

Before the  
Federal Communications Commission  
Washington, D.C. 20554

|                                                   |   |                                           |
|---------------------------------------------------|---|-------------------------------------------|
| In the Matter of                                  | ) |                                           |
|                                                   | ) |                                           |
| Media General Communications, Inc.<br>(Assignor)  | ) | File No. BALCT-20060508AAC, <i>et al.</i> |
|                                                   | ) |                                           |
| and MG Broadcasting, LLC, as E.A.T.<br>(Assignee) | ) |                                           |
|                                                   | ) |                                           |
| For <i>Pro Forma</i> Assignment of Licenses       | ) |                                           |

**MEMORANDUM OPINION AND ORDER**

**Adopted: June 23, 2006**

**Released: June 23, 2006**

By the Commission:

1. The Commission has before it for consideration applications for the *pro forma* assignment of seven television broadcast station licenses<sup>1</sup> from Media General Communications, Inc. (Media General) to MG Broadcasting, LLC as E.A.T. (MG). For the reasons stated below, we grant the applications. In its application, Media General states that it proposes to assign seven television stations to an Exchange Accommodation Titleholder (EAT) in order to facilitate a “reverse like-kind exchange,” pursuant to Internal Revenue Rev. Proc. 2000-37, which would result in favorable tax treatment for the ultimate sale of the seven stations pursuant to long-form applications.

2. In its proposed reverse like-kind exchange, Media General would transfer the stations to MG as an EAT, buy other stations from a third-party<sup>2</sup> and, within six months, sell the EAT stations to another third-party. The taxable proceeds of the final sale of the EAT stations would be off-set by the previous station purchase. During the period that the EAT holds title to the stations, it would not be treated as an agent of Media General for tax purposes, but would be treated as an agent for accounting, regulatory and other non-tax related purposes. Under the IRS regulations, the EAT is required to be a wholly separate entity from Media General and to hold legal title to the stations’ assets and licenses. The EAT, however, cannot have any beneficial ownership in the stations and must act only as the original owner’s agent, except for tax purposes, with the original owner making all decisions relating to the stations. If the stations are not sold to a third party within six months, they must be re-assigned to Media General, pursuant to Commission approval, and any tax benefits will be erased.

3. Media General has proposed to organize its EAT, MG, as an LLC with two members. The first member is an entity called TVPX Acquisitions, Inc., which has no previous relationship with Media General and has no attributable interest in any other broadcast entity. The second member would be Media General. There would also be an Independent Manager, who would not hold any equity and not be

<sup>1</sup> A list of the stations to be assigned is attached as Exhibit A.

<sup>2</sup> On May 23, 2006, the Commission granted the applications to assign three television stations from NBC and its licensee subsidiaries to Media General. Those stations are: WCMH-TV, Columbus, Ohio, File No. BALCT-20060410AEB; WNCN(TV), Goldsboro, North Carolina, File No. BALCT-20060410AEH, and WJAR(TV), Providence, Rhode Island.

a member, but whose vote would be required for certain major actions, such as bankruptcy filings. Neither TVPX nor the Independent Manager has the right to oust Media General from the LLC. TVPX would hold all of the equity, but Media General would control all of the operations of the stations.<sup>3</sup> The EAT's only business would be operation of the stations, but no member of the EAT, except Media General, can be involved in the stations' operations.

4. According to Media General, this assignment should be treated as *pro forma* because Media General will retain *de facto* control over the stations and the EAT is legally obligated to act purely at Media General's direction. The EAT would have no discretion to act in regard to any aspect of station operations, except as ordered by Media General or with Media General's consent. Because the licensee cannot act in most respects without Media General's consent, Media General retains negative control over the licensee. In further support of its claim that use of a short form is justified, Media General also states that all of the benefits and burdens of the stations' operations will flow directly to Media General. Revenue and losses will not flow through the EAT, but will instead flow directly to Media General. The only income the EAT will receive is a flat fee from Media General. As further evidence of its continued *de facto* control of the stations, only Media General has the authority to sell the stations and the stations must be sold at its direction.

5. We agree that it is appropriate to grant these applications as *pro forma* assignments. Media General will retain *de facto* control of the licenses at all times and it is the only member of the EAT who will have any authority to make any decisions regarding the stations. Although the EAT will have one other member in addition to Media General, that member has no attributable interest in any other broadcast entity and will have no involvement with the stations or their operations. Also, the EAT mechanism is an extremely limited arrangement, both in time and scope, and is a creature of IRS regulations. Specifically, this is a temporary arrangement under IRS regulations and must cease within 180 days. Based on Media General's continuing control of the stations and on the regulations which govern the existence and operation of the EAT, we believe a *pro forma* assignment is appropriate in these limited circumstances.<sup>4</sup>

6. Accordingly, IT IS ORDERED, That the *pro forma* applications for consent to the assignment of stations WIAT-TV, Birmingham, Alabama, WDEF-TV, Chattanooga, Tennessee, KIMT(TV), Mason City, Iowa, KWCH-TV, Hutchison, Kansas, KSBD-TV, Ensign, Kansas, KBSH-TV, Hays, Kansas, and KBSL-TV, Goodland, Kansas ARE GRANTED.<sup>5</sup>

#### FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch  
Secretary

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<sup>3</sup> The Delaware Limited Company Act, section 18-301(d) provides that a person can be admitted as a member to an LLC without holding equity in it.

<sup>4</sup> We emphasize that our decision herein is limited to the special facts and circumstances of this case and is not introducing a change in our general policy that *de facto* control of a license cannot be passed on a *pro forma* application to a party whose qualifications have not been previously passed on in a long-form application. *See Communications Act of 1934*, Sec. 309.

<sup>5</sup> In light of the novelty of this transaction involving the grant of a *pro forma* assignment transaction involving an EAT, the Commission hereby reserves the sole authority to approve future EAT transactions.

**EXHIBIT A**

| <u>Station</u> | <u>Community</u> | <u>ID No.</u> | <u>File No.</u>   |
|----------------|------------------|---------------|-------------------|
| WIAT(TV)       | Birmingham, AL   | 5360          | BALCT-20060508ACC |
| WDEF-TV        | Chattanooga, TN  | 54385         | BALCT-20060508ACE |
| KIMT(TV)       | Mason City, IA   | 66402         | BALCT-20060508ABX |
| KWCH-TV        | Hutchison, KS    | 66413         | BALCT-20060508ABY |
| KBSD-TV        | Ensign, KS       | 66414         | BALCT-20060508ABZ |
| KBSH-TV        | Hays, KS         | 66415         | BALCT-20060508ACA |
| KBSL-TV        | Goodland, KS     | 66416         | BALCT-20060508ACB |