Sinclair has been able to take over this many stations this quickly through the use of "outsourcing agreements" designed to evade FCC rules. Under a typical agreement, Sinclair takes over the operations of one or more competing stations in the same market, while another nominal owner holds the stations' license(s) on the paperwork at the FCC. Sinclair pioneered the use of these covert-consolidation arrangements with its invention of the Local Marketing Agreement (LMA) in the early 1990s. The company later refined the technique via its creation of the Shared Services Agreement (SSA).

Sinclair today operates 46 stations using one or more of these arrangements. Sinclair relies primarily on three shell companies — Cunningham Broadcasting, Deerfield Media and Howard Stirk Holdings — to skirt the FCC's ownership rules. These three "sidecars" hold the licenses to 30 of the 46 stations that Sinclair operates under outsourcing agreements. Only six of the 46 Sinclair-operated stations are owned by a party that also owns stations Sinclair doesn't control.

Covert Consolidation: A Convenient Lie

Longstanding FCC rules prohibit one company from owning more than one TV station in a market with fewer than eight independent owners. The rules also preclude any single party from owning the license to two or more top-four-ranked stations in the same market. But Sinclair controls multiple stations, including multiple top-four stations, in dozens of markets where the FCC rules bar such arrangements.

Sinclair claims that even though it exercises complete control over these stations, the company is not violating FCC rules because Sinclair does not technically own the stations' licenses. But as we document in this report, there is ample evidence that these covert-consolidation agreements give *de facto* control to Sinclair over station operations in every meaningful way:

- In nearly every single instance, the only asset a shell company owns is the station license itself. Sinclair almost always owns 100 percent of these stations' physical assets.

- Under the structure of these outsourcing agreements, Sinclair receives nearly all of the stations' profits. The license owners receive fees for putting their names on the licenses.

- The parent company is often the shell company's sole financier. For example, Sinclair is on the hook for 100 percent of Deerfield Media's bank loans.

- Sinclair's outsourcing agreements contain contractual language that requires the nominal owners to sell their stations' licenses to Sinclair — and only Sinclair — for bargain-basement prices, should the FCC relax its rules.

- These shell companies often have no physical presence. For example, Sinclair's longtime shell, Cunningham Broadcasting, is headquartered in Sinclair's flagship station's studios in Baltimore.

- Cunningham has also struck deals to purchase stations, only to let Sinclair take its place as the buyer once it became apparent the deals wouldn't violate FCC rules. No legitimately independent business would walk away from a deal and let a supposed competitor take its place.

- The shell companies are usually owned by individuals who don't actually run any of their stations, as they have other full-time jobs or are retired. Cunningham's CEO, for example, is a full-time broadcast attorney at a New York law firm.

- In most cases, Sinclair produces 100 percent of any original programming, including news, that airs on these sidecar stations. In terms of viewpoint diversity, there is no difference between Sinclair and the nominal owner.