know where the public file was, but would try to find out. Mr. Fink later informed them that the public file was locked, and he would try to locate the key. They waited for about two hours, but no key was found. ³¹

In the afternoon, the same members tried to inspect the public file for KGMB. ³² There the public file was in such disarray that a meaningful inspection was impossible. ³³ They found that the most current material was unsorted and simply piled up vertically in a file drawer. While they were able to locate some of the required contents, they were unable to locate a copy of the Agreement. ³⁴ Subsequently, during a separate meeting Conybeare and Kato met with Blangiardi and John Fink and asked to see the Agreement, but their request was ignored. ³⁵

Even without access to the Agreement itself, it is apparent from the public statements of those involved that Raycom will end up controlling KGMB in addition to KHNL and KFVE. KGMB will move from its offices on Kapi'olani Boulevard to Raycom's facilities in Kalihi where all three stations will operate from. ³⁶ KGMB's tower will be torn down. ³⁷ Raycom will control the programming on all three stations, control hiring for all three stations, and will

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³⁰ 47 CFR § 73.3526(c).

³¹Letters from Larry Geller to the FCC's Investigations and Hearings Division regarding KHNL and KFVE (Sept. 9, 2009). *See also* Declaration of Jean King, Board Member, Media Council Hawai'i (Oct. 1, 2009). (For your convenience Letters from Larry Geller to FCC are attached as Exhibits 6-7).

³² Letters from Larry Geller to the FCC's Investigations and Hearings Division regarding KGMB (Sept. 9, 2009).

 $[\]frac{1}{33}$ Id.

³⁴ *Id*.

³⁵ Declaration of Christopher Conybeare, President, Media Council Hawai'i (Oct. 5, 2009).

³⁶ Rick Daysog, *Honolulu TV Stations KGMB*, *KHNL & K5 will Combine Operations*, Honolulu Advertiser, Aug. 19, 2009.

³⁷ KITV4 5pm News, *Change in Local TV Market*, KITV, Honolulu, HI (broadcast Aug. 18, 2009).

receive the revenues generated by KGMB. Thus, Raycom's control over KGMB will give it control over three television stations and two in the top four with approximately 44% of the market.³⁸

1. Raycom Will Control Programming on Three Stations

Raycom President and CEO Paul McTear has stated that although each station will retain its current network affiliation, they will "combine forces and [create] the state's largest television news department producing more local new and other local programming than any station in Hawai'i."³⁹ McTear implicitly acknowledges the loss of service to the community in claiming that due to the poor economy, the "only answer is to reduce the amount of services, and the most expensive services that these organizations bring to the market place is news." ⁴⁰

This news department will be responsible for news on all three stations, some of which will be simulcast.⁴¹ Moreover, Chris Archer, currently the News Director at KGMB, will become the Content Manager for all three stations.⁴² In any event, which stories to cover, what news is gathered, and how the stories will be presented, will be determined by a single newsroom under Raycom's control.

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³⁸ KGMB has an 18.9% market share, KHNL has 16.0%, and KFVE has 9.3% for a total of 44.2%. *See* Table, *supra* Part II.A., at 6.

³⁹ Press Releases from KGMB-TV, KHNL-TV, KFVE-TV and Raycom Media, Honolulu Star Bulletin, Aug. 18, 2009.

⁴⁰ KHON-TV2 5pm News, *Employees Lose Jobs*, KHON Honolulu, HI (broadcast on Aug. 18, 2009) (quoting Paul McTear).

⁴¹ Dan Nakaso, *Consolidation biggest on-air change since '95*, Honolulu Advertiser, Aug. 19, 2009; Rick Daysog, *KGMB says financial losses prompted consolidation deal*, Honolulu Advertiser, Aug. 20, 2009 (reporting that stations planned to simulcast some news programs starting as early as November).

⁴² Declaration of Chris Conybeare, President, Media Council Hawai'i (Oct. 1, 2009).

2. Raycom Will Control Hiring at All Three Stations

Raycom has already announced its choices for the key management positions. "When the agreement takes effect in mid-October, Blangiardi will be employed by Raycom as Vice President and General Manager of KGMB and KHNL and John Fink will work for MCG Capital Corp. as Vice President and General Manager of KFVE." ⁴³ In other words, the general managers of the two network affiliates are swapping jobs. Blangiardi, the current General Manager and Vice President at the MCG-owned station, will run both the CBS and NBC affiliates, and John Fink, current General Manager of KHNL, will become General Manager of KFVE.

In addition, at the joint press conference, McTear stated that "[e]very employee at each of the three television stations will be interviewed as part of that to see who will make up the work force." Employees from all three stations will have to re-apply for their positions with the new entity. Every employee at KGMB received a termination letter, a copy of which is attached as an exhibit. It is expected that the "stations' news, marketing, engineering and possibly other departments will be consolidated, leading to layoffs of 68 people, up to 34 percent of the stations' combined workforce of 198 full-time employees."

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⁴³ Erika Engle, *TV Managers Trade Post*, Honolulu Star Bulletin, Aug. 21, 2009.

⁴⁴ KGMB9 5pm News, *Three Stations Merge*, KGMB, Honolulu, HI (broadcast Aug. 18, 2009) 45 *Id.*

⁴⁶ See Termination Letter from John Fink, Vice President/General Manager of KHNL, to employees of KHNL.

⁴⁷ Erika Engle, *TV Stations' pact draws fire*, Star Bulletin, Aug. 19, 2009; *see also* Gordon Y.K. Pang, *Shocked Journalist Worried About Jobs*, Honolulu Advertiser, Aug. 19, 2009.

3. Raycom Will Receive Revenues from KGMB

Under the terms of the Agreement, revenue from MCG's KGMB will go *directly* to Raycom.⁴⁸ Furthermore, Raycom will retain all intellectual property rights from any material that is produced, and Raycom will gain "[t]he intellectual property rights held by KGMB, including its CBS network affiliation and revenues derived from the affiliation."⁴⁹ In exchange, MCG will receive the revenue from Raycom's KFVE.⁵⁰ The cost of engineering, marketing, newsgathering and production for all three stations will be shared,⁵¹ but MCG will bare few or no operating costs.⁵²

4. Additional Evidence of Raycom's Control Over All Three Stations

Several press accounts have referred to Raycom's plans to file for a call sign swap or change. In one such account, Raycom vice president Dave Folsom was quoted as saying, "the thought is to take CBS and NBC programming and place those on channels that Raycom currently has, and the University of Hawai'i sports and other programming would go onto what was KGMB, which will be KFVE. . . [This] will keep CBS programming associated with the call letters KGMB and University of Hawai'i sports associated with KFVE – that's the easiest way to view it. Don't worry about the underlying licenses, the viewers don't see the licenses anyway."⁵³

12

 $^{^{48}}$ Daysog, $Honolulu\ TV\ Stations\ KGMB,\ KHNL\ \&\ K5\ will\ Combine\ Operations$ (emphasis added).

⁴⁹ Id

⁵⁰ Daysog, KGMB says financial losses prompted consolidation deal.

⁵¹ Daysog, Honolulu TV Stations KGMB, KHNL & K5 will Combine Operation,; Daysog, KGMB says financial losses prompted consolidation deal.

⁵² Erika Engle, *Execs explain TV swap, but some see it as blurry*, Honolulu Star Bulletin, Aug. 20, 2009.

⁵³ *Id*

III. THE RAYCOM-MCG AGREEMENT VIOLATES THE COMMUNICATIONS ACT AS WELL AS FCC RULES AND POLICIES

A. The Raycom-MCG Agreement Will Effect An Unauthorized Transfer of Control

Section 310(d) of the Communications Act provides that:

No . . . station license, or any rights thereunder, shall be transferred, assigned, or disposed of in any manner, voluntarily or involuntarily, directly or indirectly, or by transfer of control of any corporation holding such . . . license, to any person except upon application to the Commission and upon finding by the Commission that that the public interest, convenience, and necessity will be served thereby. ⁵⁴

Section 310(d) encompasses "every form of control, actual or legal, direct or indirect, negative or affirmative, over basic operating policies." Section 73.3540 of the Commission's rules also requires the Commission's prior consent to transfer a broadcast license. 56

When determining whether a transfer of control has occurred, the Commission looks beyond the title of an agreement to verify who will be determining the basic operating policies of the station.⁵⁷ Under the test set forth in *Southwest Texas Public Broadcasting*, the Commission determines whether a licensee is maintaining control of essential matters such as (1) programming, (2) personnel, and (3) finances.⁵⁸ Although a licensee may delegate some functions, these core operations are of such importance that they cannot be delegated.⁵⁹ The

⁵⁵ Application of Southwest Texas Public Broadcasting Council For Renewal of Licenses, 85 FCC 2d 713, 715 (1981) ("Southwest").

⁵⁷ See Golden Triangle Radio, Inc., 17 FCC Rcd 5373, 5386, \P 43 (2002) ("Golden Triangle"); see also Southwest, 85 FCC 2d at 714-15.

⁵⁴ 47 U.S.C. § 310(d) (1996).

⁵⁶ 47 C.F.R. § 73.3540(a).

⁵⁸ Southwest, 85 FCC 2d at 715; see also Application of High I-Q Radio, Inc., 19 FCC Rcd 7225, 7236, ¶ 40 (2004) ("High I-Q Radio"); Solar Broadcasting Company, Inc. Assignor and Cumulus Licensing Corp. Assignee; For Consent to Assignment of Licenses, 17 FCC Rcd 5467, 5486, ¶ 71 (2002) ("Solar"); Golden Triangle, 17 FCC Rcd at 5386, ¶ 43-44; Application of WGPR, Inc., 10 FCC Rcd 8140, 8141, ¶ 9 (1995) ("WGPR"); Liability of CanXus Broadcasting Corporation, 1992 WL 690047, *1, ¶ 4 (FCC 1992) ("CanXus").

⁵⁹ See Golden Triangle, 17 FCC Rcd at 5386, ¶ 43; see also Southwest, 85 FCC 2d at 715.

Commission examines time brokerage agreements, local marketing agreements, consulting agreements, and the like, to determine whether ultimate control continues to rest with the licensee.⁶⁰ The FCC examines the facts in the context of the specific circumstances⁶¹ and determines control based on the totality of the evidence.⁶²

Here, each of the three factors and the totality of evidence demonstrates Raycom's intention to take control of KGMB. First, under the Agreement, Raycom will control the programming of KGMB. Raycom will produce local news programming for KGMB. Further, by hiring KGMB's General Manager from MCG, Raycom will assume control over all of the essential operations of KGMB. In addition, Chris Archer will become the Content Manager for KGMB and the two other stations.⁶³ For all intents and purposes, MCG will cease to have any control, let alone involvement, over the programming decisions for KGMB.

Second, Raycom will control personnel decisions at KGMB. Where an entity, not the licensee, takes an active role in the hiring and firing of the station's employees and becomes responsible for paying them, the FCC has found that an unauthorized transfer of control has occurred.⁶⁴ For example, in *CanXus*, the Commission found an unauthorized transfer of control where pursuant to an agreement between CanXus (licensee of WLZX-FM) and Colonial (licensee of WKZX-AM), Colonial terminated all its employees and named the President of CanXus the Vice President of Colonial and General Manager of WKZX-AM.⁶⁵

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⁶⁰ See, e.g., Golden Triangle, 17 FCC Rcd at 5386, ¶ 44; Solar, 17 FCC Rcd at 5486, ¶71; Applications of Brian L. O'Neill, 6 FCC Rcd 2572, 2575, ¶ 26 (1991) ("O'Neill"); Roy R. Russo, Letter, 5 FCC Rcd 7586, 7587 (1990).

⁶¹ Southwest, 85 FCC 2d at 715.

 $^{^{62}}$ See Applications of Trinity Broadcasting of Florida, Inc., 14 FCC Rcd 13570, 13596, \P 72 (1999); CanXus, 7 FCC Rcd at 3874, \P 4.

⁶³ Declaration of Chris Conybeare, President, Media Council Hawai`i (Oct. 5, 2009).

⁶⁴ See CanXus, 7 FCC Rcd at 3874, ¶ 6; O'Neill, 6 FCC Rcd. at 2575, ¶ 28.

⁶⁵ CanXus, 7 FCC Rcd at 3874, ¶ 6.

The present situation is very similar to *CanXus*. All of the employees at KGMB have been given notices of termination and all employees will be required to re-apply for their positions with the new Raycom-controlled operation. Blangiardi, the current General Manager and Vice President of KGMB, will become an employee of Raycom and General Manager of both KGMB and KHNL. In this position, he will control personnel decisions for both stations. All employees, including those in the production, newsgathering, marketing and operations departments will become Raycom employees.

Finally, Raycom will control the finances of KGMB. The performance by a new entity of billing, revenue collecting, and spending functions indicates that the licensee is not maintaining control.⁶⁷ For example, in *High I-Q Radio*, the Commission found an unauthorized transfer of control because all of High's expenses were paid for by a different entity.⁶⁸ Moreover, if an entity is exercising "overwhelming financial control" over a station, it is irrelevant whether the station's licensee authorized the original arrangement.⁶⁹ For example, in *CanXus*, the President of Colonial authorized CanXus to "manage" essentially all of the station's finances, yet the Commission rejected CanXus' argument that the licensee maintained control because its president could terminate the arrangement at will.⁷⁰

The instant Raycom situation is analogous to *High I-Q Radio* and *CanXus*. Under the Agreement, Raycom will pay KGMB's expenses, including the salaries of KGMB's General Manager and other employers, the costs of producing local news programs, and the cost of the

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⁶⁶ Gordon Y.K. Pang, *Shocked Journalist Worried About Jobs*, Honolulu Advertiser, Aug. 19, 2009; *see also* Termination Letter from John Fink, Vice President/General Manager of KHNL, to employees of KHNL.

⁶⁷ See High I-Q Radio, 19 FCC Rcd at 7238, ¶ 44; O'Neill, 6 FCC Rcd at 2575, ¶ 28.

⁶⁸ *High I-Q Radio*, 19 FCC Rcd at 7238, ¶44.

⁶⁹ *CanXus*, 7 FCC Rcd at 3874, ¶ 5.

⁷⁰ *Id*.

local studio and facilities. Raycom also will get the revenues from KGMB. MCG, the licensee of KGMB, will not receive revenues from that station but will receive the revenues for Raycom's KFVE. 71

Because neither Raycom nor MCG have made the Agreement available to the public, Media Council Hawai'i is unaware of whether the Agreement provides MCG with the right to terminate the arrangement. But even if it did, a termination right would be irrelevant because the Agreement involves such a high degree of intertwining that it would be nearly impossible for MCG to resume separate operations. KGMB will no longer have a studio, a tower, or a separate staff. Indeed, MCG will even lose its call sign. Raycom plans to use the valuable and wellrespected KGMB call letters, while MCG will end up with the call sign of the lower ranked KFVE.

In sum, the Agreement effectively transfers control over KGMB to Raycom by giving Raycom control over KGMB's programming, personnel, and finances. Because MCG and Raycom have failed to file an application requesting FCC approval and have indicated that they do not plan to file any such application, the Raycom-MCG Agreement constitutes an unauthorized transfer of control in violation of Section 310(d) of the Communications Act and Section 73.3540 of the Commission's Rules.

В. Raycom's Control Over KGMB Violates the Local **Television Ownership Rules**

The transfer of control of KGMB to Raycom also violates the FCC's local television ownership rule. Section 73.3555(b) of the FCC rules, which is also known as the TV duopoly rule, provides in relevant part that

⁷¹ Rick Daysog, Honolulu TV Stations KGMB, KHNL & K5 will Combine Operations, Honolulu Advertiser, Aug. 19, 2009.

An entity may directly or indirectly own, operate, or control two television stations licensed in the same Designated Market Area (DMA) (as determined by Nielsen Media Research or any successor entity) only if

. . .

(i) At the time the application to acquire . . .the station(s) is filed, at least one of the stations is not ranked among the top four stations in the DMA, based on the most recent all-day (9 a.m.-midnight) audience share, as measured by Nielsen Media Research or by any comparable professional, accepted audience ratings service.⁷²

Raycom's unauthorized control over KGMB violates Section 73.3555 in two ways. First, it gives Raycom control over three stations with overlapping signals in the Honolulu DMA.

Second, it gives Raycom control over two stations ranked among the top four.

1. The Local TV Rule is Designed to Promote Diversity and Competition

The FCC's "ownership rules, particularly the local ownership rules . . . serve a vital public interest by promoting competition and diversity in the mass media. These are bedrock goals -- reaffirmed by Congress and the Supreme Court on numerous occasions -- in carrying out [its] statutory mandate of ensuring that broadcast licensees serve the 'public interest, convenience, and necessity.' "73 Traditionally, the television duopoly rule prohibited the common ownership or control of any TV stations with overlapping Grade B contours.

In 1999, the Commission decided that it could relax this prohibition somewhat consistent with the public interest and adopted the current § 73.3555(b), which permits a single entity to own two stations with overlapping service areas only if eight independently owned and operated stations would remain post-merger and only one of the two stations is ranked in the top-four.

⁷² 47 C.F.R. § 73.3555(b).

⁷³ Review of the Commission's Regulations Governing Television Broadcasting, 14 FCC Rcd 12903, 12907, ¶ 7("1999 Local TV Order"); Sinclair Broad. Group Inc. v. FCC, 284 F.3d 148 (D.C. Cir. 2002) (Sinclair). Although the D.C. Circuit remanded the rule for further consideration, it allowed the new rule to take effect. On remand, the FCC provided further explanation and justification for the rule.

The Commission declined to relax the rule further, explaining that television stations "reach large audiences and are the primary source of news and entertainment programming for Americans."⁷⁴ As a result, broadcasters

play a leading role in shaping democratic debate and cultural attitudes. For example, the manner and viewpoint a station uses in presenting the news can have a substantial impact on a local election. . . . There is consequently a vital public interest in ensuring that these influential outlets for communication are in the hands of a broad number of different owners. ⁷⁵

The Commission also rejected arguments that commonly-owned outlets could produce as much diversity as separately owned outlets, noting that "it is unrealistic to expect true diversity" from commonly-owned outlets.⁷⁶

The Commission explained the top-four limitation was "designed to ensure that the largest stations in the market do not combine and create potential competition concerns." ⁷⁷ It was also intended to maximize the number of stations that independently produce local news.

The FCC found that:

the top four-ranked stations in each market generally have a local newscast, whereas lower-ranked stations often do not have significant local news programming, given the costs involved. Permitting mergers among these two categories of stations, but not among the top four-ranked stations, will consequently pose less concern over diversity of viewpoints in local news presentation, which is at the heart of our diversity goal.⁷⁸

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⁷⁴ 1999 Local TV Order, 14 FCC Rcd at 12912, ¶ 18. It noted that according to a recent survey, almost 70% of adults got most of their news from watching television. *See also* The Pew Research Center, *Public Evaluations of the News Media: 1985-2009: Press Accuracy Rating Hits Two Decade Low*, Pew Report, September 12, 2009, at 4.

⁷⁵ 1999 Local TV Order, 14 FCC Rcd at 12912, ¶ 18; see also id. ¶ 58 ("Television broadcasting plays a very special role in our society. It is the primary source of news and information, as well as video entertainment to most Americans, and we must continue to ensure that the broadcast television industry has a diverse and competitive ownership structure.")

 $^{^{76}}$ *Id.* at 12914, ¶ 22.

⁷⁷ *Id.* at 12933, \P 66

⁷⁸ *Id*.

In 2003, the FCC further relaxed the local television multiple ownership rules to allow common ownership of up to three television stations in markets with 18 or more TV stations. However, even then, it retained the top-four limitation, explaining that mergers between top-four ranked stations would substantially reduce competition and were "less likely to yield public interest benefits such as new or expanded local news programming."

The 2003 rule never took effect because on review, the court stayed the 2003 rule and ordered that the 1999 rules remain in effect pending remand and any subsequent appeal. The court found that the FCC's decision to allow common ownership of up to three stations was arbitrary and capricious. Significantly, however, it found the FCC's explanation for the top-four restriction was reasonable and adequately supported by evidence.

On remand, the FCC concluded that it was in the public interest to return to the 1999 version of the local television rule. ⁸² It explained that the rule promoted competition, which in turn, leads to higher quality programming. ⁸³ The Commission reversed its earlier determination

promotes competition for viewers and advertisers within local television markets. The public is best served when numerous rivals compete for a viewing audience...Competition thus provides an incentive to television stations to invest in

¹⁹ 2002 Biennial Regulator

⁷⁹ 2002 Biennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996, 18 FCC Rcd 13620, 13697 ¶¶ 197-98 (2003) ("2003 Biennial Review") (noting that most top-4 stations air local news, citing a study finding that fully 85% of top four-ranked stations offered local news).

⁸⁰ Prometheus Radio Project v. FCC, 373 F.3d 372, 382, 435 (3d Cir. 2004), cert. denied 545 U.S. 1123 (2005). After the FCC issued its decision on remand and it was appealed, the Court ordered that the stay remain pending the FCC's action on a petition for reconsideration. *Prometheus Radio Project v. FCC*, No. 08-3078 (3rd Cir. June 12, 2009).

⁸¹ Prometheus Radio Project v. FCC, 373 F.3d at 416-18.

⁸² 2006 Quadrennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996, Report and Order and Order on Reconsideration, 23 FCC Rcd 2010, 2064, ¶¶ 96-97 (2008) ("2006 Quadrennial Regulatory Review").

⁸³ Specifically, if found that the rule:

that the local television rule was not necessary to promote competition. It relied, among other things, on the comments of the AFL-CIO which stated that "the Commission should retain the rule currently in effect and asserts that failure to do so would trigger multiple station mergers in local markets, *resulting in a loss of newscasts and shared news product.*⁸⁴ The Commission also reaffirmed its earlier determination that "combinations of top four stations should be prohibited because mergers of those stations would be the most deleterious to competition."

2. The Agreement Will Harm the Citizens of Hawai`i by Decreasing Competition and Diversity in Local News and Other Local Programming

Broadcast television stations provide essential services including local and national news, election results, weather advisories, access for political candidates, and public service announcements for local non-profit organizations. The greater diversity of ownership, the less chance there is that a single person or group can have an inordinate effect on public opinion at a regional level whether political, editorial, or similar programming sense. ⁸⁶ Diversity and competition in local news coverage are especially important in the state of Hawai`i, which already has the lowest voter turnout in the country. ⁸⁷ With fewer companies controlling news production, the local coverage will appeal to fewer points of view. This will diminish the

better programming and to provide programming that is preferred by viewers. The local community benefits from competition among broadcast television stations in the form of higher quality programming provided to viewers...Local broadcast television stations have incentives to respond to conditions in local markets, and those incentives may be diminished by mergers between stations that reduce competition to anticompetitive levels. Competition among local broadcast television stations is also necessary to preserve competition for advertising by local businesses that want to advertise their products on television. *Id.* at 206, \P 97.

⁸⁴ *Id* at 2066, ¶ 101(emphasis added).

⁸⁵ *Id.* at 2066, ¶102.

⁸⁶ Sinclair, 284 F.3d at 161.

⁸⁷ Declaration of Christopher Conybeare, President, Media Council Hawai'i (Oct. 5, 2009).

audience for local news, which will decrease overall awareness of Hawai`i's civic affairs. This will, in turn, negatively affect already limited civic involvement. As it stands only one station in the Honolulu DMA, the ABC affiliate KITV, has a fulltime reporter at the state capital covering governmental affairs.⁸⁸

Raycom's plan to jointly produce news for all three stations will give Raycom inordinate control over news throughout Honolulu and subsequently the entire state. Raycom will have the power to select which events to cover, to edit the stories, and to choose the methods, manner and emphasis of presentation for all three stations. Additionally, Blangiardi, who will serve as General Manager of the joint operation, will "prepare and deliver personal editorials" on all three stations. ⁸⁹ Instead of having access to four independent sources of local television news, citizens of Hawai`i will be limited to three sources.

The reduction in competition will result in less diverse and lower quality news programming. As discussed above, Raycom plans to reduce the combined workforce of the three stations by one third. With fewer reporters, camera operators, writers, and editors, the stations will not be able to cover as many stories or with as much depth.

This agreement will eliminate competition between two of the four network affiliates. As explained on a KGMB newscast, KGMB and KHNL will combine their separate operations to produce the largest TV news operation in the state and will coordinate their program schedules:

Kiahi Tucker: KGMB News Director Chris Archer will help with the transition. The newsroom's going to get bigger, and you're basically going to have an All-Star team. That team of the best and brightest from all three stations will make up the largest TV news operation in the state.

Chris Archer: Here's a good example, is you're watching your favorite news team in the morning on one station, say it's KHNL, at 7:00 when the Today show

⁸⁸ Declaration of Gerald Kato, Board Member, Media Council Hawai`i (Oct. 1, 2009).

⁸⁹ Declaration of Christopher Conybeare.

comes on, you could then go over to KGMB and continue watching that local news on a different station. $^{90}\,$

On the same broadcast, Mike McCarthy, KGMB Head Engineer, acknowledged that "[e]ach of us has gone out and bought the tools of our trade to be competitive against each other, so now we get to take basically two war chests of broadcast tools and we're going to have a combined arsenal that is much better and gives us a lot more opportunities."⁹¹

Joe McNamara, President of the Fox affiliate KHON, is concerned that Raycom's combined news operation may force his station to do more cost-cutting. He observed: "Where they can send one crew for three stations, it may become too competitive and might force us to do other things." The public interest will be further harmed if either of the two remaining stations with local news are forced to cut back, eliminate their news programming, or possibly enter into an agreement similar to the Raycom-MCG Agreement.

Raycom's decision to produce the news programming for KGMB, KHNL, and KFVE from a joint news room also raises concerns regarding public safety. The Hawaiian Islands are susceptible to extreme weather conditions such as hurricanes, and the residents of Hawai'i rely upon local television stations for news weather reports and related news. Having all three stations share facilities increases the likelihood that a power outage could deprive Hawaiians of vital information during times of emergency.

⁹⁰ KGMB9, 6pm News, *Stations Merge*, KGMB, Honolulu, HI (broadcast Aug. 18, 2009).

⁹¹ Id.
92 Dan Nakaso Consolidation biggest on-air change since '95 Honolulu Advertiser Aug

⁹² Dan Nakaso, *Consolidation biggest on-air change since '95*, Honolulu Advertiser, Aug. 19, 2009.

3. The Agreement Will Reduce Competition in the Sale of Advertising Time

The combined operations of KGMB, KHNL, and KFVE will drive up the cost of advertising within the Honolulu DMA, which not only hurts local businesses but forces the public to pay more in the form of consumer products.

The Herfindahl-Hirschman Index ("HHI") is used to analyze concentration within a particular market. The HHI for the Honolulu DMA is 1841.3. Under the DOJ/FTC Merger Guidelines, an HHI of greater than 1800 indicates a "highly concentrated market," and in such a market, mergers that result in an increase of over one hundred are presumed to "create or enhance market power or facilitate its exercise." After the proposed Raycom-MCG Agreement goes into effect, the HHI for the Honolulu DMA will be 3095.24. This represents an increase in the HHI of 1253.94, well above the one hundred point reference.

In terms of market share, Raycom will control about 44% of the market. In fact, McTear has publicly acknowledged that under the Agreement, Raycom will have about 40% of the market. ⁹⁷ It is unclear whether the stations will maintain separate sales staffs ⁹⁸ but even if this turns out to be the case, robust competition cannot occur where both sales teams report to the same general manager and all the revenue goes to Raycom.

Raycom has engaged in previous transactions which raised concerns about anticompetitive activity. In April of 2008, Raycom purchased an NBC affiliate in the Richmond,

⁹⁶ See Appendix A1 – HHI Table.

⁹³ U.S. DEP'T OF JUSTICE & FED. TRADE COMM'N, HORIZONTAL MERGER GUIDELINES § 1.5, at 15 (rev. ed. 1997) ("Guidelines").

⁹⁴ See Honolulu SSA HHI Analysis (using the 2006 numbers, the most recent data we were able to obtain) (See attached as Exhibit 8).

⁹⁵ *Guidelines*, §1.51, at 16.

⁹⁷ Rick Daysog, *D.C. Law Firm to challenge TV stations merger plans*, Honolulu Advertiser, Sept. 5, 2009.

⁹⁸ Rick Daysog, *KGMB says Financial Losses prompted Consolidation Deal*, Honolulu Advertiser, Aug. 20, 2009.

VA market where Raycom already owned the CBS affiliate station. ⁹⁹ The transaction gave Raycom ownership of two of the top four stations and fifty percent of the broadcast television spot advertising revenue in Richmond. ¹⁰⁰ The DOJ filed a complaint and a proposed consent decree, which became final in December 2008, requiring Raycom to divest the CBS affiliate. ¹⁰¹ Although Media Council Hawai`i plans to alert antitrust authorities of its concerns, the FCC has a separate statutory responsibility to ensure that broadcast stations are operating in the public interest. ¹⁰²

C. The Raycom-MCG Agreement Violates the Commission's Cross-Interest Policy

Even assuming for purposes of argument that the Agreement does not transfer control of KGMB to Raycom, the FCC has long recognized that certain arrangements raise the same concerns as outright ownership and thus warrant further investigation. For years, the Commission had a policy against cross-interests which "[i]n essence, . . . filled gaps in [its] attribution criteria that had become apparent through our case-by-case application of the ownership rules." Under the cross-interest policy the Commission examined three factors: (1) key employee relationships, (2) non-attributable equity interests, and (3) joint venture

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⁹⁹ *United States v. Raycom Media, Inc.*, No. Civ.A. 08-1510, 2008 WL 5467611 (D.D.C. Dec. 4, 2008). Copies of the DOJ Press Release, Complaint, Hold Separate Stipulation and Order, and Competitive Impact Statement are *available at* http://www/usdoj.gov.

¹⁰¹ *Id*.

¹⁰² See, e.g., Prometheus, 373 F.3d at 413-14; 2002 Biennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996, 18 FCC Rcd 13620, 13697 ¶ 65 (2003) ("2003 Order") (stating that antitrust authorities generally focus their inquiry on price competition, but that the Commission's public interest inquiry focuses on the ultimate effect that a diminution in competition would have on the consuming public).

¹⁰³ Review of the Commission's Regulations Governing Attribution of Broadcast and Cable/MDS Interests, Report and Order, 14 FCC Rcd. 12559, 12604, ¶100 (1999) ("Attribution Report and Order").

agreements.¹⁰⁴ When the FCC revised its ownership rules to apply to local marketing agreements, it eliminated the cross-interest policy as a formal legal requirement. However, it retained the discretion to "scrutinize extraordinary or unanticipated circumstances as they arise" to determine whether they were consistent with the public interest.¹⁰⁵

The proposed Raycom-MCG Agreement presents such an "extraordinary or unanticipated" circumstance. The Agreement implicates at least two of the factors under the cross-interest policy. First, the cross-interest policy generally prohibited a key employee, such as a general manager, program director, or sales manager from one station, from serving as a key employee of another station in the same market. ¹⁰⁶ In the instant situation, there is a very clear key employee relationships under the cross interest policy. Blangiardi will become the General Manager of both KGMB and KHNL and Archer will be the Content Manager for all three stations. Second, the cross-interest policy prevented two local broadcast licensees from entering into joint ventures to buy or build a new broadcast station, cable television system, or daily newspaper in the same market because the successful operation of a joint venture requires a cooperative relationship between otherwise competing stations. ¹⁰⁷ As described above, the extent of cooperation contemplated by the Raycom-MCG Agreement goes well beyond a typical joint venture arrangement.

IV. REQUEST FOR RELIEF

For the foregoing reasons, Media Council Hawai`i respectfully requests that the Commission issue an order, pursuant to 47 USC §§154(i) and 303(r) and 47 CFR §1.91, directing that Raycom and MCG show cause why a cease and desist order should not be issued

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¹⁰⁴ *Id.* at 12605, ¶103.

 $^{^{105}}$ Id. at 12581, ¶ 44; at 12609, ¶ 112; at 12610, ¶ 116.

¹⁰⁶ *Id.* at 12605, ¶103.

¹⁰⁷ *Id*.

to enjoin the implementation of the Agreement and/or revoke their licenses because consummation of the Agreement would result in an unauthorized transfer of control in violation of 47 U.S.C. § 310(d) and 47 CFR § 73.3540 violate the local television multiple ownership rule, 47 CFR §73.3555(b); and reduce diversity and competition in the provision of local news and other local programming in contravention of the public interest.

In addition, Media Council Hawai`i requests that the FCC promptly issue a "standstill order" enjoining Raycom and MCG from taking any further action pursuant to the Agreement until after the Commission has held a hearing on the order to show cause pursuant to 47 CFR §1.91 or Respondents have waived their right to a hearing under 47 CFR §1.92. In *United States v. Southwestern Cable, Co.*, the Supreme Court held that the FCC has authority under the Communications Act to issue an order to preserve the *status quo* pending determination of whether a planned action is consistent with the public interest. ¹⁰⁸ In *AT&T Corp. v. Ameritech Corp.*, the Commission stated that it would consider requests for interim or injunctive relief on a case-by-case basis using the same four criteria that federal courts employ in evaluating requests for preliminary injunctive relief. ¹⁰⁹

Here, all four factors favor the grant of preliminary relief. First, the FCC is likely to find that the Agreement violates both the requirement of seeking prior FCC approval of any transfer of control and the local television multiple ownership rule. Second, unless preliminary relief is granted, the public will be irreparably harmed by Raycom's control over a third television station in the Honolulu DMA, and the consequent diminution in diversity and competition in local news programming. Since the Agreement provides that KGMB, KHNL and KFVE will share the same studio and tower, share management personnel, and jointly produce news and other local

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¹⁰⁸ United States v. Southwestern Cable, Co., 392 U.S. 157, 178-181 (1968).

¹⁰⁹ AT&T Corp. v. Ameritech Corp, 13 FCC Rcd 14508, 14515 (1998).

programming, it will be nearly impossible for KGMB to resume separate operations if the Agreement is allowed to take effect. Third, Raycom and MCG will not be substantially harmed by the grant of interim relief because in the unlikely event that the FCC finds the Agreement does not violate its rules or the public interest, they can consummate the Agreement at that time. Finally, issuance of a "standstill order" will further the public interest by preserving diversity and competition in local news. In addition, by clarifying the applicability of the FCC rules to this shared services agreement, the FCC may prevent the occurrence of similar violations of its rules in other communities.

Media Council Hawai`i further requests the FCC to order Raycom and MGC to make the Shared Services Agreement available for public inspection and to comply with all aspects of the public file rule, 47 CFR §73.3526. Finally, Media Council Hawai`i respectfully asks the Commission to grant any other relief as may be just and proper.

Of Counsel:

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October 7, 2009

Respectfully Submitted,

_/s/__

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Counsel for Media Council Hawai`i

LIST OF EXHIBITS

Declarations

- 1. Declaration of Christopher Conybeare, President, Media Council Hawaii
- 2. Declaration of Gerald Kato, Board Member, Media Council Hawaii
- 3. Declaration of Jean King, Board Member, Media Council Hawaii

Raycom Press Release

 Press Release, Raycom Media, Owners of KHNL/K55 and KGMB Reach Agreement to Secure the Future of Television Programming and its Three Stations in Hawaii

KHNL Employee Termination Letter

5. Termination Letter from John Fink, Vice President/General Manager of KHNL, to employees of KHNL

Public File Inspection Letters

- 6. Letters from Larry Geller to the FCC's Investigations and Hearings Division regarding KGMB (Sept. 9, 2009)
- 7. Letters from Larry Geller to the FCC's Investigations and Hearings Division regarding KHNL and KFVE (Sept. 9, 2009)

Table

8. Honolulu SSA HHI Analysis

News Clippings

- 9. Broadcasting & Cable, Raycom, Local TV to Swap Stations, Jan. 6, 2009
- 10. Daysog, Rick, *D.C. law firm to challenge TV stations' merger plans*, Honolulu Advertiser, Sept. 5, 2009
- 11. Daysog, Rick, *Honolulu TV Stations KGMB*, *KHNL & K5 will Combine Operations*, Honolulu Advertiser, Aug. 19, 2009
- 12. Daysog, Rick, *KGMB says Financial Losses Prompted Consolidation Deal*, Honolulu Advertiser, Aug. 20, 2009

- 13. Engle, Erika, *Execs explain TV swap, but some see it as blurry*, Star Bulleting, Aug. 20, 2009
- 14. Engle, Erika, KGMB Building Sold, Honolulu Star Bulletin, Jan. 8, 2008
- 15. Engle, Erika, TV Managers Trade Post, Honolulu Star Bulletin, Aug. 21, 2009
- 16. Engle, Erika, *TV Stations' Pact Draws Fire*, Honolulu Star Bulletin, Aug. 19, 2009
- 17. KGMB Owner Sells Land Under Station, Honolulu Advertiser, Jan. 8, 2008
- 18. Nakaso, Dan, *Consolidation biggest on-air change since '95*, Honolulu Advertiser, Aug. 19, 2009
- 19. Nielson Company, Local Television Market Estimates, (Sept. 2008)
- 20. McTear, Paul *Shared TV services strengthen stations*, Star Bulletin, Aug. 23, 2009
- 21. Pang, Gordon Y.K., *Shocked Journalist Worried About Jobs*, Honolulu Advertiser, Aug. 19, 2009
- 22. Press Releases from KGMB-TV, KHNL-TV, KFVE-TV and Raycom Media, Honolulu Star Bulletin, Aug. 18, 2009

Local News Broadcasts, Transcripts

- 23. KGMB9 5pm News, *Three Stations Merge*, KGMB, Honolulu, HI (broadcast Aug. 18, 2009)
- 24. KGMB9, 6pm News, *Stations Merge*, KGMB, Honolulu, HI (broadcast Aug. 18, 2009)
- 25. KHNL-8, 6pm News, *KHNL K5 and KGMB to Merge*, KHNL, Honolulu, HI (broadcast Aug. 18, 2009)
- 26. KHON-TV2 5pm News, *Employees Lose Jobs*, KHON, Honolulu, HI (broadcast Aug. 18, 2009)
- 27. KITV4 5pm News, *Change in Local TV Market*, KITV, Honolulu, HI (broadcast Aug. 18, 2009).

DECLARATION OF CHRISTOPHER CONYBEARE

- 1) My name is Christopher Conybeare. I am president of the Media Council Hawai'i (formerly The Honolulu Community-Media Council) and a resident of Honolulu, Hawai'i.
- 2) Media Council Hawai'i (MCH) was established in 1970 and is the oldest of the 5 volunteer media councils in the United States. It is composed of individuals who reside in the area served by KGMB, KHNL, and KFVE. The Council is a non-partisan, non-profit, non-governmental, and independent organization that seeks to improve access to information, strengthen public support for First Amendment rights and freedoms, broaden public understanding of the role of the media, and promote accurate and fair journalism in Hawai'i. Its members and participants represent the diversity of the Hawai'i community and are drawn from all walks of life.
- 3) MCH has been regularly involved in providing forums and public education related to its mission, and members have actively observed the media landscape in Hawai'i since the organization's inception.
- 4) I have been involved with MCH since 1996 and have been its board president since 2004. I am a licensed attorney practicing in Hawai'i since 1979 with special focus on civil and human rights, as well as certain aspects of media law. In 1981 I left full-time practice to pursue a career in television production.
- 5) I hosted my own public television series from 1981 through 1985, was executive producer of news and public affairs at PBS Hawai'i from 1987-1993, and served as executive producer and managing editor of an international weekly news program "Asia Now" that was broadcast throughout Asia and in 60 U.S. cities from 1992-1996. I have been a consultant and legal counsel to independent documentary producers, and I headed my own production company from 1993-2000. I was hired as part-time faculty by the Center for Labor and Education, University of Hawai'i in 1996 and was granted a full-time position in 2001 (and tenured in 2005).
- 6) In addition to the above, I was awarded a Fulbright Fellowship in 2003-2004 to work with the Press Council of Turkey and several Istanbul universities on issues of media freedom and access to information. As a result, I also serve as Secretary General of the Istanbul-based World Association of Press Councils (WAPC). I have been an invited speaker on media freedom and related issues at international conferences in Turkey, Tanzania, Kenya, Uganda, Thailand, and the United States.

- 7) I have reviewed the Petition for Emergency Relief Regarding Shared Services Agreement between Raycom Media and MCG Capital. As described in the foregoing Petition, myself, members of MCH, and residents of the Honolulu/Hawai'i DMA will suffer irreparable harm if Raycom Media and MCG Capital execute their proposed shared services agreement. We are harmed in the following ways:
 - a) This Agreement is really an arrangement whereby Raycom Media will exercise editorial control over content on 3 broadcast stations in this market, including both the CBS and NBC affiliates. The result will severely reduce diversity of opinion. This loss is exacerbated by our inability to access any other broadcast transmissions due to our isolated geographic location. In addition Mr. Blangiardi (currently General Manager of KGMB) told me that Raycom Media expected him to prepare and deliver personal editorials for the merged operation. Small island communities can be easily overwhelmed when voices are reduced and one loud voice substituted.
 - b) We have already noticed that in newscasts presented by KGMB, under Blangiardi's control, about the announced agreement between Raycom and MCG Capital gave almost no mention to community voices questioning the merger and that self-serving interviews with Raycom and MCG representatives were presented instead. The implication is that those who represent viewpoints at odds with those held by Raycom or Mr. Blangiardi will get scant attention on the merged systems.
 - c) One editor will prepare and simulcast news programming for all three stations. This loss of competition will result in less information to inform public opinion. This loss will have a negative effect on public participation in the democratic process. Hawai'i already has the sad distinction of having the lowest voter turnout in the country. In the 2008 presidential election, only 51.8% of registered voters in the islands went to the polls. This merger not only reduces information sources, but will also reduce methods and styles of presentation, making news less interesting and therefore less accessible. I have been told by reliable sources that the merged companies would maintain only one website, instead of the two now offered. This will further reduce ancillary applications associated with news and community programming.
 - d) Based on information received, it is my belief that Mr. Chris Archer, who is presently employed at MCG Capital's KGMB as News Director, will be hired by Raycom Media to be the content manager for all production on the three stations. Thus Raycom will control all original production on the merged operation. In addition, this one manager will control access to the air on the Raycom controlled system by independent producers. This increases barriers against Independent productions in a market already limited in provision of such opportunities.

- e) The merger will consolidate advertising revenues received by Raycom Media. Raycom's McTear said in one newspaper report that, with the merger, Raycom's share of the market revenues "would be just under 40%". However, local media executives have indicated that this share would be closer to 45%. With this domination, we expect advertising costs to increase, causing harm to small business owners and community organizations, already struggling with a bad economy.
- f) If Raycom is allowed to proceed with this merger rather than MCG Capital transferring its license, there will be no possibility of local ownership that will serve as another independent voice to the residents of Honolulu. MCH ultimately favors local ownership of broadcast and other media outlets. At present, not one major broadcaster or newspaper is locally owned. The Raycom merger and its domination of revenues will create additional barriers to any local person or company that might contemplate entry into the Honolulu and Hawai'i broadcast market.
- g) MCH views with alarm the implications that this merger poses for future consolidation in this community. Raycom contends that this type of merger does not require regulatory review and is permissible under existing FCC regulations and Anti-trust law. If this is true, nothing prevents the other two major broadcast license holders in Honolulu (KHON and KITV) from undertaking a similar arrangement.
- h) There has been a lack of transparency and disregard for the public interest and input about the details of the "Shared Services Agreement" between Raycom Media and MCG Capital. The only details that have been made available have been selective bits incorporated in news releases and media interviews. At a meeting on September 23, 2009, with Mr. Blangiardi and Mr. Fink, I asked to see the agreement and was pointedly ignored.
- 8) This Petition has been prepared in support of the foregoing Petition for Emergency Relief.

This statement is true to my personal knowledge and is made under penalty of perjury of the laws of the United States of America.

Date Executed:

Christopher R. Conybeare, President

Media Council Hawai'i

DECLARATION OF GERALD KATO

- 1) My name is Gerald Kato. I am an Associate Professor of Journalism at the University of Hawai'i at Manoa and a member of the board of Media Council Hawai'i.
- 2) Media Council Hawaii composed of individuals from the media and the community— is a nonpartisan, non-governmental independent group. It seeks to promote accurate and fair journalism in Hawaii, broaden public understanding of the role of the media, foster discussion of media issues, strengthen public support for First Amendment rights and freedoms, and improve public access to information.
- 3) I was born and reared in Hawaii. I am a graduate of the University of Hawaii and the University of Missouri School of Journalism. I have taught broadcast journalism and media law at the University of Hawai'i since 1991. I was a government and courts reporter at The Honolulu Advertiser, Hawaii's largest daily newspaper, for 11 years. I worked for three years as Political Editor at KITV News, the ABC affiliate, and for two years as chief political reporter for KGMB News, the CBS affiliate.
- 4) In addition, during the 1980-1981 academic year, I was a National Endowment for the Humanities Journalism Fellow at the University of Michigan at Ann Arbor, where I studied constitutional law at the Michigan Law School. In 1995, I received the First Amendment Award from the Hawaii Chapter of the Society of Professional Journalists. I was also recognized by the national Society of Professional Journalists as faculty adviser of the year for my work with the student chapter of the Society of Professional Journalists.
- 5) I reside at 2389 Beckwith St. in Honolulu, Hawai`i. I reside within the viewing area and I regularly view KGMB, which is licensed to MCG Capital, and KHNL and KFVE, licensed to Raycom Media.
- 6) I have reviewed the Request for Emergency Relief Regarding Shared Services Agreement between Raycom Media and MCG Capital for Joint Operation of Television Stations KHNL, KFVE and KGMB Honolulu, Hawaii. As described in the foregoing Request, I personally, members of MCH, and members of the Honolulu/Hawaii DMA will suffer irreparable harm if Raycom Media and MCG Capital execute their proposed shared services agreement.
- 7) The proposed Agreement harms me in the following ways:
 - a. A "shared services agreement" allowing Raycom Media to merge operations at two major stations KGMB, the CBS affiliate, and KHNL, the NBC affiliate and one independent station KFVE-- will substantially decrease viewpoint diversity in the state of Hawai'i. I am harmed because television news is the main source of local news, and consolidation of news operations and concentration of ownership limits my choices in seeking local news and information.

- b. Sharing significant newsgathering and reporting resources will result in the same reporter presenting the same viewpoints on two of the four major stations in the local television market. This will result in fewer perspectives, opinions, and viewpoints available to me on local issues. I am harmed because if Raycom Media is allowed to effectively control two of the regular sources of local news statewide--since television signals are distributed throughout the state--then my access to independent sources of local news is substantially reduced.
- c. I am further harmed because Raycom Media has consolidated newsgathering and production staffs at KGMB and KHNL. Fewer staff members means that fewer stories are covered and less and less information is available to me and others like me concerned about civic life in Hawai'i. As it is, only one of the local stations—the ABC affiliate—maintains a fulltime government reporter at the State Capitol. Consolidation will result in even less coverage of critical issues confronting Hawaii during the current economic downturn.
- d. I am harmed because television, as the main source of local news, bears a unique responsibility to expand civic engagement, and I believe Raycom Media's proposal will do just the opposite. Hawai'i currently ranks last among states in voter participation and having fewer news outlets threatens to further erode civic life in Hawai'i.
- e. Raycom Media is already highly concentrated nationally with 36 markets in 18 states. I believe as national markets become more consolidated, it becomes even more critical at the local level that communities have access to multiple, independently-owned outlets for their news and information and political dialog. I believe the shared services agreement threatens to erode diversity, competition and localism while increasing media ownership concentration in local markets.
- f. I was present at a Future of the News Media workshop in August, where Richard Blangiardi, general manager of KGMB, expressed the opinion that this shared services agreement will be the model for other markets in the Mainland. I will be harmed by this because the agreement threatens to undermine the foundation of broadcasting in the public interest as enunciated in the Communications Act and reaffirmed by numerous court decisions.
- g. A cease and desist order is critical to maintaining my rights with regard to choice and competition in the broadcast marketplace. It is my understanding and belief that Raycom Media is rushing to consummate the merger of news operations on or about October 19, 2009 in an effort to establish a foothold with its shared services agreement before there is sufficient time for regulatory and other review. Such a move will undermine my rights as a citizen.
- 8) This Declaration has been prepared in support of the foregoing Request for Emergency Relief.

9)	This statement is true to my personal knowledge and is made under penalty of perjury o
	the laws of the United States of America.

Date Executed: 10-01-09

Gerald Y. Kato

DECLARATION OF JEAN KING

- 1) My name is Jean King. I am a member of the board of directors of Media Council Hawai'i.
- 2) Media Council Hawai'i —formerly known as The Honolulu Community-Media Council was established in 1970 and is the oldest of the five volunteer media councils that exist in the United States. The Council is composed of individuals from the community and the media and is a non-partisan, non-profit, non-governmental independent group, which seeks to improve public access to information, strengthen public support for First Amendment rights and freedoms, broaden public understanding of the role of the media, and promote accurate and fair journalism in Hawai'i.
- 3) I was born and grew up in Hawai'i.
- 4) I received Bachelor's and Master's degrees from the University of Hawai'i and a Master's degree from New York University. In 1987, I received a Distinguished Alumni Award from the University of Hawai'i.
- 5) I have long been involved in civic affairs in our community. From 1972 to 1974 I served in the State House of Representatives, and from 1974 to 1978 I served in the State Senate. I was chair of the Environmental Protection Committee in both houses.
- 6) In 1978 I became the first woman elected lieutenant governor of the State of Hawai'i. Among my duties was serving as the state's chief elections officer. I served as lieutenant governor until 1982.
- 7) I remain active in community affairs, including serving on the board of Media Council Hawai'i and on the board of The Interfaith Alliance Hawai'i which promotes the positive healing role of religion in public life.
- 8) I reside in Honolulu, Hawai'i. I reside within the viewing area of KGMB, the CBS affiliate which is licensed to MCG Capital, and KHNL, the NBC affiliate, and KFVE, the independent station, which are licensed to Raycom Media.
- 9) I have reviewed the Request for Emergency Relief Regarding Shared Services Agreement between Raycom Media and MCG Capital. The vivid description of the merger leads me to conclude that I personally, members of MCH, members of the Honolulu/Hawai'i DMA will suffer irreparable harm if Raycom Media and MCG Capital execute their proposed "shared services agreement."
- 10) The proposed Agreement harms me in the following ways:
 - a) Raycom plans to reduce the combined workforce of the three stations by one-third. Fewer staff members mean that fewer stories are covered, and less information, less variety of information and less depth of information are available to me.

- b) The quality of programs may well diminish. As the FCC has said: "The public is best served when numerous rivals compete for a viewing audience...Competition thus provides an incentive to television stations to invest in better programming and to provide programming that is preferred by viewers. The local community benefits from competition among broadcast television stations in the form of higher quality programming provided to viewers."
- c) Raycom's plan to jointly produce news for all three stations will, as the Request points out, give Raycom "inordinate control over news throughout Honolulu and the entire state. Raycom will have the power to select which events to cover, to edit the stories, and to choose the methods, manner and emphasis of presentation for all three stations."
- d) My opportunity to view a variety of enriching cultural programs would be diminished.
- e) The range of possible contacts to urge coverage of a story would shrink, making it more difficult to get that situation explored and exposed. This will ultimately have an impact on government accountability and transparency.
- f) Three of us from MCH attempted to view the public files at both properties currently owned by Raycom and MCG Capital. At Raycom's headquarters, John Fink, General Manager of KHNL/K5, met us and told us he did not know where the files were located. After he placed a phone call, he said that the files were currently locked and the person with a key was in a meeting. After waiting for a significant time we left, having never seen a file. At KGMB, General Manager Blangiardi welcomed members of MCH and escorted us to the file room. There it was discovered that KGMB couldn't even locate its current broadcast license, and that files were in such disarray as to make inspection impossible. Neither company was able to comply with the most basic of public interest obligations. I am concerned that should this attitude be carried into the merged operations, public awareness and broadcaster transparency will suffer irreparable harm.
- 11) This Declaration has been prepared in support of the foregoing Request for Emergency Relief.
- 12) This statement is true to my personal knowledge and is made under penalty of perjury of the laws of the United States of America.

Date Executed: 10/1/09

Jean King Honolulu, HI

OWNERS OF KHNL/K5 AND KGMB REACH AGREEMENT TO SECURE THE FUTURE OF TELEVISION PROGRAMMING AND ITS THREE STATIONS IN HAWAII

Shared Services Agreement would ensure that news, network programming, UH sports, severe weather coverage and all other services continue to be provided to residents of Hawaii

HONOLULU — Raycom Media, owner of KHNL and K5, and MCG Capital Corporation, owner of KGMB, announced today a Shared Services Agreement which, upon completion, the two companies would combine the three stations to creatively and successfully address the impact of the negative economy and to secure the future of all three television stations in Hawaii.

"The purpose of a Shared Services Agreement is to not only secure the future of KHNL, K5 and KGMB, but to operate them more efficiently and effectively without diminishing the quality of news and other programming provided to our customers in Hawaii," said Paul McTear, President and CEO of Raycom Media. "We realize there may be other financial and business options available, and while we are certainly open to discussing these with any interested party, the economic reality is that this market cannot support five traditionally separated television stations, all with duplicated costs. Rather than experiencing the loss of one, or possibly two stations in Hawaii, we intend to preserve three stations that provide important and valuable local, national and international programming to viewers in Hawaii."

Under the agreement, Raycom Media would provide certain services to all three stations. The agreement is an operational arrangement, not an ownership change agreement. Raycom Media retains ownership of KHNL/K5 and MCG Capital Corporation retains ownership of KGMB.

"Companies that think and act far more creatively to protect their businesses and employees in this economy are the ones that are going to weather the storm and emerge stronger," said McTear. "Raycom Media is proud of its long relationship with Hawaii, and with the University of Hawaii, and we are excited that an agreement would allow us to, not only continue to serve the islands, but to serve residents in even more and better ways." Raycom Media's KFVE, or "K5," produces and broadcasts well over 100 live sports events each year for the University of Hawaii.

The Shared Services Agreement creates what would be the largest local television news operation available to cover local, national and international news for Hawaii. The KGMB, KHNL, K5 newsroom and all those working there plan to produce more than 40 hours of local news each week, making it among the most productive newsrooms in the country. The stations will also continue to provide local web sites rich in news, weather, sports, entertainment, business, advertising and other content of community interest.

"Such an agreement allows the three stations to field the largest number of news professionals, particularly during times of major breaking news or severe weather, providing better coverage of stories impacting the lives of everyone who lives on the islands, and produced on multiple platforms – television, internet and on

2 of 3 9/23/2009 12:06 PM

mobile devices." added McTear.

"Given the challenges of operating a standalone station in these very difficult markets, MCG views the Shared Services Agreement as a smart and creative way to manage its continuing ownership investment in KGMB," said Rick Blangiardi, President and General Manager of KGMB and MCG Capital's representative in Hawaii. "We are very proud of our employees and the work that they do. Under a new agreement, KGMB, and the people who work there, will benefit from the scale and diversity which comes from a company like Raycom Media, recognized as a company that will be an integral part of the broadcast industry for years to come."

Under a Shared Services Agreement, the three stations will share in the news services as well as other combined services. It's anticipated that, once the two companies swap call letters, the national networks and other programming, along with the accompanying channel positions of each of the three stations, will remain the same.

Raycom Media, an employee-owned company, is one of the nation's largest broadcasters and owns and operates 46 television stations in 36 markets and 18 states, including Hawaii. In addition to television stations, Raycom owns Raycom Sports, a marketing, production and events management and distribution company; Raycom Post, a post production facility; Broadview Media, a post production telecommunications company; and CableVantage, a cable advertising sales group.

MCG Capital Corporation is a solutions-focused commercial finance company providing capital and advisory services to middle-market companies throughout the United States. Our investment objective is to achieve current income and capital gains. Our capital is generally used by our portfolio companies to finance acquisitions, recapitalizations, buyouts, organic growth and working capital. For more information, please visit www.mcgcapital.com.

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3 of 3 9/23/2009 12:06 PM





This letter is to advise you that KHNL/KFVE, LLC ("KHNL") has entered into an asset exchange agreement with HITV Operating Co., Inc. ("HITV") under which certain assets of KFVE-TV owned and operated by KHNL will be exchanged for certain assets of KGMB(TV), KGMV(TV) and KGMD-TV (collectively, "KGMB") owned by HITV. Under the terms of this agreement, HITV and KHNL intend to enter into a Shared Services Agreement whereby KHNL will provide certain services for the operation of KGMB.

The asset exchange transaction is expected to be completed on or about October 18, 2009 ("Closing Date"). After the Closing Date, we expect KHNL to terminate the employment of certain employees at KHNL. It is anticipated that you will be one of the employees whose employment will be terminated.

In the event that the Workers Adjustment and Retraining Notification Act or the Hawaii's Dislocated Workers Law applies to this asset exchange transaction, we are providing you and all employees with the following information:

- 1. Your employment may be permanently terminated on
- Non-union employees do not have bumping rights.
- of this transaction, you may be eligible for a dislocated worker allowance under Hawaii law. To be eligible to receive the dislocated worker allowance, however, you would first need to receive a determination of eligibility for unemployment benefits from the State of Hawaii Department of Labor and Industrial Relations, Unemployment Insurance Division. If you receive severance benefits under another policy or plan, the benefits under that severance policy or plan, may be reduced or replaced by the dislocated workers allowance received.

We thank you for your past service to KHNL and wish you the best in your future endeavors.

Questions or requests for further information concerning this notice should be addressed to Bryan Kam at 847-3246.

Very truly yours

KHNL / KFVE NEW MEDIA CENTER

420 Waiakamilo Road, Suite 205, Honolulu, HI 96817-4950 Main 808.847.3246 • khnl.com • k5thehometeam.com To:

From: John Fink

Re:

Employment agreement

In accordance with Section 7(b) of your employment agreement dated with the station, this will serve as written notice of cancellation of your employment agreement effective on October 2009.

Please let me know if you have any questions in this regard.

John L. Fink

Vice President/General Manager

Date

CONFIDENTIAL

email: lgeller@igc.org Phone: (808) 540-1928

Federal Communications Commission Investigations & Hearings Division 445 12th Street, SW Washington, DC 20554 – via email: mbinfo@fcc.gov –

September 9, 2009

Subj: Failure of KGMB Television to maintain a public file in good order for public access

As a member of the Hawaii viewing audience and as an active participant with several community organizations, when I heard that Raycom planned to merge operations of its two stations, KHNL and KHVE with MCG Capital's KGMB, I was alarmed. This combination would reduce editorial control to one station, making it more difficult to get attention for community groups and their messages. It has the potential as well to limit or curtail news and information available to the public.

Therefore I visited the stations to see their public files in the hope of learning more about station owners, the proposed merger, and other background related to the merger.

I am aware that FCC's rules require all broadcast stations to maintain a file available for public inspection. The information I am looking for should have been available as part of the public file.

Accordingly, Jean King, and I decided to visit together for efficiency, and because we shared similar interests and concerns.

Unfortunately, we could not locate documents in the public file because the file was in disarray.

We arrived at KGMB at about 1:25 p.m. on September 3, 2009, a normal business day, and were immediately shown to the room where the file is located, provided with chairs, and warmly greeted by KGMB President and General Manager Rick Blangiardi. Darlene Lee was present in the same room as the file and offered us help in locating documents.

Unfortunately, the file had not been maintained and was in disarray.

Current material was mostly in a single vertical pile at the right side of one drawer, unsorted and so very difficult to search. We would have no way of knowing if we had the current copy, for example, of a particular kind of document. Even the older content, sorted into folders, was not tabbed or well organized, with multiple folders containing children's educational TV information, for example, and those were not located together.

Parts of the file were easy to access, such as the EEOC file, which included material dated late in 2008 and may have been current. We located the publication, "The Public and Broadcasting" dated 1999 and another dated 2008. We found ownership reports dated 2003 and material related to FCC complaints dated 1994. The political file was dated 1996 and was substantial. We had been told that the rest of the file was in another room, but in the end we ran out of time and did not visit it.

We found some retransmission agreements and the like, but cannot tell if current material is included. We did not find and ultimately asked for a copy of the most recent license renewal application, which was found and shown to us from somewhere outside the public file.

They could not locate the station's current FCC license at all.

Although we were granted access to the file immediately and personnel were helpful to us in our search, the condition of the file meant that we could not locate what we were seeking. The file may have contained current material or not, we could not tell due to the disarray. It will take some work to put it in order. We left KGMB at 3:03 p.m.

At a future date we will try again to view the documents that we are seeking with regard to the merger.

Sincerely,

Xany Geller Larry Geller

email: lgeller@igc.org Phone: (808) 540-1928

Federal Communications Commission Investigations & Hearings Division 445 12th Street, SW Washington, DC 20554 – via email: mbinfo@fcc.gov –

September 9, 2009

Subj: Failure of KHNL Television to make their public files available for inspection

KHNL and KHVE are both co-located at the same address: 420 Waiakamilo Road, Suite 205, Honolulu, Hawaii 96817. This is a complaint against KHNL. I am filing an identical complaint against KHVE.

As a member of the Hawaii viewing audience and as an active participant with several community organizations, when I heard that Raycom planned to merge operations of its two stations, KHNL and KHVE with MCG Capital's KGMB, I was alarmed. This combination would reduce editorial control to one station, making it more difficult to get attention for community groups and their messages. It has the potential as well to limit or curtail news and information available to the public.

Therefore I visited the station to see their public files in the hope of learning more about station owners, the proposed merger, and other background related to the merger.

I am aware that FCC's rules require all broadcast stations to maintain a file available for public inspection. The information I am looking for should have been available as part of the public file.

Accordingly, I, Jean King, and Lucy Witeck decided to visit together for efficiency, and because we all shared similar interests and concerns.

Unfortunately, we were denied access to the public file.

We arrived at KHNL/KHVE at about 10:20 on September 3, 2009, a normal business day. After a short wait, General Manager John Fink came out to greet us at about 10:25 and informed us that he didn't know where the public file was, and that he would call someone to find out. He said he was going to call Dan Schmidt.

At 10:50 Mr. Fink came out again to say that the public file is locked and he was looking for the key.

At 11:00 Mr. Fink came out again to say that Schmidt was probably in a meeting because he was not answering his cell phone, and offered that we could wait or come back later. I left my cell phone number and asked to be called back, saying we could return if it would not be too long. We resolved to kill some time to give Mr. Fink the opportunity to locate the key, and walked to a nearby restaurant for an early lunch. When no call came, we added some coffee to our order and waited further, but due to other appointments we each had that day, we resolved to leave at 1 p.m. My supply of quarters for the parking meter would not have extended much beyond that time anyway.

When no call came at 1 p.m., we did leave.

En route to our next appointment, at 1:13 p.m., Dan Schmidt left a voice message that the public file was ready, but we could not return to the station at that time.

I am aware that "The public inspection file shall be available for public inspection at any time during regular business hours" and felt that we gave KHNL more than enough accommodation to provide access.

At a future date we will try again to view the documents that we are seeking with regard to the merger.

Sincerely,

Larry Geller

Xany Geller

Honolulu SSA HHI Analysis

Station	Affiliate	2006 Revenue Share	Post-SSA Revenue Share	Pre-SSA HHI	Post-SSA HHI
KHON-TV	FOX	27	27	729	729
KITV	ABC	19.8	19.8	392.04	392.04
KFVE	Му	9.3	0	86.49	0
KGMB	CBS	18.9	44.2	357.21	1953.64
KHNL	NBC	16	0	256	0
KWHE	IND	1.9	1.9	3.61	3.61
KIKU	IND	3.1	3.1	9.61	9.61
KBFD	IND	2.1	2.1	4.41	4.41
KPXO	i	0.2	0.2	0.04	0.04
KHHB-LP	IND	1.7	1.7	2.89	2.89
	Total:	100	100	1841.3	3095.24

Data Source: Investing In Television Market Report, BIA Financial Network, Chantilly, VA, 2007 (2d ed.)

« Back | Print

Raycom, Local TV to Swap Stations

Approval of asset exchange would resolve ownership of Raycom's WTVR Richmond, Va., after blocked sale

By B&C Staff -- Broadcasting & Cable, January 6, 2009

Raycom Media and Local TV announced Tuesday that the two broadcasters will swap stations in Alabama and Kentucky. As part of an asset exchange agreement, Raycom will acquire Local TV's Fox affiliate WBRC Birmingham, Ala., in exchange for its CBS affiliate WTVR Richmond, Va., plus additional consideration.

Raycom had attempted to sell WTVR to Sinclair Broadcast Group earlier this year,

but the \$85-million deal was blocked by the Justice Department.

"Acquiring WBRC strengthens Raycom's position in the great State of Alabama," said Raycom CEO Paul McTear in a joint statement. "Adding WBRC to our portfolio gives Raycom a presence in nearly every major Alabama market. This transaction allows us to complete the mandated divestiture of WTVR, Channel 6 in Richmond. We are thrilled that our employees can now put the question of ownership behind them and begin a promising future with Local TV."

Added Local TV CEO Bobby Lawrence, "We are excited to acquire WTVR, a heritage station in the attractive Richmond market, which will strengthen our position in the Commonwealth of Virginia. We see a strong opportunity to create a Virginia-focused regional operation which will allow us to provide enhanced news coverage and service to the community. At the same time, we are sad to say farewell to our first-class group of employees at WBRC, who have done an exceptional job." The deal is expected to close in the first half of 2009.

« Back | Print

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September 5, 2009

D.C. law firm to challenge TV stations' merger plans

Institute will present Isle media council's opposition

BY RICK DAYSOG Advertiser Staff Writer

A Washington, D.C., public-interest law firm that has opposed media consolidation on the Mainland will challenge the merger of news and business operations at KGMB9, KHNL and K5.

The Institute for Public Representation at Georgetown Law will represent Media Council Hawai'i in protesting the controversial transaction before the Federal Communications Commission.

Chris Conybeare, the media council's president, said the so-called shared services agreement between the stations will leave KHNL's owner, Raycom Media of Alabama, with 45 percent of the local television advertising market and places the control of editorial content and programming of three stations in the hands of a single entity.

"This arrangement will reduce diversity of opinion, create canned newscasts, increase advertising rates, strangle independent programming and raise barriers to any who wish to enter the market," Conybeare said.

"These effects are all contrary to public interest and the law."

Raycom has said the shared services agreement doesn't require FCC approval because there's no change of ownership and the licenses of the stations aren't being transferred.

Such mergers have been implemented in 20 other markets around the country with little controversy, Raycom has said.

KGMB9, KHNL and K5 announced last month that they plan to merge newsrooms, simulcast some news programs and cut about a third of their staff.

The move will result in the terminations of all but four of KHNL's on-air staff as well as a number of KGMB's technical and newsroom employees.

Founded in 1971 by Georgetown University Law Center, the Institute for Public Representation has opposed a number of media cross-ownership transactions, including billionaire Sam Zell's takeover of Tribune Co. in 2007.

The institute also has opposed the development of a massive reservoir on American Indian lands and has handled a number of high-profile civil rights cases.

Media Council Hawai'i, formerly known as the Honolulu Media Council, is the oldest of five volunteer media councils in the country. The group seeks to improve public access to information, strengthen public support for First Amendment rights, broaden public understanding of the media's role and promote accurate journalism in Hawai'i.

Founded in 1996, Raycom owns and operates 46 television stations in 18 states.

Paul McTear, Raycom's chief executive officer, said by phone yesterday that the transaction has been vetted by Raycom's regulatory attorneys as well as those of KGMB's owner, MCG Capital Corp. of

1 of 2 9/24/2009 11:45 AM

Virginia.

McTear said the deal was born out of economic necessity and that without such an agreement, the state would probably see diminished services or "one or more of the stations going dark."

He said he thought the combined market shares of KGMB, KHNL and K5 is "just under 40 percent."

"We at Raycom Media are very confident that the form of transaction ... will stand up to the scrutiny of the council and the FCC," McTear said.

2 of 2 9/24/2009 11:45 AM



August 19, 2009

Honolulu TV stations KGMB, KHNL, K5 will combine operations

KGMB9, KHNL and K5 will eliminate more than a third of their 198 employees

BY RICK DAYSOG Advertiser Staff Writer

KGMB9, KHNL and K5 television stations will merge operations, eliminate more than a third of their staffs and simulcast news programs to cut costs and ensure they survive the current economic decline.

Responding to a drop in ad revenue, the local CBS affiliate, NBC affiliate and the broadcaster of University of Hawai'i sporting events will combine newsrooms to create what they said would be the state's largest television news department.

The three stations will continue as separate channels and non-news programming will remain largely as it is today.

"This market cannot support five traditionally separated television stations, all with duplicated costs," said Paul McTear, president and CEO of Alabama-based Raycom Media, owner of KHNL and K5.

Media watchdogs said the arrangement could mean the loss of separate voices in local news coverage.

"Democracy requires diversity of opinion and robust communication of information," said Chris Conybeare, president of the Honolulu Community Media Council. The merger "may help their bottom line, but will result in layoffs, diminish diversity, and rob Hawai'i's public of the best use of our airwaves."

McTear said the merger, which is to be completed by November, will not require approval from the Federal Communications Commission because ownership of the stations and their FCC licenses won't change hands.

FCC rules prohibit one company from owning more than one television station in a single market.

The Media Council said the agreement is an attempt to skirt FCC rules. "I think this looks like a shell game," Conybeare said.

McTear said the merger is needed to prevent one or two of the stations from going under.

He said annual television ad revenue is down by about \$20 million, or about 30 percent, from three years ago.

"Rather than experiencing the loss of one, or possibly two stations in Hawai'i, we intend to preserve three stations that provide important and valuable local, national and international programming to viewers in Hawai'i," McTear said.

McTear's company, Raycom, has similar arrangements with TV stations in Wilmington, Del., and Columbia, Ga.

1 of 3 8/21/2009 11:57 AM

KGMB will move

McTear announced the merger at a news conference in Honolulu yesterday. KGMB's owner, MCG Capital Corp. of Virginia, did not send a Mainland executive to the news conference but was represented by Rick Blangiardi, president and general manager of KGMB.

In the deal, the intellectual properties held by KGMB, including its CBS network affiliation and revenues derived from the network affiliation, will go to Raycom.

MCG will get revenues from K5, including revenues from broadcasting UH athletic events. MCG's revenue stream will likely be reduced under the arrangement, but its costs also will go down.

KGMB will move from its Kapi'olani Boulevard offices to KHNL's facilities in Kalihi. MCG sold the Kapi'olani property last year to a local investment group for \$12.4 million and had occupied the building under a lease-back arrangement.

In addition to the merged news operations, the companies will share the costs for KHNL's facilities in Kalihi, as well as engineering, production and marketing costs. The stations will have separate sales teams.

Blangiardi will head KHNL and KGMB. John Fink, president and general manager of KHNL and K5, will head K5.

CBS programs — such as "60 Minutes," "CSI" and "Late Night with David Letterman" — will remain on KGMB while NBC shows — including "The Late Show" and "Saturday Night Live" — will remain on KHNL.

Yesterday's announcement wasn't a surprise to workers at the stations, who have heard rumors about it for several months.

But several expressed worries about their job security at time when the local economy has lost more than 30,000 jobs and the statewide unemployment rate has soared to 7.4 percent.

KGMB's employees will be terminated and they will have to reapply for positions at the combined operations.

Raycom Media is one of the nation's largest broadcasters and owns and operates 46 television stations in 36 markets.

MCG Capital, a private equity fund, bought KGMB in 2007 for \$40 million.

68 layoffs likely

KGMB reported on its Web site yesterday morning that of the 198 employees now at all three stations, an estimated 130 would become part of the combined operations.

McTear said the 68 layoffs is based on projections and is just one of several scenarios that are being examined under the new agreement. The actual layoff count won't be determined until after management interviews staffers for positions in the combined newsrooms, he said.

Gerald Kato, journalism professor at the University of Hawai'i-Manoa, said the deal essentially creates a "tri-opoly" that gives the station owners a lot of leverage when it comes to setting advertising rates and controlling the scheduling of television programming.

Kato and the Media Council's Conybeare noted that KGMB and KHON — then owned by Emmis Communications Corp. of Indianapolis — operated under a duopoly arrangement for seven years with a waiver issued by the FCC.

2 of 3 8/21/2009 11:57 AM

That deal allowed the stations to share production costs and save money but also resulted in staff reductions and diminished the diversity of voices in the local news market, they said.

"You might have more news," Kato said, "But it might be more of the same news."

Additional Facts

Key facts

- KGMB9, KHNL and K5 will merge operations, but continue as separate channels.
- KGMB continues to broadcast CBS programs.
- KHNL continues to broadcast NBC programs.
- K5 continues to broadcast UH games.
- News programs may be simulcast.
- 68 staffers, or more than a third, may be cut.
- TV ad revenue in Hawaiçi is down by about \$20 million, or 30 percent, in last three years.
- Ownership doesn't change, but KHNL owner Raycom Media takes the leading role.
- KGMB9 President Rick Blangiardi will run KGMB9 and KHNL.

3 of 3 8/21/2009 11:57 AM



August 20, 2009

KGMB says financial losses prompted consolidation deal

BY RICK DAYSOG Advertiser Staff Writer

The owner of KGMB9 said recent financial losses at the station were "unsustainable," prompting the decision this week to turn over the bulk of its business to competitors KHNL and K5.

MCG Capital Corp. purchased KGMB for \$40 million in 2007 and since then watched the value of its investment in the local television station plunge by \$18 million.

KGMB, KHNL and K5 announced Tuesday they plan to merge newsrooms, cut about a third of their staff and simulcast some news programs starting as soon as November.

The merger of news operations at three of Honolulu's top five local broadcasters will likely be the subject of legal challenges by local media watchdogs, who see the deal as an attempt to skirt federal rules barring ownership of multiple stations in a local market.

But MCG and Raycom Media, KHNL and K5's owner, say the arrangement passes regulatory muster and is necessary to preserve local television stations hard-hit by the economic downturn.

In recent filings with the Securities and Exchange Commission, MCG outlined the financial troubles that led to the talks with Raycom.

MCG wrote down the fair value of its \$40 million investment in KGMB by more than 45 percent to \$22 million.

The financial woes were in spite of improved ratings, the successful launch of a morning show and the \$12 million sale of KGMB's longtime headquarters on Kapi'olani Boulevard last year.

"It was unsustainable," said MCG Executive Vice President Hagen Saville.

KGMB, the only television station owned by Arlington, Va.-based MCG, was supposed to be the flagship of a fledgling media empire.

But that plan fell apart when the global economic downturn sent the television advertising market into a nosedive.

Since 2006, combined advertising revenues at Hawai'i's major television stations has dropped nearly 30 percent from \$68 million a year to \$48 million a year. MCG's projections put the market at around \$45 million this year.

Under the shared service agreement between KGMB, KHNL and K5, MCG's cost will drop sharply but it also will become a much smaller player in the Honolulu media market.

MCG will get the revenues from the smaller of the three stations, K5, while Alabama-based Raycom Media will get revenues from CBS affiliate KGMB and NBC affiliate KHNL.

All three stations will share costs for news gathering and production but will keep separate sales staffs.

According to Saville, MCG began talks with Raycom Media seven or eight months ago.

1 of 2 8/21/2009 12:12 PM

Rather than selling the station to a buyer that might gut the operations, MCG began pursuing a shared service agreement that would consolidate the news and production functions of the three stations.

Raycom and MCG believe the shared service agreement doesn't require approval from the Federal Communication Commission because there's no change of ownership and the licenses of the stations aren't being transferred.

Raycom has similar arrangements involving two stations in Columbus, Ga., and Wilmington, N.C.

An Illinois-based television company, Barrington Broadcasting Group LLC, operates a three-station shared service agreement in Syracuse, N.Y.

Chris Conybeare, president of Media Council Hawai'i, believes the deals are open to challenge.

Conybeare said he's talked to several public interest lawyers on the East Coast who believe that such deals raise dual-ownership and antitrust questions.

"We are exploring all available legal remedies," he said.

2 of 2







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Execs explain TV swap, but some see it as blurry

By Erika Engle

POSTED: 01:30 a.m. HST, Aug 20, 2009

The impending swap of call letters and programming between KGMB-TV and KFVE-TV is described as a way to provide a seamless transition for viewers.

Skeptics, media watchdogs and at least one attorney versed in Federal Communications Commission regulations see a different picture.

The shared services agreement announced Tuesday between Alabama-based Raycom Media Inc. and Virginia-based MCG Capital Corp. will have both entities retain their broadcast licenses — the KHNL and KFVE licenses will stay with Raycom while KGMB's will remain with MCG.

However, FCC licenses are directly tied to a station's FCC registration number, facility identification number and frequency allocation, not call letters, said Dave Folsom, Raycom vice president.

While the call letter swap will involve some FCC oversight despite an automated call letter reservation system, approval will likely be granted without intervention since Raycom and MCG have agreed to the swap.

"The thought is to take CBS and NBC programming and place those on channels that currently Raycom has, and the University of Hawaii sports and other local programming would go onto what was KGMB, which will be KFVE," Folsom said.

The swaps "will keep CBS programming associated with the call letters KGMB and University of Hawaii sports associated with KFVE — that's the easiest way to view it. Don't worry about the underlying licenses, the viewers don't see the licenses anyway," Folsom said.

Also, channel numbers have lost their significance as technology changes have viewers tuning in to a station using different numbers via over-the-air digital converter boxes, cable boxes or satellite TV services.

Nevertheless, Raycom officials will ask Oceanic Time Warner Cable to realign channel assignments, Folsom said.

That will leave Raycom operating all three stations with control over, and deriving revenue from, NBC- and CBS-network affiliations in Honolulu.

MCG will give up its major network affiliation but will offer UH sports and other programming — a smaller revenue stream, but with no news operation to pay for, a less costly operation.

A single broadcast owner having two network affiliates in one market is not unprecedented, but it "is not commonplace," said Paul McTear, Raycom president and chief executive officer.

1 of 2 9/24/2009 11:03 AM

NBC "has fallen so far that in many markets they're either the fourth or fifth station. The network has lost about 30 percent of its prime-time ratings," he said.

Media Council Hawaii has characterized the arrangement as a thinly veiled attempt to circumvent FCC rules prohibiting joint ownership of two or more stations of the top four in a TV market, which KGMB and KHNL are.

FCC guidelines for different types of cooperative agreements between broadcasters in the same market limit the parties to control of no more than 15 percent of the air time and/or advertising time on another operator's station.

The Raycom/MCG agreement "certainly increases the likelihood that an FCC violation will be perceived to have occurred, and increases the possibility that the 'line' will be pushed and an actual violation will occur somewhere down the line in the future," said Dan J. Alpert, a Virginia-based attorney who represents several Hawaii stations.

Raycom and MCG will keep adverting sales separate, but will combine news staffers into one department that will provide newscasts for all three stations and some will be simulcast, McTear said.

"Both of our (legal) advisers differ from what (Alpert) suggests," McTear said.

Alpert described the agreement as "a very aggressive move" that "may result in questions by the FCC concerning whether an unauthorized transfer of control has occurred, and whether there is a violation of the FCC's multiple ownership limitations."

McTear was unswayed by Alpert's opinion.

"We remain pretty confident that we are not going to be in violation of or flirting with any violation of FCC rules," he said.

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2 of 2 9/24/2009 11:03 AM









The Professionals

Vol. 13, Issue 8 - Tuesday, January 8, 2008

Info | Mobile Edition | Corrections | Calendars | Movies Obituaries | Vital Stats | Weather | Surf | Subscribe

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- Newspaper Ads
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(1996-Present) T | W | T | F | S | S | M

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KGMB building sold

Property sells for \$12M

STORY SUMMARY »

The owners of KGMB-TV have sold the station's building and land for \$12.35 million to local investors.

The station ownership is unchanged, but it will now be a tenant, rather than landowner on the high-value Kapiolani corridor. It will also continue its search for a new home.

"This property sale and future relocation to a new, larger facility enables us to further develop our local programming and news capabilities, prepare for HD television, and strengthen our leadership position in the marketplace," said Rick Blangiardi, president and general manager.

The buyer is Lionking II LLC, formed last month, of which local Realtor associate Donna Walden is principal member. Other members include her husband. Brian Sakamaki, the Lorene Anastasi Chang Trust and the Hing Dat Sum Chang Trust.

FULL STORY »

Bv Erika Engle erika@starbulletin.com

KGMB-TV will go from landowner to tenant in a \$12.35 million sale of its long-held 40,166 square feet of land, studios and offices at 1534 Kapiolani Blvd.

The buyer, Lionking II LLC, comprising local husband and wife investors Brian Sakamaki and Donna Walden, the Lorene Anastasi Chang Trust and the Hing Dat Sum Chang Trust, was formed in December for the transaction.

The station has not changed ownership.

The sale "enables us to further develop our local programming and news capabilities, prepare for HD television and strengthen our leadership position in the marketplace," said Rick Blangiardi, president and general manager.

Walden said yesterday she has "many memories of watching the evening news, as well as some of Hawaii's most unforgettable shows on KGMB. This station and this building have a special meaning for me."

She has contributed \$100,000 to Roosevelt High School and funds a scholarship at Iolani School, she said through a spokeswoman yesterday. Her name has repeatedly appeared in the Star-Bulletin for supporting education and performing arts.

Inside | Jan. 8

Business

- » KGMB building sold
- » Hawaii Biotech to start human trials
- » Apollo, NCL investment deal completed
- » Ex-Bishop trustee
- defending Kailuan case » Ritz-Carlton Kapalua reopening
- » Neighbor island home prices weakening
- TheBuzz Returns Soon
- » Business Briefs » Hawaii Stocks and
- Mutual Funds » Market Watch
- » WSJ Sunday
- » Dilbert

Hawaii News

- » UH was 'slow to step
- » Frazier on way out
- » Sports stands in a long queue of campus needs
- » Legislators want to see Jones' list of concerns
- » Fans want Jones' demands fulfilled. demand Frazier be next
- » Comments by state officials
- » Property crimes rise
- » Riders lose faith in
- TheBoat's reliability » Kids foil burglary in
- » Lingle grants 5

Wahiawa

- pardons in 2007 » Scrap dealer fined \$18.500
- » Hilo museum restores
- » National Guard to aid cleanup on Maui » Conflict off Iran involves isle-based ships
- » Isle sales executive
- served as mentor
- » What's the law? » Newswatch
- Police/Fire
- » Kokua Line
- » Corky's Hawaii
- » On the Scene
- » Island Images
- » Obituaries » Shining Stars
- » Corrections



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Last April, it appeared when state Circuit Court Judge Derrick Chan granted her deferred acceptance of guilty plea to six felony counts and one misdemeanor count relating to tax law violations.

Through her spokeswoman Walden said, "My tax matters ... have been completely resolved and paid in full.'

Local real estate experts say the purchase price is consistent with area values and that the land has long been underutilized, given its one-story, single-purpose building and broadcast tower. The parcel's zoning allows for mixed residential, retail and office use.

"We've had notable transactions involving land on Kapiolani," said Mike Hamasu, director of consulting and research for Colliers Monroe Friedlander Inc. He cited recent sales valued at \$250 per square foot and in excess of \$400 a square foot, "so \$307 fits kind of right in between the two.'

While not privy to deal details, it makes sense for KGMB to become a tenant, he said.

\$12 million "is a lot of money if all you need is a 5,000-square-foot building."

"They can go out and buy another location ... or if they're going to lease, take that money and put it into construction ... or put it into the bank for alternative use," Hamasu said.

Separately, the station has terminated four part-time employees, including nearly 12-year veteran reporter Julia Norton-Dennis -- who remains employed full time by radio station KSSK -- as part of a staff realignment. The action was decided upon last month, but not enacted until after the holidays.

The station is not downsizing, Blangiardi said, and is in the process of hiring three full-time employees in different capacities.

"I told everybody as soon as we get further, I'm going to try to hire them back," he said.

> BACK TO TOP © Honolulu Star-Bulletin -- http://archives.starbulletin.com

» Weather

Features

» Black heritage in Hawaii » Honolulu Lite

Sports

- » Press Box: Plenty of blame for Jones' exit
- » Jones rides off to SMU
- » Jones welcomes SMU challenge
- » June Jones timeline; Possible successors
- » Chopra looks to
- continue hot streak » Falcons upend
- Governors
- » Maryknoll tops La Pietra in ILH D-II hoops
- » Maryknoll earns respect, No. 8 ranking in boys poll
- » Hawaii Beat
- » Scoreboard
- » TV & Radio

Editorial

- » Don't impede cruise ships from mainland to Hawaii
- » Corky's Editorial Cartoon
- » Under the Sun
- Returns Jan. 16 » Letters

Columns | Jan. 8

Corky's Hawaii

Corky Trinidad

Kokua Line June Watanabe

On the Scene

John Berger

Island Images

S-B Photographers

Honolulu Lite

Charles Memminger

Press Box

Paul Arnett

TheBuzz Returns Soon

Erika Engle

Editorial Cartoon

Corky Trinidad

Under the Sun Returns Jan. 16

Cynthia Oi

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As featured on





TV managers trade posts

John Fink will assume duties at KFVE while KHNL and KGMB will get Rick Blangiardi

By Erika Engle

POSTED: 01:30 a.m. HST, Aug 21, 2009

The sweeping changes coming to KGMB-TV, KHNL-TV and KFVE-TV will have the men at the top swapping employers, stirring up a buzz in local media management circles.

When the agreement takes effect in mid-October, Rick Blangiardi will be employed by Raycom Media Inc. as vice president and general manager of KGMB and KHNL and John Fink will work for MCG Capital Corp. as vice president and general manager of KFVE.

"John's background and history with the University of Hawaii and the significance of that programming to KFVE, and his activism in the community was a very large part of that decision," said Paul McTear, Raycom president and chief executive officer.

Blangiardi could not be reached, but he also has history with UH sports as a football player for the then-Rainbows; as a coach under Larry Price; and, later, for bringing UH sports to television. "That was probably one of his greatest accomplishments," said sportscaster Jim Leahey.

"I have Rick handling KGMB and KHNL," McTear said. "Everybody has painfully pointed out that KGMB has been tracking very, very positively and KHNL has not."

Fink looks forward to working with Blangiardi again.

"Rick hired me at KGMB in 1982," Fink said. Blangiardi left for KHNL in 1984 "and he came after me twice" until Fink joined the station in 1986.

Fink marked his 23rd anniversary at KHNL on Tuesday, when the stations' shared services agreement was announced. "I don't think this would have worked if Rick and I weren't trusted friends."

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http://www.starbulletin.com/business/20090821_TV_managers_trade_posts.html

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TV stations' pact draws fire

Officials say dwindling revenue prompted a sharing agreement

By Erika Engle

POSTED: 01:30 a.m. HST, Aug 19, 2009

The shared-services agreement between KGMB-TV and KHNL/KFVE-TV to keep all three stations operating in the throes of the revenue-crippling recession was met with fear and loathing yesterday.

Advertising revenue for Honolulu's five major TV stations, which is projected to plummet to \$48 million this year from \$68 million in 2006, prompted the stations to find a creative solution to keep operating, officials said at a news conference.

KGMB is owned by Virginia-based MCG Capital Corp. and is its only TV station, while KHNL/KFVE is owned by Alabama-based Raycom Media Inc., which owns or operates stations in 36 markets in 18 states.

KGMB is a CBS affiliate, while KHNL is an NBC affiliate and KFVE is an independent station that airs University of Hawaii sports. The programming arrangements will remain in place, though the KGMB and KFVE call letters will be swapped by MCG and Raycom in a pending filing with the Federal Communications Commission. KGMB and KHNL will be led by Rick Blangiardi, and John Fink will head KFVE, each as vice president and general manager.

When KGMB, which sold its property at 1534 Kapiolani Blvd. in January 2008, moves in to KHNL/KFVE's facility at 420 Waiakamilo Road in two months, the stations' news, marketing, engineering and possibly other departments will be consolidated, leading to layoffs of 68 people, up to 34 percent of the stations' combined work force of 198 full-time employees.

Paul McTear, Raycom president and chief executive officer, would not discuss layoff numbers at the news conference and later disputed the figure that was reported by KGMB and other news outlets, saying there was no official layoff tally.

KGMB employees received 60-day termination notices yesterday, and those who remain will become Raycom employees.

All employees will be interviewed to determine both the faces that viewers will see delivering the news and the employees who will keep their off-camera jobs. "Layoffs are possible at all three stations," said McTear, adding that Raycom will honor all contracts.

A KHNL reporter, who asked not to be identified, said a staff meeting confirmed rumors that had been swirling for months.

"For me personally, I'm single," the reporter said. "I can go back home, live with my parents. I'm really worried for people who have made their lives here."



It was announced today that KGMB will merge operations with KHNL and K5.

[Watch]



The KHNL reporter said fellow employees are worried that KGMB management is calling the shots.

"We're going to be one team, but it's going to be a divided team," the reporter said.

McTear said in a meeting with the Star-Bulletin that the stations had "done some research."

"We're going to base a lot of our (employee retention) decisions based on what people want," McTear said.

The consolidation is "a sign of the times," said Joe McNamara, president and general manager of KHON-TV, Honolulu's Fox affiliate. "It gives us more of an opportunity, with one less voice in the marketplace. ... I'm sure we stand to gain from this."

KHON parent NV Broadcasting LLC, based in Atlanta, is in the process of a Chapter 11 bankruptcy proceeding.

It is too early to tell how the arrangement will affect the competitive environment, said Mike Rosenberg, president and general manager of KITV, an ABC affiliate.

Its owner, Hearst Corp., has declined to enter news-sharing agreements in several mainland markets, because "we want to be an independent voice in our community, and we're strong enough that we don't have to do that."

"When the economy rebounds, we'll be in a better position," Rosenberg said.

The agreement and the melding of two newsrooms into one to supply newscasts, some to be simulcast across multiple stations, is troublesome to Media Council Hawaii, formerly the Honolulu Community-

Media Council.

"It just seems intentionally to avoid the FCC's ... ownership rules, and the consequences are already becoming clear," said President Chris Conybeare. "There are layoffs and less people covering the news, so diversity of opinion is lost."

He added, "I think the holders of (broadcast licenses) are supposed to serve the local market and not offshore corporate interests. There might very well be antitrust implications."

Star-Bulletin reporter Leila Fujimori contributed to this report.

KGMB-TV

- » 1952: Signed on by the Hawaii Broadcasting System
- » **1960:** Purchased by the Honolulu Star-Bulletin
- » 1965: Purchased by local broadcaster Cec Heftel
- » **1977:** Purchased by Iowa-based Lee Enterprises Inc.
- » 2000: Purchased by Indiana-based Emmis Communications Corp.
- » 2007: Purchased by Virginia-based MCG Capital Corp. subsidiary HITV Operating Co. Inc.
- » **2009:** Entered into a shared-services agreement with KHNL/KFVE-TV owner Raycom National Inc., based in Alabama.

Source: Honolulu Star-Bulletin

KHNL-TV

- » **1962:** Signed on as KTRG-TV, licensed to Watumull Broadcasting Co.
- » 1966: Purchased by Ohio-based Friendly Broadcasting Co. and United Broadcasting Co. of Maryland.
- » 1967: Call letters changed to KIKU; Japanese programming increased.
- » **1979:** Purchased by Mid-Pacific Television Associates.
- » **1984:** Call letters changed to KHNL under new General Manager Rick Blangiardi, former sales manager of KGMB.
- » 1986: Purchased by King Broadcasting Co. of Seattle.
- » 1992: King Broadcasting purchased by Providence Journal Broadcasting Corp. and Kelso & Co.

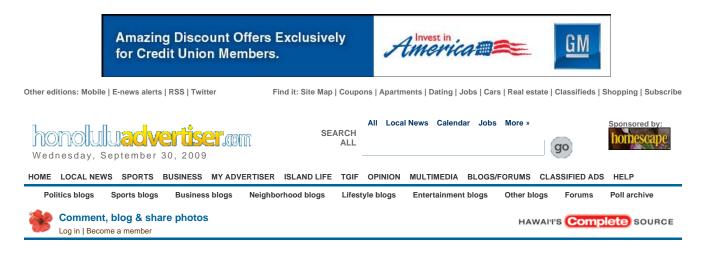
- » **1993:** KHNL began operating KFVE-TV through one of the first local marketing agreements in the U.S. (KFVE first signed on in 1988 under a partnership between Southern Cross and Lee Holmes.)
- » 1997: Texas-based A. H. Belo Corp. completed the acquisition of Providence Journal Co.
- » **1999:** Alabama-based Raycom Media Inc. purchased KHNL and the local marketing agreement with KFVE, of which it completed an acquisition the same year.

Source: KHNL.com

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Posted on: Tuesday, January 8, 2008

KGMB owner sells land under station

Advertiser Staff

The Arlington, Va.-based firm that bought KGMB-TV last year has sold the land under the station at 1534 Kapi'olani Blvd. and will search for a larger building from which to operate the local CBS affiliate.

MCG Capital Corp., which in June bought the station for \$40 million through affiliate HITV Operating Co., sold KGMB's building on 40,166 square feet of land for \$12.35 million.

The buyer, local investment group Lionking II LLC led by Donna Walden, did not announce plans for the property but said it will allow KGMB to remain until the station can relocate.

Rick Blangiardi, KGMB president and general manager, in a statement said the station has not identified a new site but is seeking larger facilities that allow further programming enhancements.

The real estate deal, which closed Dec. 31, followed interest expressed by the Office of Hawaiian Affairs to buy the KGMB site.

The property is viewed as having high redevelopment potential given its location near Ala Moana Center and across from Nordstrom's soon-to-open department store.



August 19, 2009

Consolidation biggest on-air change since '95

By Dan Nakaso Advertiser Staff Writer

The landscape of television news in Hawai'i will undergo its biggest change in nearly 15 years as on-air talent disappears over the next few months and a new, single broadcast emerges for three separate stations.

Television news departments from Washington, D.C., to Cleveland to Los Angeles recently have agreed to share news videos. And in Hawai'i, KHNL and K5 already use the same news team for separate news broadcasts that air at different times.

But the owners of KGMB9, KHNL and K5 now plan to create a single, joint news department, with some of the news programming simulcast on KHNL and KGMB.

It will be the biggest shake-up in Island broadcast news since 1995, when dominant KHON lost its NBC affiliation to KHNL, and KHON became a Fox station.

KHNL, which had been the Fox affiliate at the time, then jumped in with its own news show giving Island audiences four distinct news stations — in addition to two daily newspapers.

"Hawai'i's been fortunate to have a market that competitive," said Bob Calo, co-director of the television program at the University of California-Berkeley's Graduate School of Journalism. "But this is a sea change. Every local news show has loyal viewers who will be dislocated."

Yesterday's announcement represents the flip side of the heady days of 1995, when star anchors and reporters found themselves in bidding wars between Honolulu's four television news stations. With the merger announced yesterday, laid-off workers now will be trying to find jobs amid a dwindling number of TV newsrooms.

"Now it's the evil twin," said Mike Rosenberg, KITV's president and general manager.

KHON might hire a few of the 68 laid-off news employees from KGMB and KHNL — or at least those "with a different skill set," said KHON president Joe McNamara. "There will be more talent for people to access, no doubt about it."

The changes at KGMB and KHNL could also end up backfiring and costing them viewers, McNamara said.

The crews at competitors KITV and KHON will have particular interest in how the combined KGMB/KHNL/K5 news show looks, and they won't be surprised to see technical glitches and other early mistakes.

"We'll be sitting back, watching the fireworks," McNamara said. "It should be very interesting."

The changes at KGMB and KHNL also could lead to more cost-cutting or "efficiencies" at KHON, McNamara said.

"Where they can send one crew for three stations, it may become too competitive and might force us to do other things," he said. "I'd be blind if I didn't think they would get an advantage we might not have when it comes to operational costs."

1 of 2 8/21/2009 12:05 PM

McNamara said he has no plans for layoffs and is looking to hire someone for the station's Web site.

"But we'll be looking to see if there are any other efficiencies," he said.

KITV's corporate parent, Hearst Television Inc., has resisted the idea of video-sharing agreements in Honolulu or in any of its other markets, Rosenberg said, and has no plans to merge broadcasts with KHON.

"Despite the call to share videos and all of these other things, we have decided we want to remain an independent voice," Rosenberg said.

But, in perhaps a sign of the economic times for television news, Rosenberg took an unusually aggressive tone toward his competitors at KGMB, KHNL and K5:

"We want to dominate news and information in Hawai'i," Rosenberg said, "and if this gives us an opportunity, you can be sure we'll be mobile, agile and hostile."

2 of 2



Local Television Market Universe Estimates

Estimates as of January 1, 2009 and used throughout the 2008-2009 television season *Estimates are effective September 27, 2008*

Rank	Designated Market Area (DMA)	TV Homes	% of US
1	New York	7,433,820	6.495
2	Los Angeles	5,654,260	4.940
3	Chicago	3,492,850	3.052
4	Philadelphia	2,950,220	2.578
5	Dallas-Ft. Worth	2,489,970	2.175
6	San Francisco-Oak-San Jose	2,476,450	2.164
7	Boston (Manchester)	2,409,080	2.105
8	Atlanta	2,369,780	2.070
9	Washington, DC (Hagrstwn)	2,321,610	2.028
10	Houston	2,106,210	1.840
11	Detroit	1,926,970	1.684
12	Phoenix (Prescott)	1,855,930	1.622
13	Tampa-St. Pete (Sarasota)	1,822,160	1.592
14	Seattle-Tacoma	1,819,970	1.590
15	Minneapolis-St. Paul	1,730,530	1.512
16	Miami-Ft. Lauderdale	1,546,920	1.352
17	Cleveland-Akron (Canton)	1,524,930	1.332
18	Denver	1,524,210	1.332
19	Orlando-Daytona Bch-Melbrn	1,466,420	1.281
20	Sacramnto-Stkton-Modesto	1,399,520	1.223
21	St. Louis	1,249,820	1.092
22	Portland, OR	1,175,100	1.027
23	Pittsburgh	1,156,460	1.010
24	Charlotte	1,122,860	0.981
25	Indianapolis	1,114,970	0.974
26	Baltimore	1,102,080	0.963
27	Raleigh-Durham (Fayetvlle)	1,080,680	0.944
28	San Diego	1,066,680	0.932
29	Nashville	1,016,290	0.888
30	Hartford & New Haven	1,014,990	0.887
31	Kansas City	937,970	0.819
32	Columbus, OH	925,840	0.809
33	Salt Lake City	919,390	0.803
34	Cincinnati	915,570	0.800
35	Milwaukee	905,350	0.791
36	GreenvII-Spart-AshevII-And	858,050	0.750
37	San Antonio	818,560	0.715
38	West Palm Beach-Ft. Pierce	779,430	0.681
39	Grand Rapids-Kalmzoo-B.Crk	741,420	0.648
40	Birmingham (Ann and Tusc)	739,750	0.646



Local Television Market Universe Estimates

Estimates as of January 1, 2009 and used throughout the 2008-2009 television season *Estimates are effective September 27, 2008*

Rank	Designated Market Area (DMA)	TV Homes	% of US
41	Harrisburg-Lncstr-Leb-York	738,880	0.646
42	Las Vegas	728,410	0.636
43	Norfolk-Portsmth-Newpt Nws	718,020	0.627
44	Albuquerque-Santa Fe	689,120	0.602
45	Oklahoma City	687,300	0.600
46	Greensboro-H.Point-W.Salem	685,110	0.599
47	Jacksonville	674,860	0.590
48	Memphis	673,770	0.589
49	Austin	667,670	0.583
50	Louisville	667,230	0.583
51	Buffalo	631,120	0.551
52	Providence-New Bedford	622,580	0.544
53	New Orleans	602,740	0.527
54	Wilkes Barre-Scranton	594,570	0.519
55	Fresno-Visalia	574,900	0.502
56	Little Rock-Pine Bluff	567,060	0.495
57	Albany-Schenectady-Troy	556,750	0.486
58	Richmond-Petersburg	550,240	0.481
59	Knoxville	547,930	0.479
60	Mobile-Pensacola (Ft Walt)	537,810	0.470
61	Tulsa	529,540	0.463
62	Ft. Myers-Naples	509,530	0.445
63	Lexington	503,260	0.440
64	Dayton	483,790	0.423
65	Charleston-Huntington	479,750	0.419
66	Flint-Saginaw-Bay City	465,790	0.407
67	Roanoke-Lynchburg	461,420	0.403
68	Tucson (Sierra Vista)	456,030	0.398
69	Wichita-Hutchinson Plus	450,930	0.394
70	Green Bay-Appleton	444,210	0.388
71	Des Moines-Ames	432,410	0.378
72	Honolulu	429,940	0.376
73	Toledo	425,890	0.372
74	Springfield, MO	421,960	0.369
75	Spokane	416,630	0.364
76	Omaha	411,520	0.360
77	Portland-Auburn	410,890	0.359
78	Paducah-Cape Girard-Harsbg	393,260	0.344
79	Columbia, SC	393,170	0.343
80	Rochester, NY	390,590	0.341



Estimates as of January 1, 2009 and used throughout the 2008-2009 television season *Estimates are effective September 27, 2008*

Rank	Designated Market Area (DMA)	TV Homes	% of US
81	Syracuse	388,000	0.339
82	Huntsville-Decatur (Flor)	386,520	0.338
83	Champaign&Sprngfld-Decatur	386,000	0.337
84	Shreveport	385,770	0.337
85	Madison	378,740	0.331
86	Chattanooga	366,780	0.320
87	Harlingen-Wslco-Brnsvl-McA	349,910	0.306
88	Cedar Rapids-Wtrlo-IWC&Dub	346,330	0.303
89	South Bend-Elkhart	334,720	0.292
90	Jackson, MS	334,650	0.292
91	Colorado Springs-Pueblo	334,390	0.292
92	Tri-Cities, TN-VA	332,840	0.291
93	Burlington-Plattsburgh	331,320	0.289
94	Waco-Temple-Bryan	329,690	0.288
95	Baton Rouge	326,390	0.285
96	Savannah	319,160	0.279
97	Davenport-R.Island-Moline	309,600	0.270
98	El Paso (Las Cruces)	308,080	0.269
99	Charleston, SC	307,610	0.269
100	Ft. Smith-Fay-Sprngdl-Rgrs	297,920	0.260
101	Johnstown-Altoona-St Colge	293,860	0.257
102	Evansville	292,220	0.255
103	Greenville-N.Bern-Washngtn	289,050	0.253
104	Myrtle Beach-Florence	285,010	0.249
105	Tallahassee-Thomasville	282,390	0.247
106	Lincoln & Hastings-Krny	281,290	0.246
107	Ft. Wayne	275,350	0.241
108	Reno	271,080	0.237
109	Youngstown	268,930	0.235
110	Tyler-Longview(Lfkn&Ncgd)	265,200	0.232
111	Springfield-Holyoke	262,850	0.230
112	Boise	262,290	0.229
113	Sioux Falls(Mitchell)	260,190	0.227
114	Lansing	258,650	0.226
115	Augusta	253,950	0.222
116	Peoria-Bloomington	248,510	0.217
117	Traverse City-Cadillac	247,650	0.216
118	Montgomery-Selma	247,230	0.216
119	Eugene	242,790	0.212
120	Fargo-Valley City	241,120	0.211



Estimates as of January 1, 2009 and used throughout the 2008-2009 television season *Estimates are effective September 27, 2008*

Rank	Designated Market Area (DMA)	TV Homes	% of US
121	SantaBarbra-SanMar-SanLuOb	240,190	0.210
122	Macon	239,820	0.210
123	Lafayette, LA	230,670	0.202
124	Monterey-Salinas	225,350	0.197
125	Bakersfield	220,730	0.193
126	Yakima-Pasco-Rchlnd-Knnwck	216,780	0.189
127	La Crosse-Eau Claire	215,610	0.188
128	Columbus, GA (Opelika, AL)	213,980	0.187
129	Corpus Christi	197,290	0.172
130	Chico-Redding	197,280	0.172
131	Amarillo	192,090	0.168
132	Rockford	188,860	0.165
133	Columbus-Tupelo-West Point	188,740	0.165
134	Wilmington	187,480	0.164
135	Wausau-Rhinelander	184,220	0.161
136	Monroe-El Dorado	179,190	0.157
137	Columbia-Jefferson City	179,010	0.156
138	Topeka	175,940	0.154
139	Duluth-Superior	173,180	0.151
140	Medford-Klamath Falls	171,830	0.150
141	Beaumont-Port Arthur	165,440	0.145
142	Palm Springs	159,240	0.139
143	Lubbock	158,070	0.138
144	Salisbury	157,940	0.138
145	Wichita Falls & Lawton	157,820	0.138
146	Erie	157,610	0.138
147	Albany, GA	156,800	0.137
148	Joplin-Pittsburg	156,560	0.137
149	Sioux City	154,900	0.135
150	Anchorage	150,620	0.132
151	Panama City	147,520	0.129
152	Terre Haute	145,450	0.127
153	Bangor	145,100	0.127
154	Rochestr-Mason City-Austin	144,700	0.126
155	Bluefield-Beckley-Oak Hill	142,570	0.125
156	Odessa-Midland	141,560	0.124
157	Binghamton	138,930	0.121
158	Minot-Bismarck-Dickinson	136,730	0.119
159	Wheeling-Steubenville	133,700	0.117
160	Gainesville	129,960	0.114



Estimates as of January 1, 2009 and used throughout the 2008-2009 television season

Estimates are effective September 27, 2008

Rank	Designated Market Area (DMA)	TV Homes	% of US
161	Sherman-Ada	128,100	0.112
162	Idaho Fals-Pocatllo(Jcksn)	124,220	0.109
163	Biloxi-Gulfport	121,750	0.106
164	Yuma-El Centro	115,650	0.101
165	Abilene-Sweetwater	115,310	0.101
166	Missoula	111,340	0.097
167	Hattiesburg-Laurel	110,330	0.096
168	Clarksburg-Weston	109,150	0.095
169	Utica	106,280	0.093
170	Billings	106,030	0.093
171	Quincy-Hannibal-Keokuk	103,910	0.091
172	Dothan	100,950	0.088
173	Jackson, TN	98,050	0.086
174	Rapid City	96,450	0.084
175	Elmira (Corning)	96,090	0.084
176	Lake Charles	95,410	0.083
177	Watertown	94,960	0.083
178	Harrisonburg	92,900	0.081
179	Alexandria, LA	89,630	0.078
180	Marquette	89,290	0.078
181	Jonesboro	80,900	0.071
182	Bowling Green	80,260	0.070
183	Charlottesville	76,600	0.067
184	Grand Junction-Montrose	73,360	0.064
185	Meridian	72,280	0.063
186	Lima	70,690	0.062
187	Greenwood-Greenville	70,050	0.061
188	Laredo	68,110	0.059
189	Lafayette, IN	67,070	0.059
190	Butte-Bozeman	65,480	0.057
191	Great Falls	64,910	0.057
192	Bend, OR	64,830	0.057
193	Parkersburg	63,760	0.056
194	Twin Falls	63,540	0.056
195	Eureka	60,900	0.053
196	San Angelo	54,980	0.048
197	Casper-Riverton	54,340	0.047
198	Cheyenne-Scottsbluff	54,120	0.047
199	Mankato	52,230	0.046
200	Ottumwa-Kirksville	51,270	0.045



Estimates as of January 1, 2009 and used throughout the 2008-2009 television season *Estimates are effective September 27, 2008*

Rank	Designated Market Area (DMA)	TV Homes	% of US
201	St. Joseph	46,840	0.041
202	Fairbanks	37,110	0.032
203	Zanesville	32,550	0.028
204	Presque Isle	31,270	0.027
205	Victoria	31,260	0.027
206	Helena	27,040	0.024
207	Juneau	25,250	0.022
208	Alpena	17,520	0.015
209	North Platte	15,250	0.013
210	Glendive	3,940	0.003
	NSI Total U.S.	114,456,650	100.000

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ISLAND COMMENTARY

Shared TV services strengthen stations

By Paul McTear

POSTED: 01:30 a.m. HST, Aug 23, 2009

Coverage of the shared services agreement between KHNL, K5 and KGMB has included a variety of opinions, and it would be easy for the layperson following this complex story to become confused. In fact, I have been impressed with the excellent job local reporters and editors have done in explaining this story, filled, as it is, with legal and communications industry technicalities.

Some quotes have expressed concerns about the silencing of a news voice, the loss of production and reporting jobs, and a mainland company controlling the news programming broadcast by three stations in the local market. We believe these concerns are understandable, but fail to consider the most critical question: What was the alternative?

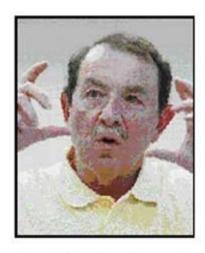
Many observers may not realize that the loss of any of these three stations, including KGMB, Hawaii's first and longest running television station, was a distinct possibility. Losing any one of these stations would have meant losing not only great local news programs, but also the points of view expressed on CBS and NBC network news programming, not to mention the entertainment, educational and cultural programming brought to Hawaii viewers by these affiliates.

Moreover, a greater number of jobs would have been lost had KGMB or KHNL/K5 been allowed to fail.

As for the diversity of voices covering the news, many longtime residents can recall when there was only one news station, KGMB. Later, other networks entered the market. And it was only 14 years ago that Hawaii reached its current arrangement, with five major local stations with news broadcasts.

Many other markets of Hawaii's size have never had more than three stations with local newscasts, and there have been few complaints from viewers that they have been shortchanged on the news. Aside from whether more and more newscasts make for a better-informed public, the economics of the market place have changed to make this arrangement unsustainable.

Hawaii is an unusually small market to be supporting five major television stations, plus four independent stations, all competing for broadcast TV advertising revenue. Changes to the economy and the distribution of advertising dollars have forced many communications companies around the nation to make difficult decisions and adapt or perish. In 2009, Hawaii broadcast television market advertising is down by 30 percent, or about \$20 million less, from what it was in 2006.



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1 of 2 8/24/2009 4:44 PM

This decrease is partly due to economic forces and also because of the emergence of greater competition from cable television and businesses on the Internet, fighting for their share of the advertising dollars.

Some have questioned the wisdom of one company operating three of Hawaii's TV stations. The important point here is that the same local stations will continue to serve the community in which they operate. Although Raycom is based in another state, our model is not one of top-down control of operations and programming. We are made up of many stations, each of which is part of the community it serves. KGMP, KHNI, and K5 will all controls the community it serves.

dent and chief executive officer of Raycom Media, current owner of KHNL/K5. He wrote this commentary for the Star-Bulletin.

which is part of the community it serves. KGMB, KHNL and K5 will all continue to be locally managed and staffed by local residents. All will continue to be local stations.

Those who have been following this story may have questions about whether this agreement violates any Federal Communications Commission rules and regulations regarding ownership of multiple stations in a market. Based on everything we know, the examples we are aware of in other markets around the country, and our discussions with regulatory agencies and legal counsel, we do not anticipate any problems in moving forward with the agreement now in place. We believe our energies will be focused elsewhere, on maintaining the strong relationships all of the three stations have with their customers, suppliers and viewers.

This agreement will allow for KGMB, KHNL and K5 to continue to grow and strengthen these relationships and provide the highest quality of service to the people of Hawaii. We, at Raycom, are proud of our long relationship with Hawaii and we are excited that this agreement will allow us to continue to serve Hawaii and its residents in more and even better ways.

Find this article at:

http://www.starbulletin.com/editorials/20090823_Shared_TV_services_strengthen_stations.html



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Check the box to include the list of links referenced in the article.

2 of 2 8/24/2009 4:44 PM



August 19, 2009

'Shocked' journalists worried about jobs

Staffs must reapply for positions under joint operations

By Gordon Y.K. Pang Advertiser Staff Writer

The careers of reporters, videographers and producers at the KGMB9, KHNL and K5 television stations were cast into doubt yesterday when it was announced that the two newsrooms would merge in the coming months.

"It's really sad, I mean people are just sort of in shock," said veteran KGMB reporter/videographer Terry Hunter. "It's hard to get your mind around the fact that so many people will be gone and that the ones that are left are going to be moving to a whole new different place."

Under the agreement between KGMB owner MCG Capital Corp. and KHNL and K5 owner Raycom Media, the merged staffs will operate out of the new Waiakamilo Road headquarters of the NBC affiliate KHNL and K5.

About 68 people may be cut, or more than a third of the combined staff.

There are about 55 people in the KGMB newsroom and 45 KHNL and K5 news staff.

"The big concern right now is which people are going to lose their jobs, who's going to be retained, that's the huge question," Hunter said.

"And we're not quite sure how those decisions are going to be made. Hopefully, they're going to keep the best people, but with the economy being the main reason this is happening in the first place, who knows?"

A 27-year KGMB veteran, Hunter said he has been working four days a week recently and has been "thinking of cutting back" further. He turns 63 next month and doubts he'll be around to join colleagues in their move to Kalihi.

Members of the KGMB staff were each issued 60-day "warning" letters informing them they would be terminated on Oct. 18. Employees at both stations were told interviews will be conducted in the next few weeks to determine who will be kept.

KGMB staffers may have a slight advantage. Chris Archer, the station's news director of about three years, will retain that title under the new jointly operated news staff.

KGMB business reporter Howard Dicus said "it's a fair assumption that everybody will find somebody leaving that they're sorry to see go — and in some cases themselves."

Dicus, a former United Press International reporter who has seen his share of downsizing news staffs, said "some kind of consolidation was inevitable."

Hawai'i, he said, has the market size of Dayton, Ohio. "It's not big enough to support the number of TV stations it has, or for that matter, the number of radio stations and newspapers."

Executives from the two stations said in a news release that they expected the joint operations will result in a larger news staff with greater resources to cover the news.

1 of 2 8/21/2009 11:46 AM

Several KHNL news employees contacted declined to comment, stating they don't want to hurt their chances of being retained.

Hawai'i Pacific University communication professor John Hart said he's not surprised by the merger.

"Hawai'i, for its size, is an extremely saturated media market," Hart said. "There simply isn't enough money to go around. If you look at it that way, it's surprising we've had so many independent media outlets for so long."

University of Hawai'i media professor Tom Brislin said he has mixed feelings about the merger. The merger allows all three stations to remain viable, allowing viewers a greater variety of choices.

"But they're going to lose a news choice," said Brislin, a former Honolulu Advertiser city editor.

The merger of KGMB, KHNL and K5 brings together a mixture of the old and the new.

KGMB was the station of the late iconic news anchor Bob Sevey, often called the Walter Cronkite of the Pacific. Its venerable headquarters in a cramped lot on Kapi'olani Boulevard is the former home of live audience broadcasts of the Checkers & Pogo children's show, 50th State Wrestling and the "Island Music, Island Hearts" Hawaiian music series.

KHNL is the upstart "fourth" news station which didn't even come into existence until 1995, promising a new approach to TV news delivery that featured snazzy graphics and herky-jerky camera movements.

KHNL and K5 earlier this year moved from their original location at the corner of Sand Island Road and Nimitz Highway into a new, larger facility on Waiakamilo Road.

Correction: Chris Archer is the KGMB9 news director. His title was incorrectly listed in a previous version of this story.

2 of 2 8/21/2009 11:46 AM





Press releases from KGMB-TV, KHNL-TV, KFVE-TV and Raycom Media

POSTED: 02:22 p.m. HST, Aug 18, 2009

Subject: Statement and News Release: Owners of KHNL/K5 and KGMB reach agreement to secure the future of television programming and its three stations in Hawaii

August 18, 2009

STATEMENT BY RAYCOM MEDIA PRESIDENT/CEO PAUL McTEAR

We are pleased to announce today that we, at Raycom Media, owners of KHNL and K5, and MCG Capital, who owns KGMB in Hawaii, will be entering into what is called a Shared Services Agreement with KGMB in Hawaii, which will help secure the future of KGMB, as well as KHNL and K5 in Hawaii. The agreement also helps to assure the continued services and programming that are provided to residents here on the islands by these three television stations.

This Shared Services Agreement will ensure that the quality of news, other locally produced programming, network and other national programming, UH sports, and other services provided by these three television stations, will continue for our viewers and many other customers in Hawaii. We realize there may be other financial and business options available, and while we are certainly open to discussing these with any interested party, the economic reality is that this market, and perhaps other markets around the country, cannot support five traditionally separated television stations, all with duplicated costs. Rather than experiencing the loss of one, or possibly two stations in this market, we intend to preserve three stations delivering important and valuable local, national and international programming to viewers in Hawaii.

As we all know, businesses in Hawaii, and across the nation, are having to cut costs through salary freezes and reductions, furlough programs, staff reductions, the elimination of 401 (k) and other benefits, with many declaring bankruptcy, like we've seen here, with venerable companies like Aloha Airlines and Hilo Hattie. As we've seen, the broadcast industry has not been immune, with some broadcast companies having to reduce staffing, eliminate newscasts, or entire news departments in some markets.

Companies that think and act far more creatively to protect their businesses and employees in this economy are the ones that are going to weather the storm and emerge stronger, which is why Raycom Media and MCG Capital Corporation, owners of KHNL/K5 and KGMB, respectively, have agreed to enter into this Shared Services Agreement.

Under a shared services agreement, Raycom Media will provide certain services to all three stations. The agreement is an operational arrangement, not an ownership change agreement. Raycom Media retains ownership of KHNL/K5 and MCG Capital Corporation retains ownership of KGMB.

Under a shared services agreement, KGMB and the people who work there will benefit from all of the resources available through Raycom Media, as one of the nation's largest broadcasters, owning and/or operating 46 television stations in 36 markets and 18 states, including Hawaii.

A shared services agreement would also allow the three stations to combine forces and would result in the state's largest television news department producing more local news and other local programming than any other station in Hawaii. The stations would field the largest number of news professionals in times of major breaking news or severe weather, providing better coverage of the stories impacting the lives of everyone who lives in Hawaii. The new Media Center would have more news staff than any other local TV station covering news each day, and providing more stories of local, national and international importance.

KGMB, KHNL and K5 are proud of their relationship with their respective national networks and all of the programming provided by CBS, NBC and MyNetworkTV, and this agreement will keep those relationships strong. Viewers in Hawaii will continue to enjoy their favorite network programs like 60 Minutes, CSI and Late Night with David Letterman on CBS, The Today Show, Saturday Night Live and The Office on NBC, and UH sports and local programming, without interruption.

We are especially proud of the 25-year, plus, history K5 and Raycom have had with the University of Hawaii. A shared services agreement ensures that the relationship will not only continue, but may be made even stronger with opportunities to provide more UH sports and other related programming to Hawaii and perhaps, even, to the mainland.

All three stations will continue to work with local charities and in other fundraising efforts to benefit all those in Hawaii who most need and rely upon those efforts.

We are very proud of our relationship with the two local managers, two respected and well-known community leaders, John Fink and Rick Blangiardi, and their teams of talented and dedicated employees who work hard every day to provide the best in local and national programming and to serve Hawaii's residents in so many ways. We are pleased that both John Fink and Rick Blangiardi will continue to provide their strong leadership for KHNL and K5, and KGMB.

This agreement will also allow us to keep as many of John's and Rick's teams as possible gainfully employed and doing what they enjoy the most&hellipworking in television and serving those who live and work in the many communities in, perhaps, the most beautiful state in the nation, Hawaii.

These professionals will now produce more than 40 hours of local news each week and will also continue to produce award-winning public affairs programming, news and weather specials and, of course, UH sports programming.

All of those employed in Hawaii by the three stations under such an agreement will benefit from the many resources available through Raycom Media, as a very large television company run by industry veterans who will be an integral part of the broadcasting industry for years to come.

Everyone at the three stations is very proud of the strong relationships they have with their many friends and customers, local businesses and viewers. We are confident that after we have responded to the many

anticipated questions, most will understand why a creative approach to preserving our interests in Hawaii are necessary. This agreement would allow for all three stations to continue to grow those relationships and assures that all three stations will continue to provide strong services to all communities on all islands.

We, at Raycom, are proud of our long relationship with Hawaii and we are excited that this agreement would allows us to, not only continue to serve Hawaii, but to serve the residents in even more and better ways.

###

August 18, 2009

NEWS RELEASE

FOR IMMEDIATE RELEASE

OWNERS OF KHNL/K5 AND KGMB REACH AGREEMENT TO SECURE THE FUTURE OF TELEVISION PROGRAMMING AND ITS THREE STATIONS IN HAWAII

-Shared Services Agreement would ensure that news, network programming, UH sports, severe weather coverage and all other services continue to be provided to residents of Hawaii-

HONOLULU — Raycom Media, owner of KHNL and K5, and MCG Capital Corporation, owner of KGMB, announced today a Shared Services Agreement which, upon completion, the two companies would combine the three stations to creatively and successfully address the impact of the negative economy and to secure the future of all three television stations in Hawaii.

"The purpose of a Shared Services Agreement is to not only secure the future of KHNL, K5 and KGMB, but to operate them more efficiently and effectively without diminishing the quality of news and other programming provided to our customers in Hawaii," said Paul McTear, President and CEO of Raycom Media. "We realize there may be other financial and business options available, and while we are certainly open to discussing these with any interested party, the economic reality is that this market cannot support five traditionally separated television stations, all with duplicated costs. Rather than experiencing the loss of one, or possibly two stations in Hawaii, we intend to preserve three stations that provide important and valuable local, national and international programming to viewers in Hawaii."

Under the agreement, Raycom Media would provide certain services to all three stations. The agreement is an operational arrangement, not an ownership change agreement. Raycom Media retains ownership of KHNL/K5 and MCG Capital Corporation retains ownership of KGMB.

"Companies that think and act far more creatively to protect their businesses and employees in this economy are the ones that are going to weather the storm and emerge stronger," said McTear. "Raycom Media is proud of its long relationship with Hawaii, and with the University of Hawaii, and we are excited that an agreement would allow us to, not only continue to serve the islands, but to serve residents in even more and better ways."

The Shared Services Agreement creates what would be the largest local television news operation available to cover local, national and international news for Hawaii. The KGMB, KHNL, K5 newsroom and all those working there plan to produce more than 40 hours of local news each week, making it

among the most productive newsrooms in the country. The stations will also continue to provide local web sites rich in news, weather, sports, entertainment, business, advertising and other content of community interest.

"Such an agreement allows the three stations to field the largest number of news professionals, particularly during times of major breaking news or severe weather, providing better coverage of stories impacting the lives of everyone who lives on the islands, and produced on multiple platforms – television, internet and on mobile devices." added McTear.

"Given the challenges of operating a standalone station in these very difficult markets, MCG views the Shared Services Agreement as a smart and creative way to manage its continuing ownership investment in KGMB," said Rick Blangiardi, President and General Manager of KGMB and MCG Capital's representative in Hawaii. "We are very proud of our employees and the work that they do. Under a new agreement, KGMB, and the people who work there, will benefit from the scale and diversity which comes from a company like Raycom Media, recognized as a company that will be an integral part of the broadcast industry for years to come."

Under a Shared Services Agreement, the three stations will share in the news services as well as other combined services. It's anticipated that, once the two companies swap call letters, the national networks and other programming, along with the accompanying channel positions of each of the three stations, will remain the same.

Raycom Media, an employee-owned company, is one of the nation's largest broadcasters and owns and operates 46 television stations in 36 markets and 18 states, including Hawaii. In addition to television stations, Raycom owns Raycom Sports, a marketing, production and events management and distribution company; Raycom Post, a post production facility; Broadview Media, a post production telecommunications company; and CableVantage, a cable advertising sales group.

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Check the box to include the list of links referenced in the article.

4) KGMB-9 5PM 8-18-09

News desk Tannya Joaquin: ... and three stations for now but a deal divulged this afternoon means one larger local news team, and that's tonight's top story. A major announcement today will change the face of television news in Hawaii. It's called a shared services agreement between three local TV stations including this one. KGMB-9 Stacy Loe joins us to explain what this means. Stacy:

Stacy Loe: Hi, Tannya. The agreement involves KGMB-9, KHNL and K5 for viewers it means you'll see one larger news team on all three stations, but the process will lead to layoffs. In a nutshell, KGMB-9, KHNL News 8 and K5 will merge news operations under one roof with one operator, Raycom Media, out of Alabama. The shrinking economy dictated the decision.

Paul McTear: Over the last three years the the revenue pie, the television revenue television pie in Hawaii has lost 20 million bucks.

Stacy: and that means the Hawaii television market can no longer sustain five stations without one of them potentially going away altogether.

Rick Blangiardi, KGMB9 General Manager: Something had to happen, and so we're looking very much forward to what we're going to create, as opposed to what's not being done. And and I think we're going to have a better opportunity, much better opportunity to serve the state better.

[Keahi Tucker briefly shown with Stacy Loe]

Stacy: The deal will create the largest news department in the state. Some of the newscasts will be simulcast on KGMB9 and KHNL, and more newscasts could be added to the lineup.

John Fink, KHNL/K5 General Manager: I think the overall tone was uh everybody wants to know what happens next and everybody's starting to think about themselves as you would expect.

Stacy: that's because at a station meeting we learned there will be layoffs. Of the nearly 200 employees at the three stations, about a third could be pink-slipped. But that's a starting point; that number could change.

Paul McTear: Every employee at each of the three television stations will be interviewed as part of that to see who will make up the workforce.

[Tannya Joaqin briefly shown]

Stacy: So who will you see delivering news? That decision hasn't been made. But viewers won't see a difference when it comes to their favorite television shows.

Paul McTear: When they look for Letterman, they'll find it at KGMB. When they look for the University of Hawaii, they'll find it at K5.

Stacy: and the clock is already running. Raycom hopes to have the transition complete by November. The FCC does not need to approve shared services agreement. As for who runs the stations, John Fink, the General Manager of KHNL and K5 will run K5's operations. Our GM Rick Blangiardi will run both KGMB9 and KHNL. Tannya, back to you.

Tannya: Thank you, Stacy, we've asked business reporter Howard Dicus to join us on set tonight with more on the pros and cons of a deal like this. This is highly creative and unusual, as you said?

Howard Dicus: It is. There are elements of this deal which we have seen before, in deals in the mainland and here. Of course uh for many years KGMB9 and KHON had the same ownership although they were operated separately. We have seen joint operating agreements involving newspapers, but not so much in broadcasting. So, this is a situation where elements of ideas that have been tried before are being combined in a new way. The idea of one news room uh producing all of the news products on three separate TV stations is a new one, and even though there will be separate sales operations for the three stations, it's still being certain economies of scale, and those are badly needed, not just because we've been in a recession, but because even before that, Honolulu is rather a small market to have so many television stations. We have about 900 people on Oahu; that makes the metro area a little bit smaller than the Albany/Troy area in New York, a little bit bigger than Albuquerque. It's not a large metroplex, and it's actually surprising to me as a business reporter that something didn't have to happen even sooner than this. So, although it's regrettable that there will be layoffs, it's actually a good thing that so many jobs were preserved for so long. This is apparently an effort to preserve the remaining jobs through the end of the recession and into whatever comes after that.

Tannya: and crunching the numbers, 20 million dollars, the shrinking revenue from the advertising, something did have to happen as the economy continues to limp along.

Dicus: and we've seen this in radio as well where there's been an enormous consolidation among the ownership groups, and in the newspapers where we've seen several rounds of layoffs, both with The Advertiser and the Star Bulletin.

Tannya: pros and the cons, we'll continue to see how those will shape up in the coming months. Thank you, Howard.

10) KGMB-9 6PM 8-18-09

Kiahi Tucker voiceover: Tonight a bold move to strengthen Hawaii's number one afternoon and late news program. KGMB-9 is joining forces with two other TV stations in town to create a new powerhouse in Hawaii's struggling media market. [at news desk] Good evening, I'm Kiahi Tucker

Tannya Joachin: and I'm Tannya Joachin. KGMB-9 is combining its news department with KHNL and K5 under one roof. The merger is intended to avoid a financial collapse in the TV news business, but it also means layoffs. KGMB-9's Stacy Loe joins us with tonight's top story:

Stacy Loe: Tannya, the shrinking economy spawned the merger announced today - technically it is a shared services agreement. Now what this means is KGMB-9, KHNL and K5 will have one news department located in Waiakamilo. Some of the newscasts will be simulcast on KGMB-9 and KHNL, and more newscasts could be added. But in the process of combining resources, workers will be let go. About a third of the stations' 198 employees could lose their jobs, but that number could change. Raycom Media CEO says the consolidation is necessary to stay alive in a TV market that's lost 20 million dollars in revenue over three years.

Paul McTear, Raycom Media CEO: So that with that changing, we in local broadcasting had to find a different way that we could conduct our business and taking out some of the fixed costs is what it we decided to do.

Rick Blangiardi, KGMB9 General Manager: Something had to happen, and so we're looking very much forward to what we're going to create, as opposed to what's not being done, and I think we are going to have a better opportunity, much better opportunity to serve the state better.

Stacy: As for who runs the stations, John Fink, General Manager of KHNL and K5 will run K5's operations. Our GM Rick Blangiardi will run both KGMB9 and KHNL. Raycom says the agreement does not need FCC approval because ownership isn't changing hands, and neither are the stations' licenses. The deal should be sealed by November. Stacy Loe, KGMB9 News.

Kiahi Tucker: Thank you, Stacy. The move from our studio here at Waiakamilo will start well before November. The news station's name and logo haven't been decided yet, but we do know viewers will notice some changes in our look and schedule.

K Tucker: CSI fans, you have nothing to worry about. The Office and Saturday Night Live will also stay put. In fact, almost all CBS, NBC and K5 will remain on their respective channels. What will change is the local news product. KGMB News Director Chris Archer will help with the transition. The newsroom's going to get bigger, and you're basically going to have an All-Star team. That team of the best and brightest from all three stations will make up the largest TV news operation in the state. With three channels to choose from, viewers will get more hours of local newscasts, without losing their network shows.

Chris Archer: Here's a good example, is you're watching your favorite news team in the morning on one station, say it's KHNL, at 7:00 when the Today show comes on, you could then go over to KGMB and continue watching that local news on a different station.

K Tucker: to pull that off, our KGMB9 crews will be moving from this cramped 79-year-old building on Kapiolani Blvd. to this large, new KHNL facility on Waiakamilo Road, built especially for modern TV news, with all the bells and whistles.

Mike McCarthy, KHMB9 Head Engineer: There's some real advantages to combining the two different operations.

K Tucker: Engineer Mike McCarthy will help fine tune the new station.

Mike McCarthy, KHMB9 Head Engineer: Each of us has uh you know has gone out and bought the tools of our trade ah to be competitive with you know against each other, so now we get to take basically two warchests of uh broadcast tools you know, uh we're going to have a combined arsenal that ah is much better and gives us a lot more opportunities.

K Tucker: And that means faster newsgathering, clearer pictures, combining the best cameras and editing equipment. But for KGMB9 viewers the on-air look should stay much the same.

McCarthy: all the graphics may not be exactly the same, uh some elements on the set will change, but our goal is to move this set, to sort of minimize the disruption to the viewers, ah, you know so that you do see something familiar.

Tucker: The move should be underway in about a month. The KGMB9 building will likely be torn down eventually, the business of news ever changing, like the news itself.

K Tucker: And I'm joined now by our business reporter Howard Dicus. So, Howard, late this afternoon a group called the Media Council of Hawaii came out against this deal. This is a group of professionals who monitor deals like this, and they're worried that this will lead to fewer voices in our market, but we have some very practical issues we are considering.

Dicus: Right, uh more voices is generally a good thing but uh the problem with that is uh it takes money. News doesn't come from the news fairy, it's supported by ad revenues, and the market is only large enough to support so many news organizations. We are actually uh quite lucky, that we have had two daily newspapers for so long. Most larger markets don't have that anymore on the mainland, and we have a lot of radio and TV stations compared to most markets our size. I had to look this up on the Census Bureau website: Rochester, Tulsa and Fresno are the three markets just above us in the list of the largest metroplexes, so that will give you an idea of about where we are, about 900,000 people, and uh as a result of this combination, we will, as we will be losing some jobs, and that is very much a shame for all of us who work with other people who might not stay. But on the other hand, the resulting news organization will be larger than either of the previous components, and that will mean one voice, but one that's maybe a little louder than before.

K Tucker: Well it certainly is a complex debate and open to a lot of different ideas. We'll be following them as we go forward. Thanks so much Howard.

9) KHNL-8 6PM 8/18/09

News desk Stephanie Lum: ... but first a major shift in the local media landscape means one company will own this station KHNL and KGMB.

News desk Kristine Uyeno: Raycom Media, our parent company will enter a shared services agreement with MCG Capital, though a current owner of KGMB. Under the agreement, MCG Capital will operate K5 the home team.

Stephanie: and this will mean layoffs, the number yet to be determined. Leland Kim joins us live now to tell us what it means for you, the viewer. Leland:

Leland Kim: Kris and Steph, for the average viewer it should be pretty seamless. NBC programming will stay on KHNL and CBS programming will stay KGMB, but the two newsrooms will combine to form the largest newsroom in the state and the newscasters seen right now on KHNL could be the same one you'll see on KGMB. The way Hawaii covers television news is changing. Raycom Media, the parent company of KHNL and K5 has entered a shared services agreement with MCG Capital, the owner of KGMB. This means the newsroom of KHNL and KGMB will consolidated into one.

Paul McTear, Raycom President/CEO: As a way to sustain a level of service, this is the path that we have chosen to take, and we believe it is in the best interests of the market, the people of Hawaii, and the employees at this television station.

Leland: The economic slowdown and the fragmentation of TV audience have TV news not as profitable as it used to be. In 2006 Hawaii TV stations' revenue was collectively at 68 million dollars. This year, it's down to 48 million, a loss of 20 million, or a 29% drop.

Rick Blangiardi, KGMB General Manager: I've been in this business over 30 years now. I've never seen, and I've, all of us, I mean, in the macro-dynamics of the economy of a whole, or in the television industry this kind of uh the velocity and contraction of ad dollars has been unlike anything.

Leland: While this is obviously bad news for employees of both stations will be let go, UH Professor Gerald Kato says it's also bad for local journalism.

Gerald Kato, UH Journalism Professor: the news in a democracy relies heavily on a marketplace of ideas, diversity of ideas, diversity of voices. Homogenization of voices ah really hurts the the democratic values with which uh broadcasting was set up.

Leland: But Raycom Executives say this was the best way to go. Some markets have lost newsrooms altogether. Syracuse no longer has news at the CBS affiliate, as does the NBC station in Peoria, IL.

John Fink, KHNL/K5 General Manager: So you could take a look at those markets as recent examples of what happens when you don't do something like this; where you try to share services there is a loss, total loss, in the marketplace.

Leland: Still Kato worries what this means when one entity controls three out of five stations in the market.

Kato: Where there is excessive market power, freedom of expression is imperiled, and I suspect a

scheme such as this uh do imperil the marketplace of ideas.

Leland: But this is not unique to Hawaii and Raycom executives say the combined force of KHNL and KGMB will be able to better serve Hawaii and its people.

[Raycom Exec?] We're going to be far more flexible to provide viewership ah opportunities to sample these newses throughout the day on a multitude of channels.

Leland: Again, we don't know how many people will be laid off, but it will be some here and some at KGMB. The deal is set to be finalized in 60 days. Reporting live, Leland Kim, KHNL and K5 News.

1) KHON-2 5 PM 8/18/09

Male at news desk: Nearly 70 people could lose their jobs as KGMB, KHNL and K5 consolidate news operations. Gina Mangieri joins us now with all the details.

Gina: Well, according to one of the stations affected, about 130 out of the combined 198 workers will keep their jobs in an unprecedented three station deal referred to as a shared services agreement. Citing drastically slashed ad revenue and the toughest economy in decades, three stations will now produce content in one news room, but keep separate sales teams.

Paul McTear, President Raycom Media: Every employee at each of the three television stations will be interviewed as part of that to see who will make up the work force.

Gina: It's the latest in a series of cost strategies ranging from print to TV and radio. Previous cuts at Channel 8 in December resulted in the consolidation of several departments and the elimination of the news director position.

Gerald Kato, UH Journalism Professor: They're going to consolidate the newsroom, but 60 or 70 people will get axed. I'm sure a lot of the production people will get axed.

Gina: Raycom Media says it's too soon to say how many or who will stay on. That will be determined over the next 60 days. Watchdog groups are already taking issue.

Chris Conybeare, Honolulu Community Media Council President: Cozy deals with off-shore owners may help their bottom line, but with all the layoffs diminish diversity of opinion and rob Hawaii's public of the best use of our airwaves - and they are our airwaves.

Paul McTear, President Raycom Media: Will the market place be better if one or both of these television stations stop producing news?

Gina: the management team presenting the deal said that could be a real possibility without the consolidation.

Paul McTear, President Raycom Media: So if they continue to lose money against a market place that is shrinking, then the only answer is to reduce the amount of services, and the most expensive services that these organizations bring to the market place is news.

Gina: the plan includes simulcasting some newscasts and creating new time slots for others. The entire local TV ad revenue pie is down about 30% since its height in 2006.

Rick Blangiardi, KGMB 9 General Manager: Those days unfortunately have passed us, and apparently for good. So, I think our future is going to look very different than even our most recent past and we need to embrace that.

Gina: Raycom says FCC approval is not needed, though they will apply for call letter swaps that won't affect the dial itself. The local media council president says he will be consulting FCC and antitrust lawyers in Washington tomorrow. Gina Mangieri KHON TV2 News

2) KITV-4 5 PM 8/18/09

KITV Newsdesk Gary Sprinkle: A big change in local TV that'll mean a significant number of layoffs.

KITV Newsdesk Pamela Young: It was announced today that KGMB would merge operations with KHNL and K5. Programming will not change, but the news operations will be combined. KITV's Dick Allgire joins us with details in tonight's top story. Dick?

Dick Allgire: Pamela, this had been rumored for some time now: it's official, and it hit home today as every employee at KGMB was given a layoff notice. Some of them will be hired back, as they merge with KHNL. KGMB employees were stunned and saddened today as they all were given envelopes with their layoff notices. The iconic tower on Kapiolani Blvd. will be torn down soon as KGMB will vacate this location.

Paul McTear: The economic reality is that this market, and perhaps other markets around the country cannot support five traditionally separated television stations.

Dick: KGMB will merge with KHNL and K5. Station officials held a joint news conference to announce all three stations will be run out of KHNL's new facility in Kalihi [Waiakamilo Road], although it is not to be called a merger.

Paul McTear: To do what it is that we're doing, there's a couple of things that are going to take place. We do not need any regulatory improvements.

Dick: They're calling it a shared services agreement. Viewers will see no difference in programming but the news operations will be combined and some employees from both operations will be let go.

UH Professor Gerald Kato: ... joint services agreement to avoid saying what it is, which is essentially a merger of operations; because once you use that the "M" word, it becomes a a duopoly, which would be susp... you know, would be illegal under FCC rules.

Dick: There are 198 full time employees at the three stations. KGMB employees were told today about 130 will be kept and about 68 from either KHNL or KGMB will lose their jobs. All the employees at both stations will be interviewed to determine who stays. Professor Gerald Kato says it will affect the quality of news.

Kato: You'll have a lot of news, but it will be the same news being put out by the same news operation, and I think that does a disservice to the uh public here.

Dick: The deal is expected to be completed in just over 60 days. Dick Allgire, KITV-4

CERTIFICATE OF SERVICE

I, Adrienne Biddings, hereby certify that copies of the Complaint and Request for Emergency Relief by Media Council Hawai`i, through their attorneys, the Institute for Public Representation, have been served by first-class mail and courtesy copy by e-mail, this 6th of October, 2009, on the following persons at the addresses shown below.

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Respectfully Submitted,

October 7, 2009

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