market earlier this year when it acquired Cox Enterprise's local FOX affiliate, KFOX. One month after this deal was announced, Sinclair entered into an agreement with Titan Broadcasting to purchase KDBC, El Paso's CBS affiliate. However, the FCC's rules prohibit a single company from owning two stations ranked in the top four of Nielsen's ratings, and the top four are usually the major network affiliates. So Cunningham stepped in as the purchaser of KDBC, with Sinclair operating the station under an outsourcing agreement.

The FCC approved Cunningham's transfer application on July 13. But just one week later, Sinclair exercised its purchase-option agreement, seeking to acquire the station outright. In doing so, Sinclair cited the most recent Nielsen ratings, which were released in June. These showed KFOX was in fact El Paso's sixth-ranked station, making the CBS-FOX duopoly legal under FCC rules.[50]

Sinclair's exercise option for KDBC was $21 million, the same exact price Cunningham paid for the station.[51] This is yet more proof that Cunningham is not a truly independent company; it exists solely to serve Sinclair.

Money for Nothing

Indeed, there's no difference between Sinclair and any of its sidecar companies; for evidence, consider that Sinclair is the sole financial beneficiary of these stations' profits and is also on the hook for any losses. The named owners in these arrangements earn little more than consulting fees despite owning all of the voting shares in supposedly independent companies.

For example, Deerfield's SSA for WHP-TV requires that it pay Sinclair $11.6 million in the first year, plus an undefined monthly performance bonus, for a station that SNL Kagan estimates earned just $12.6 million in advertising revenues in 2012.[52] While a million left over might not seem so shabby at first, consider that Sinclair's *initial* 92 percent fee here does not leave much capital for Deerfield to purchase or produce programming, since the FCC's rules mean that Sinclair can't program more than 15 percent of the weekly airtime on stations it does not own.

Deerfield's initial cut appears even less impressive when you consider that the terms of the Joint Sales Agreement (JSA) require that it use the remaining station revenues to cover other expenses like utilities, salaries for two employees (the station manager and one other unnamed position), FCC-related legal expenses, property taxes, finance payments, insurance premiums and music-rights payments.[53] These same high service fees are found in Sinclair's arrangements with its other sidecar companies.[54]

But these deals don't leave Deerfield and the other station "owners" in the red. These JSAs stipulate that Sinclair is on the hook for any costs that exceed these stations' revenues — and nearly all of these costs come in the form of sky-high fees paid to Sinclair. So in other words, it appears that these outsourcing agreements guarantee that Sinclair keep 100 percent of the profits, with the nominal license holders functioning as consultants on retainer. This is

[50] *See* FCC Application #BTCCDT–20130422ADR.

[51] *Id. See also* Equity Purchase Agreement by and between TTBG LLS and Sinclair Broadcast Group, Inc., April 8, 2013.

[52] *See* Shared Services Agreement, Attachment 13, FCC Application # BALCDT–20130809ADF, Aug. 9, 2013.

[53] *See* Joint Sales Agreement, Attachment 13, FCC Application # BALCDT–20130809ADF, Aug. 9, 2013.

[54] Under the Shared Services Agreement between Sinclair and Howard Stirk for WMMP, Howard Stirk is required to pay Sinclair $1.85 million in the first year alone. SNL Kagan Estimates that this station's net ad revenues were $2.8 million in 2012. That leaves $1 million to pay for programming and other expenses that Sinclair does not cover under the outsourcing agreement. If these expenses plus the SSA fee exceed the station's revenues, Sinclair covers the excess amount. In other words, Sinclair is likely to keep 100 percent of the station's profits. *See* Shared Services Agreement and Joint Sales Agreement, Attachment 13, FCC Application # BALCDT–20130809ADG, Aug. 9, 2013.