

ION MEDIA NETWORKS INC.

Form PRE 14C

June 22, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14C INFORMATION
Information Statement Pursuant to Section 14(c)
of the Securities Exchange Act of 1934 (Amendment No.)**

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
- Definitive Information Statement

ION MEDIA NETWORKS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount previously paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

This draft Information Statement has been prepared to inform our common stockholders in the event that our presently pending Exchange Offer and actions by our preferred and common stockholders result in the approval of the actions described in this draft. Consequently, the matters described in this document have not yet occurred and may never occur. You should not rely on the description included in this draft Information Statement until the document has been finalized.

**ION MEDIA NETWORKS, INC.
601 Clearwater Park Road
West Palm Beach, Florida 33401
July , 2007**

NOTICE OF ACTION BY A MAJORITY OF THE STOCKHOLDERS

Dear Stockholder:

As we previously announced, on May 3, 2007 we entered into a Master Transaction Agreement with NBC Universal, Inc., NBC Palm Beach Investment I, Inc., NBC Palm Beach Investment II, Inc. and CIG Media LLC providing for a recapitalization of ION. The recapitalization includes an offer to exchange all outstanding shares of each series of our senior preferred stock for newly issued subordinated debt and preferred stock and certain other recapitalization transactions. As part of the exchange offer, we are also soliciting consents from holders of each series of our senior preferred stock to amend the applicable certificate of designation governing such series of senior preferred stock and to approve the issuance of preferred stock in the exchange offer which would rank senior to the senior preferred stock.

In connection with the exchange offer and the recapitalization transactions, we are required to obtain the approval of the holders of a majority of the total voting power of our outstanding voting stock, which includes our Class A Common Stock, Class B Common Stock and 9³/₄% Series A Convertible Preferred Stock voting together as a class, of the following actions, which are described in greater detail in the accompanying Information Statement:

an amendment to our certificate of incorporation to amend the terms of the certificates of designation governing the senior preferred stock;

an amendment to our certificate of incorporation to create a new non-voting Class D Common Stock and increase the number of authorized shares of our common stock, Class A Common Stock and Class C Common Stock; and

the issuances of securities convertible into, or exercisable for, shares of our common stock in the recapitalization transactions.

We are delivering this Notice and the accompanying Information Statement to inform our stockholders that holders of a majority of the total voting power of our outstanding voting stock have approved, by written consent, the above actions. As a result, the requirement that we obtain stockholder approval of these actions has been satisfied, subject to (i) the requirement under the Securities and Exchange Commission's rules that the actions so approved cannot become effective until 20 calendar days after the Information Statement has been mailed to holders of our Class A Common Stock and (ii) with respect to the amendments to the certificates of designation of each series of senior preferred stock, obtaining the separate approval of the holders of a majority of the outstanding shares of the applicable series of senior preferred stock.

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU
ARE REQUESTED NOT TO SEND US A PROXY.**

We are mailing this Notice and the accompanying Information Statement on or about July , 2007 to stockholders of record as of July , 2007.

Very Truly Yours,

R. Brandon Burgess
Chief Executive Officer and President

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FORWARD-LOOKING STATEMENTS

This Information Statement contains forward-looking statements that reflect our current views with respect to future events. All statements in this Information Statement, other than those that are simply statements of historical facts, are generally forward-looking statements. These statements are based on our current assumptions and analysis, which we believe to be reasonable, but are subject to numerous risks and uncertainties that could cause actual results to differ materially from our expectations. All forward-looking statements in this Information Statement are made only as of the date of this Information Statement, and we do not undertake to update these forward-looking statements, even though circumstances may change in the future.

Among the significant risks and uncertainties which could cause actual results to differ from those anticipated in our forward-looking statements or could otherwise adversely affect our business or financial condition are those included in our annual report on Form 10-K for the fiscal year ended December 31, 2006 and the following:

Risks associated with consummating the recapitalization transactions;

Our high level of debt and the restrictions imposed on us by the terms of our debt;

Our history of significant losses and negative cash flow;

Our failure to redeem our preferred stock at the scheduled redemption dates in the fourth quarter of 2006;

The risks associated with our new sales strategy, which includes a return to the general network spot advertising market, or a decline in the rates at which we sell long form paid programming;

The risk of loss of a portion of our distribution platform; and

Changes in the legal and regulatory environment affecting broadcasters.

All future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by our cautionary statements. We do not intend to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events, except as required by law. See [Where You Can Find More Information](#).

**WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

ION MEDIA NETWORKS, INC.

**601 Clearwater Park Road
West Palm Beach, Florida 33401**

INFORMATION STATEMENT

General

All references to ION, we, our, ours and us and similar terms are to ION Media Networks, Inc. and its subsidiaries, unless the context otherwise requires.

This Information Statement is being sent to advise our stockholders that holders of a majority of the total voting power of our outstanding shares of Class A Common Stock, Class B Common Stock and 9³/₄% Series A Convertible Preferred Stock (collectively, the Voting Stock) have executed a written consent approving the following matters: an amendment to our certificate of incorporation (the Preferred Stock Amendment) to amend the certificates of designation of our 13¹/₄% Cumulative Junior Exchangeable Preferred Stock (currently accruing dividends at the rate of 14¹/₄%) (the 14¹/₄% Preferred Stock) and our 9³/₄% Series A Convertible Preferred Stock (the 9³/₄% Preferred Stock, and together with the 14¹/₄% Preferred Stock, the Senior Preferred Stock);

an amendment to our certificate of incorporation (the Common Stock Amendment) to create a new class of non-voting common stock, the Class D Common Stock, and provide for 1,000,000,000 authorized shares of Class D Common Stock, and increase the number of authorized shares of common stock, Class A Common Stock and Class C Common Stock to 3,035,000,000, 1,000,000,000 and 1,000,000,000, respectively; and

the issuance of the convertible securities, option and warrant in the recapitalization transactions and the issuance of the shares of Class A Common Stock, Class B Common Stock or Class C Common Stock, as applicable, upon the conversion or exercise of such convertible securities, option and warrant (the Issuances).

We have mailed the enclosed Notice and this Information Statement to all holders of record of our Class A Common Stock on the record date, which is the close of business on July , 2007. In accordance with Rule 14c-2 under the Securities Exchange Act of 1934, as amended (the Exchange Act), the actions approved by stockholder written consent will not become effective until at least 20 calendar days following the mailing of the enclosed Notice and this Information Statement. We anticipate that the actions contemplated herein will be effected on or about _____, 2007.

The General Corporation Law of the State of Delaware (the DGCL) does not provide for appraisal or similar statutory rights as a result of the actions being taken.

The date of this Information Statement is July , 2007.

We will pay the costs of preparing and sending out the enclosed Notice and this Information Statement. This Information Statement is being sent to our stockholders on or about July , 2007.

STOCKHOLDER APPROVAL REQUIREMENTS

Under Delaware law, in order to be approved, the Preferred Stock Amendment and the Common Stock Amendment must receive the affirmative vote of holders of a majority of the total voting power of our outstanding Voting Stock. Each share of Class A Common Stock is entitled to one vote, each share of Class B Common Stock is entitled to ten votes and each share of 9³/₄% Preferred Stock is entitled to 625 votes. As of the record date, there were 65,892,265 shares of Class A Common Stock, 8,311,639 shares of Class B Common Stock and 16,695.9798 shares of 9³/₄% Preferred Stock outstanding.

Approval of the Preferred Stock Amendment also requires, with respect to the certificate of designation governing the 14¹/₄% Preferred Stock, the separate approval of the holders of a majority of the 14¹/₄% Preferred Stock (voting separately as a class) and, with respect to the certificate of designation governing the 9³/₄% Preferred Stock, the separate approval of the holders of a majority the 9³/₄% Preferred Stock, voting separately as a class. If we receive the requisite approval of holders of only one series of Senior Preferred Stock, the Preferred Stock Amendment will become effective, but only with respect to such series of Senior Preferred Stock.

Because our Class A Common Stock is traded on the American Stock Exchange (the AMEX), Section 713 of the AMEX Company Guide applies to our company. Under this section, stockholder approval is required for any transaction involving the sale, issuance or potential issuance by an issuer of common stock (or securities convertible into common stock) equal to 20% or more of presently outstanding stock for less than the greater of book or market value of the stock. The maximum number of shares of Class A Common Stock (including shares of Class B Common Stock and Class C Common Stock, which are convertible into Class A Common Stock) issuable upon the conversion or exercise of the securities to be issued in connection with the Issuances will be in excess of 20% of the presently outstanding shares of Class A Common Stock, and the conversion and exercise price of these securities are less than the current market price of our Class A Common Stock. As a result, we are also seeking stockholder approval of the Issuances.

On July , 2007, Lowell W. Paxson, Second Crystal Diamond Limited Partnership and Paxson Enterprises, Inc. (collectively, the Paxson Stockholders) which, as of the record date, owned 15,455,062 shares of our Class A Common Stock and 8,311,639 shares of our Class B Common Stock, representing approximately 61.82% of the total voting power of our outstanding Voting Stock, delivered their written consent to the actions described above. As a result, the requirement to obtain approval of the total voting power of our Voting Stock has been satisfied, subject to (i) the requirement under the Securities and Exchange Commission's (the SEC) rules that the actions so approved cannot become effective until 20 calendar days after the Information Statement has been mailed to holders of our Class A Common Stock and (ii) with respect to the amendments to the certificates of designation of each series of Senior Preferred Stock, obtaining the separate approval of the holders of a majority of the outstanding shares of the applicable series of Senior Preferred Stock.

THE MASTER TRANSACTION AGREEMENT

As we previously announced, on May 3, 2007 we entered into a Master Transaction Agreement, which was subsequently amended on June 8, 2007 (the Master Transaction Agreement), with NBC Universal, Inc. (NBCU), NBC Palm Beach Investment I, Inc. (NBC Palm Beach I), NBC Palm Beach Investment II, Inc. (NBC Palm Beach II), together with NBCU and NBC Palm Beach I, the NBCU Entities) and CIG Media LLC (CIG) providing for a recapitalization of ION. The overall effect of the Master Transaction Agreement is to recapitalize ION and effect a change of control. The recapitalization includes an exchange offer that we launched on June 8, 2007 to exchange all of our outstanding shares of Senior Preferred Stock for newly issued subordinated debt and preferred stock and certain other transactions.

The Master Transaction Agreement requires that we seek the approval of the holders of a majority of the total voting power of our outstanding Voting Stock of the Preferred Stock Amendment, the Common Stock Amendment and the Issuances.

The following is a summary of the material provisions of the Master Transaction Agreement. The summary does not purport to be complete. A copy of the Master Transaction Agreement is filed as an exhibit to our Current Report on Form 8-K filed with the SEC on May 10, 2007 and the amendment to the Master Transaction Agreement is filed as an exhibit to our Schedule TO-I filed with the SEC on June 8, 2007. Each may be obtained in the manner set forth below under the heading, Where You Can Find More Information. We encourage you to read the full text of the Master Transaction Agreement, as amended, for a complete understanding of the matters summarized below.

The Class A Common Stock Tender Offer

As required by the Master Transaction Agreement, on May 4, 2007 (the Commencement Date), CIG commenced a cash tender offer to purchase any and all outstanding shares of our Class A Common Stock at a price of \$1.46 net per share (the Class A Common Stock Tender Offer). The Class A Common Stock Tender Offer expired at 5:00 p.m., New York City time, on June 15, 2007, at which time approximately 42,041,309 shares representing approximately 63.8% of the Class A Common Stock outstanding had been validly tendered and accepted. These shares represent approximately 88.1% of the shares of our Class A Common Stock held by stockholders other than CIG and the Paxson Stockholders, and, taken together with the 2,724,207 shares held by CIG prior to the Class A Common Stock Tender Offer and the 15,455,062 shares held by the Paxson Stockholders that CIG is purchasing pursuant to a Call Agreement, as defined below, represent approximately 91.4% of the outstanding shares of our Class A Common Stock.

The Call Right

As required by the Master Transaction Agreement, on the Commencement Date, NBC Palm Beach II assigned to CIG all of NBC Palm Beach II's rights and obligations under a Call Agreement, dated November 7, 2005 (the Call Agreement), among NBC Palm Beach II and the Paxson Stockholders, including its right (the Call Right) to acquire 15,455,062 outstanding shares of Class A Common Stock and 8,311,639 shares of Class B Common Stock (the Call Shares) held by the Paxson Stockholders. Immediately following such assignment, CIG exercised the Call Right. Pursuant to the Call Agreement, the obligation of the Paxson Stockholders to deliver the Call Shares (the Call Closing) to CIG is conditioned on the completion of the Class A Common Stock Tender Offer, the payment of the exercise price of \$0.25 per share of Class A Common Stock and \$0.29 per share of Class B Common Stock, and the receipt of required regulatory approvals, including approval by the Federal Communications Commission (the FCC).

Between the completion of the Class A Common Stock Tender Offer and the Call Closing, CIG has the contractual right to designate two members of our Board of Directors (the Board). In addition, in the event that any member of the Board (other than any member appointed by the holders of Senior Preferred Stock) ceases for any reason to serve as a director, CIG will have the right to designate a director to fill any such vacancy.

Delisting and Deregistration

The Master Transaction Agreement provides that, following the completion of the Class A Common Stock Tender Offer, we shall, to the extent permitted by law, delist the shares of Class A Common Stock from the AMEX and deregister the shares of Class A Common Stock under the Exchange Act.

Additional Investment by CIG

As required by the Master Transaction Agreement, on the Commencement Date, CIG purchased, for cash, \$100,000,000 of our 11% Series B Mandatorily Convertible Senior Subordinated Notes due 2013 (the Series B Notes). Upon the closing or expiration of the Exchange Offer, as defined below, CIG will purchase, for cash, up to an additional \$15,000,000 of the Series B Notes, not to exceed the amount of expenses that we incurred in connection with the transactions contemplated by the Master Transaction Agreement. The amount of Series B Notes we will issue to CIG is limited by restrictions under the terms of our first priority term loan, the first priority notes and the second priority notes (collectively the Senior Debt) that, depending upon the outcome of the Exchange Offer and the Contingent Exchange, and whether the Termination Exchange occurs, as such terms are defined below, could reduce the amount of additional Series B Notes that we could issue to as little as approximately \$3,000,000.

New Preferred Stock and Commencement Date Exchange

As required by the Master Transaction Agreement, we have authorized the following new series of preferred stock:

12% Series A-1 Mandatorily Convertible Preferred Stock

8% Series A-2 Non-Convertible Preferred Stock

12% Series A-3 Mandatorily Convertible Preferred Stock

8% Series B Mandatorily Convertible Preferred Stock

8% Series C Non-Convertible Preferred Stock

8% Series C Mandatorily Convertible Preferred Stock

8% Series D Mandatorily Convertible Preferred Stock

Series E-1 Mandatorily Convertible Preferred Stock

Series E-2 Mandatorily Convertible Preferred Stock

8% Series F Non-Convertible Preferred Stock

On the Commencement Date, we exchanged \$210 million aggregate stated liquidation preference of newly-issued 8% Series F Non-Convertible Preferred Stock (the Series F Non-Convertible Preferred Stock) for an equal aggregate stated liquidation preference of our 11% Series B Convertible Exchangeable Preferred Stock (the 11% Series B Preferred Stock) held by NBC Palm Beach I. On the same day, NBC Palm Beach I, in turn, transferred the Series F Non-Convertible Preferred Stock to CIG.

The Exchange Offer

As required by the Master Transaction Agreement, on June 8, 2007 we commenced an offer to the holders of each series of our outstanding Senior Preferred Stock to exchange (the Exchange Offer) any and all outstanding shares of each of these series for our newly issued 11% Series A Mandatorily Convertible Series Subordinated Notes due 2013 (the Series A Notes) and, depending on the participation levels in the Exchange Offer, either our newly issued 12% Series A-1 Mandatorily Convertible Preferred Stock (the Series A-1 Convertible Preferred Stock) or our newly issued 12% Series B Mandatorily Convertible Preferred Stock (the Series B Convertible Preferred Stock). The Exchange Offer is scheduled to expire on July 10, 2007, unless extended or terminated by us.

As part of the Exchange Offer, we are soliciting consents (the Consent Solicitation) from the holders of each series of Senior Preferred Stock to:

amend the applicable certificate of designation governing such series of Senior Preferred Stock to eliminate:

all voting rights, other than voting rights required by law;

our obligation to repurchase the Senior Preferred Stock upon a change of control;

all redemption rights;

in the case of 14¹/₄% Preferred Stock, all exchange rights; and

substantially all of the restrictive covenants applicable to each series of Senior Preferred Stock.

approve the issuance of the following series of preferred stock (the Senior Issuance), which would rank senior to any unexchanged Senior Preferred Stock:

Series A-1 Convertible Preferred Stock to be issued in the Exchange Offer; and

8% Series A-2 Non-Convertible Preferred Stock (the Series A-2 Non-Convertible Preferred Stock) to be issued in the Exchange of Series F Non-Convertible Preferred Stock (as more fully described in Other Exchanges Exchange of Series F Non-Convertible Preferred Stock).

In order to issue the Series A-1 Convertible Preferred Stock in the Exchange Offer, we must receive the requisite approvals of the Preferred Stock Amendment and the Senior Issuance from both series of Senior Preferred Stock. Under the certificates of designation governing each series of the Senior Preferred Stock, subject to certain exceptions, we cannot issue any equity securities that rank senior to such series of the Senior Preferred Stock without the approval of the holders of at least a majority of the outstanding shares of such series. If we do not receive consents from holders of more than 50% of each series of Senior Preferred Stock, we will instead issue the Series B Convertible Preferred Stock in the Exchange Offer.

Holders of Senior Preferred Stock will not be paid any accrued and unpaid dividends for the shares of Senior Preferred Stock that are tendered in the Exchange Offer. As of May 31, 2007, accrued and unpaid dividends on the 14¹/₄% Preferred Stock aggregated approximately \$84.5 million, or \$1,484.38 per share, and accrued and unpaid dividends on the 9³/₄% Preferred Stock aggregated approximately \$10.9 million, or \$650.00 per share. We have not paid any dividends since May 15, 2006 and September 30, 2006 on the 14¹/₄% Preferred Stock and 9³/₄% Preferred Stock, respectively. Unexchanged shares will continue to accrue and accumulate dividends at the applicable dividend rate.

We did not redeem our outstanding shares of 14¹/₄% Preferred Stock and 9³/₄% Preferred Stock by their required redemption dates of November 15, 2006 and December 31, 2006, respectively. We do not anticipate having sufficient financial resources to redeem these securities for cash at any time in the foreseeable future. As a result of our failure to redeem these shares of Senior Preferred Stock by their scheduled mandatory redemption dates, the holders of each series had the right, voting separately as one class, to elect two additional directors to our Board. Effective April 2, 2007, the holders of a majority of the outstanding shares of the 14¹/₄% Preferred Stock elected Eugene I. Davis and Ted S. Lodge as directors, and the holders of a majority of the outstanding shares of the 9³/₄% Preferred Stock elected Ronald W. Wuensch and Diane P. Baker as directors. Holders of any series of Senior Preferred Stock as to which the Preferred Stock Amendment is approved will no longer have the right to elect additional directors, and the term of office of the directors elected on April 2, 2007 by the holders of such series will end on the effective date of the Preferred Stock Amendment.

Exchange Offer Consideration

In the Exchange Offer:

For each tendered share of 14¹/₄% Preferred Stock, the holder will receive \$7,000 principal amount of Series A Notes and \$1,000 initial liquidation preference of the Series A-1 Convertible Preferred Stock, which would rank senior to any unexchanged Senior Preferred Stock; and

For each tendered share of 9³/₄% Preferred Stock, the holder will receive \$4,000 principal amount of Series A Notes and \$1,000 initial liquidation preference of Series A-1 Convertible Preferred Stock.

However, if holders of 50% or less of either series of Senior Preferred Stock tender in the Exchange Offer and, as a result, we do not receive the requisite approvals of the Preferred Stock Amendment and the Senior Issuance from both series of Senior Preferred Stock in the Consent Solicitation, then:

For each tendered share of 14¹/₄% Preferred Stock, the holder will receive \$7,500 principal amount of Series A Notes and \$500 initial liquidation preference of Series B Convertible Preferred Stock, which would rank junior to any unexchanged Senior Preferred Stock; and

For each tendered share of 9³/₄% Preferred Stock, the holder will receive \$4,500 principal amount of Series A Notes and \$500 initial liquidation preference of Series B Convertible Preferred Stock.

If at the closing of the Exchange Offer we have accepted for exchange less than 90% of the outstanding shares of each series of Senior Preferred Stock owned by holders other than CIG, then, promptly following the closing of the Exchange Offer:

We will exchange all Senior Preferred Stock that is validly tendered and not withdrawn;

NBC Palm Beach I, an affiliate of NBCU, will be entitled to exchange up to \$375 million aggregate stated liquidation preference of 11% Series B Preferred Stock that it owns for an equal principal amount of our Series B Notes; and

CIG will be entitled to exchange up to \$95,584,689 aggregate stated liquidation preference of 8% Series C Non-Convertible Preferred Stock (the Series C Non-Convertible Preferred Stock) or Series A-2 Non-Convertible Preferred Stock, as applicable, for an equal principal amount of our Series B Notes.

We refer to this exchange as the Contingent Exchange.

The amount of Series B Notes we have agreed to issue to NBC Palm Beach I and CIG in the Contingent Exchange will be equal to the percentage of the outstanding shares of Senior Preferred Stock, other than those shares held by CIG, that is not exchanged in the Exchange Offer, multiplied by \$470,584,689, allocated between NBC Palm Beach I and CIG in proportion to the amounts described in the two immediately preceding bullet points. Thus, the amount of Series B Notes that we will issue will decrease as the number of tendered and accepted shares of Senior Preferred Stock increases.

Termination Exchange

In addition, if the Exchange Offer expires or terminates without our exchanging any validly tendered shares of Senior Preferred Stock by reason of our determination not to waive an Exchange Offer condition, which condition CIG determines either does not exist or should be waived, we have agreed to issue to CIG and NBC Palm Beach I \$546,988,119 principal amount of our Series B Notes that will rank senior in right of payment to the shares of Senior Preferred Stock as follows:

CIG will be entitled to exchange its 9,386.46875 shares of 14¹/₄% Preferred Stock and 262.33603 shares of 9 3 / 4 % Preferred Stock for \$76,403,430 aggregate principal amount of Series B Notes;

NBC Palm Beach I will be entitled to exchange \$375 million aggregate stated liquidation preference of the 11% Series B Preferred Stock that it currently holds for an equal principal amount of our Series B Notes; and

CIG will be entitled to exchange \$95,584,689 aggregate stated liquidation preference of Series C Non-Convertible Preferred Stock for an equal principal amount of our Series B Notes.

We refer to this exchange as the Termination Exchange. The existence of a condition described in paragraph (b) or (c) below under Conditions of the Exchange Offer that cannot be waived and that prevents the Exchange Offer from closing will not trigger the Termination Exchange.

Conditions of the Exchange Offer

We are not obligated to accept for exchange shares of Senior Preferred Stock tendered pursuant to the Exchange Offer, if at any time on or after June 8, 2007 and prior to the expiration of the Exchange Offer, any of the following conditions shall exist:

(a) there is any litigation (i) challenging or seeking to make illegal, materially delay, restrain or prohibit the Exchange Offer, the acceptance for exchange of Senior Preferred Stock, or the consummation of the transactions contemplated by the Master Transaction Agreement; (ii) seeking to prohibit or materially limit our ownership or operation of all or any of our material businesses or assets, or requiring, as a result of the transactions contemplated by the Master Transaction Agreement, that we dispose of or hold separate all or any portion of our material businesses or assets, or (iii) which would have a material adverse effect;

(b) any governmental authority issues a final and nonappealable order or takes any action permanently restraining, enjoining or prohibiting or materially delaying or preventing the transactions contemplated by the Master Transaction Agreement;

(c) any law or governmental order becomes applicable to us or the transactions contemplated by the Master Transaction Agreement that results, directly or indirectly, in the consequences described within paragraph (a) above;

(d) any material adverse effect occurs;

(e) the Class A Common Stock Tender Offer has not closed (the offer initially closed on June 1, 2007 and a subsequent offering period closed on June 15, 2007);

(f) the Master Transaction Agreement has terminated;

(g) we, CIG and the NBCU Entities have agreed that we should terminate the Exchange Offer or postpone the acceptance for exchange of tendered Senior Preferred Stock;

(h) our representations and warranties in the Master Transaction Agreement are not accurate (to the extent failure to be accurate would reasonably be expected to have a material adverse effect); and

(i) we breach any of our covenants or agreements in the Master Transaction Agreement in any material respect.

We and CIG will, in our reasonable judgment, jointly determine whether any Exchange Offer conditions exist and whether any such conditions should be waived. If we determine not to waive an Exchange Offer condition, and CIG determines that no such condition exists or that such condition should be waived, the Exchange Offer will expire without our exchanging any validly tendered shares and we will be required to engage in the Termination Exchange. If we determine to waive an Exchange Offer condition, and CIG determines not to waive such condition, the Exchange Offer will expire without our exchanging any validly tendered shares and the Termination Exchange will not occur. The Exchange Offer conditions in paragraph (b) or (c) above cannot be waived and, if any such condition exists, the Exchange Offer cannot close, the Exchange Offer will expire and no shares of Senior Preferred Stock will be accepted for exchange, and the Termination Exchange will not occur.

Extension, Termination and Amendment

The Master Transaction Agreement provides that we have the right to extend the Exchange Offer for (i) any period required by any rule, regulation, interpretation or position of the SEC or the staff thereof applicable to the Exchange Offer, (ii) any period required to obtain required stockholder approval of the Preferred Stock Amendment, or (iii) any period required by applicable law, regulation or other requirement of any governmental authority.

Subject to the SEC's applicable rules and regulations, we also reserve the right, at any time or from time to time, to: with the prior written consent of CIG and NBCU, amend or make changes to the terms of the Exchange Offer including the conditions to the Exchange Offer;

delay our acceptance for exchange or our exchange of any Senior Preferred Stock pursuant to the Exchange Offer, regardless of whether we previously accepted Senior Preferred Stock for exchange, or to terminate the Exchange Offer and not accept for exchange or exchange any Senior Preferred Stock not previously accepted for exchange or exchanged, upon the determination that any of the conditions of the Exchange Offer or Consent Solicitation exist, as determined by us and CIG; and

waive any condition subject to certain exceptions described under Conditions of the Exchange Offer .

Accounting Treatment of the Exchange Offer

The difference between the fair value of the consideration transferred to holders of Senior Preferred Stock and the carrying value of the Senior Preferred Stock at the time of the exchange will be reflected in our net loss applicable to common stockholders, and will affect the calculation of basic and diluted loss per common share in the period that the Exchange Offer occurs. As of May 31, 2007, the carrying value of the Senior Preferred Stock was \$831.6 million.

Certain U.S. Federal Income Tax Consequences of the Exchange Offer

There are no material federal income tax consequences of the Exchange Offer and Consent Solicitation to you as a holder of our Class A Common Stock or to us.

Stockholder Litigation

On June 13, 2007, a complaint was filed against us and seven of our directors in the Court of Chancery of the State of Delaware in and for New Castle County by a group of plaintiffs purporting to hold shares of our 14¹/₄% Preferred Stock. On June 20, 2007, a second complaint was filed against us and seven of our directors in the same court by a group of plaintiffs purporting to hold shares of our 9³/₄% Preferred Stock. Both complaints seek injunctive and other relief relating to the Exchange Offer. NBCU, Citadel Investment Group LLC (Citadel) and Citadel's affiliate CIG are also named as defendants in the lawsuits. We believe that the complaints are without merit as to us and all of the director defendants. We and the director defendants intend to vigorously defend against the complaints.

The Recapitalization Transactions

Other Exchanges

Exchange of 11% Series B Preferred Stock. Promptly following the closing of the Exchange Offer or immediately prior to the Termination Exchange, as applicable, NBC Palm Beach I will exchange with us all the remaining 11% Series B Preferred Stock it holds, including its right to all accrued and unpaid dividends thereon, for:

\$31,070,000 aggregate stated liquidation preference of Series E-1 Mandatorily Convertible Preferred Stock (the Series E-1 Convertible Preferred Stock);

NBCU Option II (as defined in Agreements and Additional Transactions Contemplated by the Master Transaction Agreement); and

8% Series D Mandatorily Convertible Preferred Stock (the Series D Convertible Preferred Stock) with an aggregate stated liquidation preference equal to \$21,070,000 less than the aggregate stated liquidation preference of the 11% Series B Preferred Stock so exchanged.

Exchange of Series F Non-Convertible Preferred Stock. Promptly following the closing of the Exchange Offer or immediately prior to the Termination Exchange, as applicable, CIG will exchange:

\$95,584,689 aggregate stated liquidation preference of Series F Non-Convertible Preferred Stock (transferred by NBC Palm Beach I to CIG on the Commencement Date) with us for \$95,584,689 aggregate stated liquidation preference of (a) Series A-2 Non-Convertible Preferred Stock or (b), if 50% or less of either series of Senior Preferred Stock tender in the Exchange Offer and, as a result, we do not receive the requisite approvals of the Preferred Stock Amendment and Senior Issuance, Series C Non-Convertible Preferred Stock; and

\$114,961,259 aggregate stated liquidation preference of Series F Non-Convertible Preferred Stock for \$200,000,000 aggregate stated liquidation preference of Series E-2 Mandatorily Convertible Preferred Stock (the Series E-2 Convertible Preferred Stock).

Exchange of Series A-2 Non-Convertible Preferred Stock or Series C Non-Convertible Preferred Stock. Promptly following the Call Closing, CIG will be entitled to exchange the Series C Non-Convertible Preferred Stock or Series A-2 Non-Convertible Preferred Stock, as the case may be, received upon the exchange of the Series F Non-Convertible Preferred Stock described above, for Series C Convertible Preferred Stock with an equal aggregate stated liquidation preference. If the Call Closing does not occur before the deadline set forth in the Call Agreement or the FCC approval for CIG's acquisition of the Call Shares is denied, NBC Palm Beach I will exchange its Series B Notes, if any, received in the Contingent Exchange or the Termination Exchange, as applicable, with CIG for an equal aggregate stated liquidation preference of Series A-2 Non-Convertible Preferred Stock or Series C Non-Convertible Preferred Stock, as the case may be. To the extent either of CIG or NBC Palm Beach I holds any Series A-2 Non-Convertible Preferred Stock or Series C Non-Convertible Preferred Stock after such exchange, it will be entitled to exchange with us any Series A-2 Non-Convertible Preferred Stock for an equal aggregate stated liquidation preference of 12% Series A-3 Mandatorily Convertible Preferred Stock (the Series A-3 Convertible Preferred Stock) and any Series C Non-Convertible Preferred Stock for an equal aggregate stated liquidation preference of 8% Series C Mandatorily Convertible Preferred Stock (the Series C Convertible Preferred Stock).

CIG Option to Purchase 11% Series B Preferred Stock. If for any reason (other than as a result of CIG's breach of its obligations in connection with the Exchange Offer) neither the closing of the Exchange Offer nor the Termination Exchange occurs, then (i) CIG shall transfer to NBCU \$210 million aggregate stated liquidation preference of Series F Non-Convertible Preferred Stock and (ii) NBCU shall grant to CIG an option to purchase a number of shares of 11% Series B Preferred Stock having an aggregate stated liquidation preference equal to \$150 million multiplied by a fraction, the numerator of which is the number of shares acquired in the Class A Common Stock Tender Offer and the denominator of which is the number of outstanding shares of Class A Common Stock on the Commencement Date, less (i) 6,122,544 Shares, (ii) any shares of Class A Common Stock held by the Paxson Stockholders and (iii) certain shares of Class A Common Stock issued after November 7, 2005 pursuant to stock-based compensation awards or upon conversion of convertible securities. The exercise price of the option will be equal to the number of shares of Class A Common Stock acquired in the Class A Common Stock Tender Offer multiplied by \$1.46. CIG is entitled to pay the exercise price in either cash or shares of Class A Common Stock. If CIG elects to pay the exercise price in shares, NBCU is entitled to elect to receive shares of Class C Common Stock in lieu of shares of Class A Common Stock.

The Reverse Stock Split

The Master Transaction Agreement requires us to combine our outstanding shares of common stock into a lesser number of shares (the Reverse Stock Split) promptly following the Call Closing. The consummation of the Reverse Stock Split is conditioned, among other things, upon:

the Class A Common Stock Tender Offer being completed (which has occurred);

the approval of the Reverse Stock Split by the requisite vote of the holders of common stock outstanding and entitled to vote on the matter;

receipt of FCC approval for CIG's acquisition of the Call Shares;

no law, regulation or other requirement of any governmental authority making the Reverse Stock Split illegal being in effect; and

the Call Closing having occurred.

Assuming completion of the sale of the Paxson Stockholders' shares to CIG, CIG will have the voting power to approve the Reverse Stock Split.

In the Reverse Stock Split, each share of Class A Common Stock issued and outstanding shall be converted into and become such fraction of a fully paid and nonassessable share of Class A Common Stock as shall be determined by CIG, the NBCU Entities and us, such that each holder of shares of Class A Common Stock, other than CIG, would be eligible to receive, in respect of all its shares of Class A Common Stock, less than a whole share of Class A Common Stock upon completion of the Reverse Stock Split. If, however, CIG does not own the greatest number of shares of Class A Common Stock immediately prior to the Reverse Stock Split, the applicable ratio for converting the shares of Class A Common Stock will be such that every holder of shares of Class A Common Stock (including CIG) would be entitled to receive, in respect of all its shares of Class A Common Stock, less than a whole share of Class A Common Stock upon completion of the Reverse Stock Split. No fractional shares of our Class A Common Stock shall be issued in connection with the Reverse Stock Split, and all holders who would otherwise be entitled to receive less than a whole share of Class A Common Stock will receive an amount in cash equal to the number of shares of Class A Common Stock held immediately prior to the Reverse Stock Split multiplied by the per-share price paid in the Class A Common Stock Tender Offer. Immediately prior to the Reverse Stock Split, CIG shall make a capital contribution to us in the amount necessary to make any payments required to be made to our security holders in connection with the Reverse Stock Split.

Each share of Class B Common Stock issued and outstanding at the time of the Reverse Stock Split will be converted into and become a fractional number of fully paid and nonassessable shares of Class B Common Stock pursuant to the same ratio that is applied to the shares of Class A Common Stock. Fractional shares of Class B

Common Stock will remain outstanding after the Reverse Stock Split and we will issue new stock certificates for such fractional shares.

Stockholders Meetings

Under the Master Transaction Agreement, we must hold a stockholders meeting to approve the Preferred Stock Amendment, the Common Stock Amendment and the Issuances. At the meeting, CIG is required to vote (or cause to be voted) all shares of Class A Common Stock that it and its subsidiaries have the power to vote in favor of these proposals. If the Paxson Stockholders consent in writing to each of these matters, we are not required to hold the stockholders meeting, but can take action by written consent. As discussed above, on July [], 2007, we received the written consent of the Paxson Stockholders approving the Preferred Stock Amendment, the Common Stock Amendment and the Issuances, and accordingly, will not be required to hold a stockholders meeting.

The Master Transaction Agreement requires that we hold an additional stockholders meeting as promptly as practicable following the Call Closing to approve the Reverse Stock Split. At this additional meeting, CIG is required to vote (or cause to be voted) all shares of Class A Common Stock that it and its subsidiaries have the power to vote in favor of the Reverse Stock Split.

Exclusivity

The Master Transaction Agreement provides that we, our subsidiaries, our directors, officers, employees and representatives, and the directors, officers, employees and representatives of our subsidiaries cannot:

take any action to facilitate any inquiries or the making of any proposal or offer that may reasonably be expected to lead to any merger, consolidation, sale, lease, exchange, transfer or other disposition of all or a substantial part of our assets, any sale, exchange, transfer or other disposition of 15% or more of any class of our equity securities or those of any subsidiary, any tender offer or exchange offer that would result in any person owning 15% or more of any class of our equity securities or those of any subsidiary or similar transaction (other than the transactions contemplated by the Master Transaction Agreement), or any solicitation in opposition to approval and adoption of the transactions contemplated by the Master Transaction Agreement, or any other transaction the consummation of which would reasonably be expected to prevent, materially delay or otherwise interfere with the transactions contemplated by the Master Transaction Agreement (a Competing Transaction);

negotiate or obtain a proposal or offer for a Competing Transaction;

agree to, approve or endorse any Competing Transaction; or

enter into any agreement relating to a Competing Transaction.

We have agreed to promptly notify CIG and the NBCU Entities of the existence of, material terms of, and identity of any person making any proposal or contact regarding a Competing Transaction. We have also undertaken to immediately cease any existing discussions or negotiations regarding a Competing Transaction, and not to release any person from any confidentiality or standstill agreement. Under certain conditions, however, on or prior to the closing or expiration of the Exchange Offer, the Board may furnish information to, or enter into discussions with a person who has made an unsolicited, written, bona fide proposal or offer regarding a Competing Transaction and, at any time following the Commencement Date, the Board may withdraw or modify its recommendation relating to the Class A Common Stock Tender Offer (the offer initially closed on June 1, 2007 and a subsequent offering period closed on June 15, 2007) or any actions to be taken at the two stockholders meetings if the Board determines that any such action is required to comply with its fiduciary obligations under applicable law and may recommend a Competing Transaction to comply with Rule 14d-9 of the Exchange Act.

Except as otherwise provided in the Master Transaction Agreement, the Board may not withdraw or modify its approval or recommendation relating to the transactions contemplated by the Master Transaction Agreement and the related documents or approve or recommend any Competing Transaction.

Waiver from Senior Lenders

The Master Transaction Agreement provides that, if we have not entered into arrangements reasonably satisfactory to CIG providing for a third party to purchase any and all of our outstanding Senior Debt as to which the holders thereof elect to exercise any right they may have to require us to repurchase such Senior Debt as a result of the transactions contemplated by the Master Transaction Agreement, we must use our reasonable best efforts to obtain a waiver of any such right from the holders of at least a majority in aggregate principal amount of each class of the Senior Debt outstanding at the time of the waiver. If the waiver is not obtained prior to the closing of the Exchange Offer or the closing of the Termination Exchange as applicable, the transactions contemplated by the Master Transaction Agreement shall, prior to the Call Closing, be amended and restructured so that the NBCU Entities retain at least \$250,000,000 aggregate liquidation preference of 11% Series B Preferred Stock until the waiver is obtained or no longer required.

Non-Solicitation of R. Brandon Burgess

The Master Transaction Agreement provides that, for a period of five years from May 3, 2007, the NBCU Entities and their affiliates shall not, directly or indirectly, (i) induce or attempt to induce R. Brandon Burgess (Mr. Burgess), our Chief Executive Officer and President, to terminate his employment with us or in any way intentionally interfere with the relationship between Mr. Burgess and us or (ii) to the extent such restriction does not violate applicable law, engage Mr. Burgess for any purposes (e.g., as an employee, consultant or otherwise). Clause (ii) shall not apply to any engagement by the NBCU Entities or their affiliates of Mr. Burgess that was not a result of any inducement or attempted inducement of Mr. Burgess by any of the NBCU Entities or their affiliates to terminate his employment by us or any interference with the relationship between Mr. Burgess and us, if such engagement occurs no earlier than 12 months after the date Mr. Burgess is no longer employed by us.

Agreements and Additional Transactions Contemplated by the Master Transaction Agreement

Pursuant to the Master Transaction Agreement, we entered into the following agreements and documents on the Commencement Date:

an Indenture between us and The Bank of New York Trust Company, N.A. (the Series B Notes Indenture);

the NBCU Option II (as defined in Agreements and Additional Transactions Contemplated by the Master Transaction Agreement);

a Class A Common Stock Purchase Warrant issued by us to CIG (the Warrant);

a Stockholders Agreement between us, CIG and NBCU (the New Stockholders Agreement);

a Registration Rights Agreement between us, CIG and the NBCU Entities (the Series B Subordinated Debt Registration Rights Agreement); and

a Registration Rights Agreement between us, CIG and NBCU (the New Registration Rights Agreement).

The following is a summary of the material provisions of the documents listed above. The summary does not purport to be complete. Copies of these documents are filed as exhibits to the Schedule TO filed with the SEC on June 8, 2007 and may be obtained in the manner set forth below under the heading, Where You Can Find More Information.

Series B Notes Indenture. On the Commencement Date, we issued and sold to CIG \$100.0 million aggregate principal balance of Series B Notes under the Series B Notes Indenture for gross proceeds to us of \$100.0 million in cash. The Series B Notes are mandatorily convertible senior subordinated notes bearing interest at an 11% annual simple interest rate. The Series B Notes require quarterly interest payments in January, April, July, and October of each year, with the first interest payment date being July 31, 2007. We have the option to pay interest on the Series B Notes either (i) entirely in cash or (ii) by deferring the payment of all such interest to any subsequent interest payment date. The Series B Notes Indenture contains customary covenants and includes a

covenant restricting our ability to incur additional debt, other than specified types of permitted debt, unless after giving effect to the incurrence of such additional debt and the application of the proceeds thereof, our ratio of total debt to consolidated EBITDA would be less than 8.5 to 1.0. Holders of Series B Notes have the right to require us to repay these obligations following the occurrence of certain events of default. We do not have the right to redeem the Series B Notes until the final maturity date of July 31, 2013.

NBCU Option II. Pursuant to a call agreement between us and NBC Palm Beach I (the *NBCU Option II*), we granted to NBC Palm Beach I, effective as of the Call Closing, an irrevocable right to purchase 26,688,361 shares of Class B Common Stock. In exchange for the option, NBC Palm Beach I will surrender and deliver on the Call Closing shares of 11% Series B Preferred Stock it owns, in an amount representing aggregate accrued and unpaid dividends on the 11% Series B Preferred Stock as determined in accordance with the Master Transaction Agreement. The exercise price of the option is \$0.50 per share of Class B Common Stock, payable in cash. The option is exercisable at any time during the five-year period beginning on the Call Closing and will automatically renew for additional five-year periods. The holder of NBCU Option II may exercise the option at any time subject to FCC regulations and any other required governmental approvals. The NBCU Option II is freely transferable, subject to compliance with the applicable rules and regulations of the FCC and the SEC.

The Warrant. Under the Warrant, CIG will have the right to purchase up to 100,000,000 shares of Class A Common Stock at an exercise price of \$0.75 per share, payable in cash. The term of the Warrant is seven years beginning on the date of the closing of the Exchange Offer.

New Stockholders Agreement. The New Stockholders Agreement provides that, from and after the Call Closing (the *Effective Date*), the Board shall be comprised of 13 directors or such other number of directors as the Board may determine (subject to the approval rights described below). For so long as CIG and its affiliates hold the majority of the outstanding voting power of ION, CIG has the right to designate seven directors. If CIG and its affiliates hold less than 50% but more than 20% of the outstanding voting power, CIG has the right to designate two directors. If NBCU and its affiliates hold more than 20% of the outstanding voting power, they will be entitled to designate two directors, and if they hold a majority of such voting power, they will have the right to designate seven directors.

The New Stockholders Agreement also provides that, from and after the Effective Date, so long as either NBCU (together with its affiliates) or CIG (together with its affiliates) holds at least 25% of the voting power of ION, each such stockholder (an *Approval Stockholder*) is entitled to approve certain actions involving us, including, among other actions:

the adoption of any shareholder rights plan;

entering into a material agreement that would be adverse to either CIG or the NBCU Entities;

entering into any agreement regarding the digital spectrum of any of our television stations, except for certain short-term agreements;

an action that would cause certain media assets to be attributable to CIG (or its affiliates) or NBCU (or its affiliates) under FCC regulations;

the adoption of our annual operating budget;

material amendments to the certificate of incorporation;

a sale of the primary operating assets of, or a FCC license of, any of our television stations serving a top 50 market;

certain material sales of assets, acquisitions and mergers or business combination transactions;

certain issuances, splits and reclassifications of our stock;

entering into material employment contracts;

entering into certain joint sales, joint services, time brokerage, local marketing or similar agreements;

increasing the size of the Board; and

a bankruptcy filing.

The New Stockholders Agreement also provides that, from and after the Effective Date, (a) NBCU will have a right of first offer on the sale of any of our television stations serving a top 50 market and (b) the Approval Stockholders will have certain preemptive rights in respect of sales of common stock or common stock equivalents by us.

We have certain other obligations to CIG and NBCU under the New Stockholders Agreement, including various affirmative covenants and reporting obligations as more specifically described therein.

Series B Subordinated Debt Registration Rights Agreement. The Series B Subordinated Debt Registration Rights Agreement provides for certain registration rights for the benefit of CIG and the NBCU Entities after an initial public offering of a class of our equity securities. We have agreed that upon demand of CIG, the NBCU Entities or holders of a majority of the Series B Notes, we will file a shelf registration statement with the SEC, under the Securities Act of 1933, as amended (the Securities Act), to cover resales of the Series B Notes.

The New Registration Rights Agreement. The New Registration Rights Agreement provides for certain registration rights for the benefit of NBCU and CIG after an initial public offering of a class of our equity securities. Upon the demand of NBCU or CIG, we will register (under the Securities Act) shares of Class A Common Stock and Class D Common Stock that are outstanding or issued on the basis of a conversion of the Series A Notes, the Series B Notes, the Series A-1 Convertible Preferred Stock, the Series A-3 Convertible Preferred Stock, the Series B Convertible Preferred Stock, the Series C Convertible Preferred Stock or the Series D Convertible Preferred Stock. In addition, NBCU and CIG have the right to piggy-back on our registration statement in certain circumstances.

Board Representation

Pursuant to the Master Transaction Agreement, from and after the closing of the Class A Common Stock Tender Offer, but prior to the Call Closing, CIG has the right to designate two directors to our Board. In addition, in the event any member of the Board, other than any member appointed by the holders of Senior Preferred Stock, ceases for any reason to serve as our director, CIG has the contractual right to designate a director to fill such vacancy.

THE PREFERRED STOCK AMENDMENT

In connection with the Exchange Offer, we are soliciting consents from the holders of our 14¹/₄% Preferred Stock and 9³/₄% Preferred Stock to amend the respective certificate of designation governing each series of Senior Preferred Stock to eliminate (i) all voting rights, other than voting rights required by law, (ii) our obligation to repurchase the Senior Preferred Stock upon a change of control, (iii) all redemption rights, (iv) in the case of the 14¹/₄% Preferred Stock, all exchange rights, and (v) substantially all of the restrictive covenants applicable to such series of Senior Preferred Stock, including the following:

With respect to the 14¹/₄% Preferred Stock:

The limitation on the incurrence of additional indebtedness;

The limitation on restricted payments;

The limitation on transactions with affiliates;

The limitation on preferred stock of subsidiaries; and

The requirement to provide reports to holders.

With respect to the 9³/₄% Preferred Stock:

The limitation on restricted payments;

The limitation on transactions with affiliates; and

The requirement to provide reports to holders.

In addition, in connection with the Exchange Offer, we are also soliciting consents from the holders of our 14¹/₄% Preferred Stock and 9³/₄% Preferred Stock to approve the Senior Issuance.

To approve the Preferred Stock Amendment with respect to either series of Senior Preferred Stock, we must receive consents from holders of a majority of the outstanding shares of such series of Senior Preferred Stock and approval of a majority of the total voting power of our outstanding Voting Stock. On July __, 2007, holders of 61.82% of the total voting power of our outstanding Voting Stock approved the Preferred Stock Amendment. To approve the Senior Issuance, we must receive consents from holders of a majority of the outstanding shares of each series of Senior Preferred Stock. If we do not receive consents from holders of more than 50% of each series of Senior Preferred Stock, we will issue the Series B Convertible Preferred Stock in the Exchange Offer.

Our Board, following the recommendation of a special committee of the Board, has declared advisable the Preferred Stock Amendment.

Copies of the proposed amended and restated certificate of designation for each series of Senior Preferred Stock are attached to this Information Statement as Exhibit A and B.

THE COMMON STOCK AMENDMENT

Our Certificate of Incorporation presently permits us to issue up to 857,000,000 shares of common stock, consisting of 505,000,000 shares of Class A Common Stock, each entitled to one vote per share, 35,000,000 shares of Class B Common Stock, each entitled to ten votes per share, and 317,000,000 shares of Class C Common Stock. We currently have 65,892,265 outstanding shares of Class A Common Stock and an additional 36,824,170 shares of Class A Common Stock reserved for issuance pursuant to outstanding stock-based compensation awards and upon conversion of our 9³/₄% Preferred Stock and Class B Common Stock. We have 8,311,639 outstanding shares of Class B Common Stock, all of which are held by the Paxson Stockholders and subject to the Call Right, which was transferred to CIG on the Commencement Date. We currently have no outstanding shares of Class C Common Stock. A description of our outstanding equity securities is included under the section captioned Description of Capital Stock.

The Series A-1 Convertible Preferred Stock, Series B Convertible Preferred Stock and Series A Notes that are being offered in the Exchange Offer are convertible into shares of Class D Common Stock. Accordingly, our Board has determined that we should create the Class D Common Stock, authorize the issuance of 1,000,000,000 shares of our Class D Common Stock and reserve 700,000,000 shares of our Class D Common Stock to be issued upon the conversion of the Series A Notes and either the Series A-1 Convertible Preferred Stock or the Series B Convertible Preferred Stock, as applicable. We refer to the securities that are convertible into Class D Common Stock as the Exchange Offer Convertible Securities.

In addition, pursuant to the various recapitalization transactions contemplated in the Master Transaction Agreement, our Board has determined to reserve an additional 600,000,000 shares of our Class A Common Stock and an additional 600,000,000 shares of our Class C Common Stock to be issued upon the conversion of the Series A-3 Convertible Preferred Stock, Series C Convertible Preferred Stock, Series D Convertible Preferred Stock, Series E-1 Convertible Preferred Stock, Series E-2 Convertible Preferred Stock and Series B Notes. We refer to the securities that are convertible into Class A Common Stock or Class C Common Stock, as applicable, as the Other Recapitalization Convertible Securities.

A description of the Exchange Offer Convertible Securities and the Other Recapitalization Convertible Securities is included under the sections captioned Description of Capital Stock and Description of Certain Indebtedness .

Since we presently do not have sufficient authorized but unissued shares of Class A Common Stock or Class C Common Stock or, in the case of Class D Common Stock, such class of shares authorized, to permit us to issue all of the shares of stock that are issuable upon conversion of the Exchange Offer Convertible Securities or Other Recapitalization Convertible Securities, our Board has determined to amend Article Fourth of our Certificate of Incorporation to (i) create a new class of authorized common stock to be designated the Class D Common Stock and provide for 1,000,000,000 authorized shares of such stock and (ii) increase the number of authorized shares of our Class A Common Stock from 505,000,000 to 1,000,000,000 and the number of authorized shares of our Class C Common Stock from 317,000,000 to 1,000,000,000, with a corresponding increase in the number of our total authorized shares of common stock from 857,000,000 to 3,035,000,000. The Exchange Offer Convertible Securities and the Other Recapitalization Convertible Securities will not be convertible until the effectiveness of the Common Stock Amendment. The Common Stock Amendment would not increase the number of authorized shares of our Class B Common Stock or increase the number of authorized shares of preferred stock.

Because substantially all of the authorized shares of Class D Common Stock, as well as the additional authorized shares of Class A Common Stock and Class C Common Stock, would be reserved for issuance upon conversion of the Exchange Offer Convertible Securities and Other Recapitalization Convertible Securities, such authorized shares would not be available to us for issuance or reservation for other purposes, unless and until the reservation of such shares for conversion were no longer required. Authorized but unissued shares of our common stock, as to which reservation for issuance upon conversion of the Exchange Offer Convertible Securities and Other Recapitalization Convertible Securities or pursuant to stock-based compensation awards ceases to be necessary, would be available for issuance, without further action by our stockholders (except as may be required by law or the rules of any stock exchange on which our securities may then be listed or as set forth in the New Stockholders Agreement), for such corporate purposes as the Board may determine.

None of our outstanding shares of common stock carry preemptive rights or cumulative voting rights, except that CIG and NBCU have preemptive rights following the Effective Date under and pursuant to the New Stockholders Agreement.

The additional shares of Class A Common Stock to be authorized by adoption of the Common Stock Amendment would have rights identical to the currently outstanding Class A Common Stock.

The additional shares of Class C Common Stock to be authorized by adoption of the Common Stock Amendment would have rights identical to the currently designated Class C Common Stock, except the proposed Common Stock Amendment modifies the circumstances under which Class C Common Stock may be converted. Under the proposed Common Stock Amendment, Class C Common Stock will automatically convert into Class A Common Stock when (i) it is transferred to any person that the holder of such Class C Common Stock determines is not prevented by the Communications Act of 1934, as amended (including, without limitation, the Cable Communications Policy Act of 1984 and the Cable Television Consumer Protection and Competition Act of 1992) and all rules and regulations of the FCC (the Communications Act) from holding Class A Common Stock or (ii) the holder of such shares determines that the Communications Act no longer prohibits such holder from holding shares of Class A Common Stock, in either case, after consultation with outside legal counsel and, if required by us, delivers to us an opinion of legal counsel reasonably acceptable to us to the effect that the Communications Act no longer prohibits such holder from holding shares of Class A Common Stock.

The creation and issuance of Class D Common Stock, as well as the issuance of additional shares of Class A Common Stock, Class C Common Stock and Class D Common Stock upon conversion of the Exchange Offer Convertible Securities and the Other Recapitalization Convertible Securities will have a dilutive effect on earnings per share and on stockholders' equity. In addition, the issuance of additional shares of Class A Common Stock or Class C Common Stock (which is convertible into Class A Common Stock) will have a dilutive effect on voting rights. Furthermore, future sales of substantial amounts of our common stock, or the perception that these sales might occur, could adversely affect the prevailing market price of our common stock or limit our ability to raise additional capital.

The proposed increase in our authorized capital stock could be construed as having anti-takeover effects. The availability of a significant amount of authorized but unissued shares of common stock could be used by our Board to make more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means. Consequently, subject to the limitations in the New Stockholders' Agreement, our Board could use these additional shares of common stock to create voting or other impediments or to discourage persons seeking to gain control of us. Such shares of common stock also could be privately placed with purchasers favorable to our Board in opposing such action. The existence of the additional authorized shares could have the effect of discouraging unsolicited takeover attempts. The issuance of new shares of common stock also could be used to dilute the stock ownership of a person or entity seeking to obtain control of us should our Board consider the action of such entity or person not to be in the best interest of our stockholders.

In addition to the proposed Common Stock Amendment, our certificate of incorporation currently provides our Board with the authority to issue preferred stock and to determine the preferences, limitations and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Subject to the limitations in the New Stockholders' Agreement, the preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discourage bids for the common stock at a premium over the market price, and adversely affect the market price and the voting and other rights of the holders of our common stock.

Our Board, following the recommendation of a special committee of the Board, has declared advisable the Common Stock Amendment. On July ____, 2007, the Common Stock Amendment was approved by the affirmative vote of holders of a majority of the total voting power of our outstanding Voting Stock.

A copy of the proposed Common Stock Amendment is attached to this Information Statement as Exhibit C.

THE ISSUANCES

As discussed above under the sections captioned *The Master Transaction Agreement The Exchange Offer Exchange Offer Consideration*, *The Master Transaction Agreement The Exchange Offer Termination Exchange* and *The Master Transaction Agreement The Recapitalization Transactions*, the Master Transaction Agreement contemplates, either on the Commencement Date, promptly following the closing of the Exchange Offer or immediately prior to the Termination Exchange, several exchanges and agreements whereby we would issue certain series of our convertible preferred stock in exchange for other series of our preferred stock, an option and a warrant. Each of these series of convertible preferred stock, the option and the warrant is convertible or exercisable into either Class A Common Stock, Class B Common Stock (which is convertible into Class A Common Stock) or Class C Common Stock (which is convertible into Class A Common Stock). Under the AMEX Company Guide, stockholder approval is required for these issuances of securities convertible into Class A Common Stock because, on an as-converted basis, they represent 20% or more of our presently outstanding Class A Common Stock and the initial conversion and exercise prices at which the shares of Class A Common Stock may be issued are less than the current market price of our Class A Common Stock. A description of the outstanding securities and the securities to be issued in the Issuances is included under the sections captioned *Description of Capital Stock* and *Description of Certain Indebtedness*.

Contingent Exchange

Pursuant to the Contingent Exchange (discussed above under the section captioned *The Master Transaction Agreement The Exchange Offer Exchange Offer Consideration*), if less than 90% of the shares of each series of Senior Preferred Stock owned by holders other than CIG are validly tendered and accepted in the Exchange Offer, we have agreed to issue to CIG and NBC Palm Beach I up to \$470,584,689 aggregate principal amount of our Series B Notes in exchange for other securities they currently hold. Based on the initial conversion price of \$0.75 per share, if \$470,584,689 aggregate principal amount of our Series B Notes were issued in the Contingent Exchange, such Series B Notes would be convertible into a maximum of 627,446,252 shares of either Class A Common Stock or Class C Common Stock (each share of which is convertible into one share of Class A Common Stock).

Termination Exchange

Pursuant to the Termination Exchange (discussed above under the section captioned *The Master Termination Agreement The Exchange Offer Termination Exchange*), if the Exchange Offer terminates or expires without any shares of Senior Preferred Stock being accepted for exchange by us, promptly following the termination or expiration of the Exchange Offer, we have agreed, under certain circumstances, to issue to CIG and NBC Palm Beach I \$546,988,119 principal amount of our Series B Notes in exchange for other securities they currently hold. Based on the initial conversion price of \$0.75 per share, if \$546,988,119 aggregate principal amount of our Series B Notes were issued in the Termination Exchange, such Series B Notes would be convertible into a maximum of 729,317,492 shares of either Class A Common Stock or Class C Common Stock (each share of which is convertible into one share of Class A Common Stock).

Recapitalization Transactions

Exchange of 11% Series B Preferred Stock. In connection with the exchange of our 11% Series B Preferred Stock (as discussed above under the section captioned *The Master Transaction Agreement - The Recapitalization Transactions Other Exchanges*), we would issue Series D Convertible Preferred Stock and Series E-1 Convertible Preferred Stock. Based on the initial conversion price of \$0.75 per share, the Series D Convertible Preferred Stock is convertible into a maximum of 520,000,000 shares of either Class A Common Stock or Class C Common Stock and the Series E-1 Convertible Preferred Stock is convertible into a maximum of 41,426,667 shares of either Class A Common Stock or Class C Common Stock (each share of which is convertible into one share of Class A Common Stock).

NBCU Option II. Also in exchange for our 11% Series B Preferred Stock, we would issue the NBCU Option II (as discussed above under the section captioned *The Master Transaction Agreement - The Recapitalization Transactions -Agreements and Additional Transactions Contemplated by the Master Transaction Agreement*). The NBCU Option II is an option to purchase 26,688,361 shares of Class B Common Stock (each share of which is convertible into one share of Class A Common Stock).

Exchange of Series F Non-Convertible Preferred Stock. In connection with the exchange of our Series F Non-Convertible Preferred Stock (as discussed above under the section captioned *The Master Transaction Agreement The Recapitalization Transactions Other Exchanges*), we would issue, among other securities, Series E-2 Convertible Preferred Stock which, based on the initial conversion price of \$0.89 per share, would be convertible into a maximum of 224,719,101 shares of Class C Common Stock (each share of which is convertible into one share of Class A Common Stock).

Exchange of Series A-2 Non-Convertible Preferred Stock or Series C Non-Convertible Preferred Stock. In connection with the exchange of our Series A-2 Non-Convertible Preferred Stock or Series C Non-Convertible Preferred Stock (as discussed above under the section captioned *The Master Transaction Agreement The Recapitalization Transactions Other Exchanges*), we would issue, under certain circumstances, Series A-3 Convertible Preferred Stock or Series C Convertible Preferred Stock, as applicable. Each of the Series A-3 Convertible Preferred Stock and Series C Convertible Preferred Stock is convertible, based on the initial conversion price of \$0.75 per share, into a maximum of 146,666,666 shares of either Class A Common Stock or Class C Common Stock (each share of which is convertible into one share of Class A Common Stock).

Warrant. As part of the additional investment by CIG (as discussed above under the section captioned *The Master Transaction Agreement Additional Investment by CIG*), on the Commencement Date, we issued the Warrant giving CIG the right to purchase up to 100,000,000 shares of Class A Common Stock at an exercise price of \$0.75 per share, subject to adjustment, payable in cash (as discussed above under the section captioned *The Master Transaction Agreement Agreements and Additional Transactions Contemplated by the Master Transaction Agreement*).

Our Board, following the recommendation of a special committee of the Board, has approved the Issuances.

A copy of the NBCU II Option is attached to this Information Statement as Exhibit D. A copy of the Warrant is attached to this Information Statement as Exhibit E.

DESCRIPTION OF CAPITAL STOCK

Currently, our authorized capital stock consists of 857,000,000 authorized shares of common stock, of which 65,892,265 shares of Class A Common Stock, 8,311,639 shares of Class B Common Stock, and no shares of Class C Common Stock were outstanding as of June 1, 2007; and 1,000,000 authorized shares of preferred stock, 72,000 of which have been designated as 14¹/₄% Preferred Stock (of which 56,931.4905 shares were outstanding as of June 1, 2007) 17,500 of which have been designated as 9³/₄% Preferred Stock (of which 16,695.9798 shares were outstanding as of June 1, 2007) and 60,607 of which have been designated as of 11% Series B Preferred Stock (of which 39,607 shares were outstanding as of June 1, 2007). The following information relates to our certificate of incorporation and by-laws, as currently in effect.

Common Stock

Dividends. Subject to the preferred stock's prior right to dividends, holders of record of shares of Class A Common Stock, Class B Common Stock and Class C Common Stock are entitled to receive such dividends as may be declared by our Board. No dividends may be declared or paid on any share of any class of our common stock unless the same dividend is simultaneously declared or paid on each share of the other classes of common stock. Likewise, in the case of any stock dividend, holders of all classes of common stock are entitled to receive the same percentage dividend, payable in shares of their respective classes of common stock. Holders of Class D Common Stock will be entitled to the same rights with respect to dividends.

Voting Rights. Holders of shares of Class A Common Stock and Class B Common Stock vote with the holders of 9³/₄% Preferred Stock on an as-converted basis as a single class on all matters submitted to a vote of our stockholders. Except as otherwise provided by law, each share of Class A Common Stock is entitled to one vote, and each share of Class B Common Stock is entitled to ten votes. Holders of Class C Common Stock have no voting rights, and holders of Class D Common Stock will have no voting rights, except (i) as required under the DGCL, and (ii) as expressly provided in the certificate of incorporation, including for certain rights in connection with a merger, asset sale or recapitalization.

Liquidation Rights. Upon our liquidation, dissolution, or winding-up, the holders of the common stock are entitled to share pro rata in all assets available for distribution after payment in full of any amounts due to creditors and to any holders of outstanding preferred stock.

Other Provisions. Each share of Class B Common Stock and Class C Common Stock is generally convertible at the option of its holder into one share of Class A Common Stock at any time, subject to certain restrictions in the case of the conversion of Class C Common Stock. Shares of Class D Common Stock will not be convertible. Holders of common stock do not have preemptive rights, except that CIG and NBCU have preemptive rights following the Effective Date under and pursuant to the New Stockholders' Agreement.

Preferred Stock

Our certificate of incorporation provides that 1,000,000 shares of preferred stock may be issued from time to time in one or more classes or one or more series. Our Board is expressly vested with authority to provide for voting powers, full or limited, or no voting powers, and with such designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations or restrictions thereof, if any, as shall be stated and expressed in the resolutions providing for such issue adopted by our Board under the DGCL. Except as otherwise provided by law, the holders of our preferred stock shall only have such voting rights as are provided or expressed in the resolutions of our

Board relating to such preferred stock, adopted pursuant to the authority contained in our certificate of incorporation.

141/4% Preferred Stock

General. We have designated 72,000 shares of our authorized preferred stock as our 141/4% Preferred Stock, of which, as of May 31, 2007, there were 56,931.4905 shares issued and outstanding with an aggregate accrued liquidation preference, including accrued and unpaid dividends, of \$653.8 million.

Dividends. The certificate of designation for the 141/4% Preferred Stock provides that holders are entitled to receive dividends on each share at an annual rate of 131/4% of the liquidation preference per share. We may, at our option, pay dividends either in cash or by the issuance of additional shares of 141/4% Preferred Stock having an aggregate liquidation preference equal to the amount of such dividends. The certificate of designation further provides that, if dividends for any period after May 15, 2003 are not paid in cash, the dividend rate will increase to 141/4% per year for that dividend payment period. Because we elected to continue to pay dividends in additional shares, the dividend rate increased to 141/4% after May 15, 2003 in accordance with the terms of the security. All dividends shall be cumulative, whether or not earned or declared, on a daily basis from the issuance date, and shall be payable semi-annually in arrears on each dividend payment date.

For the years ended December 31, 2006, 2005 and 2004, we paid dividends of approximately \$37.9 million, \$68.3 million and \$59.6 million, respectively, by the issuance of additional shares of 141/4% Preferred Stock. Accrued 141/4% Preferred Stock dividends aggregated approximately \$50.7 million and \$9.5 million at December 31, 2006 and 2005, respectively. No dividends have been declared on the 141/4% Preferred Stock since May 15, 2006, though dividends continue to accrue at a rate of 141/4% for purposes of the preferential amounts that holders would be entitled to receive in a liquidation of our company.

Voting Rights. The 141/4% Preferred Stock is non-voting, except as otherwise required by law and except that the holders have the right to vote as a class with respect to:

materially and adversely amending certain rights of the holders of the 141/4% Preferred Stock;

issuing any class of equity securities that ranks on a parity with or senior to the 141/4% Preferred Stock, other than the issuance of additional shares of 141/4% Preferred Stock to pay dividends on the 141/4% Preferred Stock in accordance with its terms; and

any merger or consolidation involving us and any transfer of all or substantially all of our assets (including our subsidiaries, taken as a whole), unless certain conditions are met.

In addition, the certificate of designation of the 141/4% Preferred Stock provides that, upon our failure to (1) satisfy redemption obligations, including the redemption of the 141/4% Preferred Stock by November 15, 2006, (2) make any required offer to purchase the 141/4% Preferred Stock following a change of control, (3) comply with certain covenants or (4) make certain payments on our indebtedness, as their sole and exclusive remedy under such circumstances, holders of a majority of the outstanding shares of the 141/4% Preferred Stock, voting separately as one class, may elect the lesser of two directors or that number of directors constituting at least 25% of our Board. Following our failure to redeem the 141/4% Preferred Stock on November 15, 2006, two directors were elected to our Board by the holders of the 141/4% Preferred Stock effective April 2, 2007.

Liquidation Rights. The liquidation preference of the 141/4% Preferred Stock is \$10,000 per share. The certificate of designation applicable to the 141/4% Preferred Stock currently provides that the 141/4% Preferred Stock is senior in right of payment to the 93/4% Preferred Stock, the 11% Series B Preferred Stock and all classes of common stock. If the Preferred Stock Amendment with respect to the certificate of designation governing the 141/4% Preferred Stock are adopted, the certificate of designation governing the 141/4% Preferred Stock will provide that the 141/4% Preferred Stock will rank (i) junior in right of payment to the 11% Series B Preferred Stock, Series A-1 Convertible Preferred Stock, Series A-2 Non-Convertible Preferred Stock and Series A-3 Convertible Preferred Stock and (ii) equal in right of payment to the Series C Convertible Preferred Stock. Assuming the Preferred Stock Amendment with respect to the certificate of designation governing the 141/4% Preferred Stock are adopted, the ranking of the 141/4% Preferred Stock in relation to the Senior Debt and 93/4% Preferred Stock, as well as the Series A Notes, Series B Notes and various series of preferred stock to be issued in connection with the Exchange Offer and

transactions contemplated by the Master Transaction Agreement (the Transactions), as applicable.

Redemption. We may redeem all or a portion of the 14 1/4% Preferred Stock, at our option, at any time at a redemption price equal to 100% of the liquidation preference thereof, plus, without duplication, accumulated and unpaid dividends to the date of redemption.

We were required to redeem all of the 141/4% Preferred Stock outstanding on November 15, 2006 at a redemption price equal to 100% of the liquidation preference, plus, without duplication, accumulated and unpaid dividends to the date of redemption. We have not redeemed these shares and dividends continue to accrue. As a result, the holders of the 141/4% Preferred Stock exercised their right to elect two additional directors to our Board effective April 2, 2007.

Upon a change of control (as defined in the certificate of designation for the 141/4% Preferred Stock), we are required to offer to purchase the 141/4% Preferred Stock at a price equal to 101% of the liquidation preference, plus, without duplication, accumulated and unpaid dividends.

Exchange Provisions. The 141/4% Preferred Stock is exchangeable into the 131/4% exchange debentures, at our option, subject to certain conditions in whole or in part, on a pro rata basis, on any scheduled dividend payment date; provided that, in the case of any partial exchange, immediately after giving effect to such exchange, there must be outstanding shares of 141/4% Preferred Stock (whether initially issued or issued in lieu of cash dividends) with an aggregate liquidation preference of not less than \$75.0 million and not less than \$75.0 million of aggregate principal amount of 131/4% exchange debentures.

Restrictive Covenants. The certificate of designation for the 141/4% Preferred Stock contains covenants for the benefit of the holders of the 141/4% Preferred Stock that, among other things, and subject to certain exceptions, restrict our ability and the ability of our restricted subsidiaries to:

incur additional indebtedness;

pay dividends and make other restricted payments;

issue certain stock of subsidiaries; and

enter into transactions with affiliates.

In the event we breach any of these covenants, the holders of the 141/4% Preferred Stock have the right, voting separately and as one class, to elect the lesser of two directors and that number of directors constituting 25% of the members of the Board.

93/4% Preferred Stock

General. We have designated 17,500 shares of our authorized preferred stock as our 93/4% Preferred Stock, of which, as of May 31, 2007, there were 16,695.9798 shares issued and outstanding with an aggregate accrued liquidation preference, including accrued and unpaid dividends, of \$177.8 million.

Dividends. The certificate of designation for the 93/4% Preferred Stock provides that holders are entitled to receive dividends on each share at an annual rate of 93/4% of the liquidation preference per share. We may, at our option, pay dividends on any dividend payment date either in cash or by the issuance of additional shares of 93/4% Preferred Stock having an aggregate liquidation preference equal to the amount of such dividends or shares of Class A Common Stock having a market value equal to the amount of such dividends; provided that, if we elect to pay dividends in shares of Class A Common Stock and those shares are not freely tradable without volume or manner of sale limitations by any holder of 93/4% Preferred Stock which is not one of our affiliates, the dividend rate per year for such payment will be increased to 121/4%. All dividends shall be cumulative, whether or not earned or declared, on a daily basis from the issuance date, and shall be payable quarterly in arrears on each dividend payment date.

For the years ended December 31, 2006, 2005 and 2004, we paid dividends of approximately \$11.6 million, \$14.3 million and \$13.0 million, respectively, by the issuance of additional shares of the 93/4% Preferred Stock. At December 31, 2006, there were \$4.1 million of accrued and unpaid dividends on the 93/4% Preferred Stock, and no accrued and unpaid dividends at December 31, 2005. No dividends have been declared on the 93/4% Preferred Stock since September 30, 2006, though dividends continue to accrue at a rate of 93/4% for purposes of the preferential amounts that holders would be entitled a receive in a liquidation of our company.

Voting Rights. Holders of the 93/4% Preferred Stock have the right to vote generally with the holders of our voting stock (voting as a class with the Class A Common Stock) on all matters equivalent submitted for a vote of such holders with one vote for each share of Class A Common Stock into which their 93/4% Preferred Stock is convertible. In addition, the holders of the 93/4% Preferred Stock have the right to vote as a class with respect to:

materially and adversely amending certain rights of the holders of the 93/4% Preferred Stock;

issuing any class of equity securities that ranks on a parity with or senior to the 93/4% Preferred Stock, other than the issuance of additional shares of 93/4% Preferred Stock to pay dividends on the 93/4% Preferred Stock in accordance with its terms; and

any merger or consolidation involving us and any transfer of all or substantially all of our assets (including our subsidiaries, taken as a whole), unless certain conditions are met.

In addition, the certificate of designation of the 93/4% Preferred Stock provides that, upon our failure to (1) satisfy our conversion and redemption obligations, including the redemption of the 93/4% Preferred Stock by December 31, 2006, (2) make any required offer to purchase the 93/4% Preferred Stock following a change of control, (3) comply with certain covenants or (4) make certain payments on our indebtedness, as their sole and exclusive remedy under such circumstances, holders of a majority of the outstanding shares of the 93/4% Preferred Stock, voting separately as one class, will be entitled to elect the lesser of two directors or that number of directors constituting at least 25% of our Board. Following our failure to redeem the 93/4% Preferred Stock on December 31, 2006 two directors were accordingly elected to our Board by the holders of the 93/4% Preferred Stock effective April 2, 2007.

Liquidation Rights. The liquidation preference of the 93/4% Preferred Stock is \$10,000 per share. The certificate of designation applicable to the 93/4% Preferred Stock currently provides that the 93/4% Preferred Stock is (i) senior in right of payment to the 11% Series B Preferred Stock and all classes of common stock and (ii) junior in right of payment to the 141/4% Preferred Stock. If the Preferred Stock Amendment with respect to the certificate of designation governing the 93/4% Preferred Stock are adopted, the certificate of designation governing the 93/4% Preferred Stock will provide that the 93/4% Preferred Stock will rank junior in right of payment to the 11% Series B Preferred Stock, 141/4% Preferred Stock, Series A-1 Convertible Preferred Stock, Series A-2 Non-Convertible Preferred Stock, Series A-3 Convertible Preferred Stock and Series C Convertible Preferred Stock. Assuming the Preferred Stock Amendment with respect to the certificate of designation governing the 93/4% Preferred Stock are adopted, the new ranking of the 93/4% Preferred Stock in relation to the Senior Debt and 141/4% Preferred Stock, as well as the Series A Notes, Series B Notes and various series of preferred stock to be issued in connection with the Exchange Offer and Transactions, as applicable.

Redemption. We may redeem all or a portion of the 93/4% Preferred Stock, at our option, at any time at a redemption price equal to 100% of the liquidation preference thereof, plus, without duplication, accumulated and unpaid dividends to the date of redemption.

We were required to redeem all of the 93/4% Preferred Stock outstanding on December 31, 2006 at a redemption price equal to 100% of its liquidation preference, plus, without duplication, accumulated and unpaid dividends to the date of redemption. We have not redeemed these shares and dividends continue to accrue. As a result, the holders of the 93/4% Preferred Stock exercised their right to elect two additional directors to our Board effective April 2, 2007.

Upon a change of control (as defined in the certificate of designation for the 93/4% Preferred Stock), we are required to offer to purchase the 93/4% Preferred Stock at a price equal to 100% of the liquidation preference, plus, without duplication, accumulated and unpaid dividends.

Conversion Rights. The 93/4% Preferred Stock is convertible at any time at the option of its holder into a number of shares of Class A Common Stock equal to the aggregate liquidation preference of the shares of 93/4% Preferred Stock surrendered for conversion divided by the conversion price. The conversion price is currently based on an initial conversion rate of 625 shares of Class A Common Stock for each share of 93/4%

Preferred Stock (equivalent to a conversion price of \$16.00 per share of Class A Common Stock), and is subject to adjustment in certain events.

Restrictive Covenants. The certificate of designation for the 93/4% Preferred Stock contains covenants for the benefit of the holders of the 93/4% Preferred Stock that, among other things, and subject to certain exceptions, restrict our ability and the ability of our restricted subsidiaries to:

pay dividends and make other restricted payments; and

enter into transactions with affiliates.

In the event we breach any of these covenants, the holders of the 93/4% Preferred Stock have the right, voting separately and as one class, to elect the lesser of two directors and that number of directors constituting 25% of the members of the Board.

11% Series B Preferred Stock

General. We have designated 60,607 shares of our authorized preferred stock as our 11% Series B Preferred Stock, of which as of May 31, 2007, 39,607 are issued and outstanding, and held by an affiliate of NBCU. As of May 31, 2007, the aggregate liquidation preference of the 11% Series B Preferred Stock, including accrued and unpaid dividends, was \$468.7 million.

Dividends. The holders of the 11% Series B Preferred Stock are entitled to receive dividends on each share at the higher of (determined on a cumulative basis from the issuance date to the date of such determination): (i) an annual rate of 11% of the liquidation preference per share, and (ii) the aggregate cash dividends per share paid on the Class A Common Stock multiplied by the number of shares of Class A Common Stock into which the 11% Series B Preferred Stock is convertible, in each case payable when, as and if declared by our Board and accumulating from October 1, 2005.

Voting Rights. The 11% Series B Preferred Stock is non-voting, except as otherwise required by law and except in certain circumstances, including, among others things, with respect to:

materially and adversely amending certain rights of the holders of the 11% Series B Preferred Stock;

issuing additional shares of 11% Series B Preferred Stock or any class of equity securities that ranks on a parity with or senior to the 11% Series B Preferred Stock, other than (i) a new class of securities senior to the 11% Series B Preferred Stock at any time after the trading price for the Class A Common Stock first exceeds 120% of the then-applicable conversion price for 20 consecutive days, (ii) additional shares of Senior Preferred Stock or any securities that rank on a parity with or senior to the 11% Series B Preferred Stock (and, in the case of securities that are senior to the 11% Series B Preferred Stock, that rank equally in right of payment with the Senior Preferred Stock), where such securities that rank on parity with or senior to the 11% Series B Preferred Stock do not require us to pay dividends thereon on a current basis in cash, or require cash dividends to be paid at a rate not to exceed one percentage point greater than the dividend rate borne by either series of the Senior Preferred Stock (as existing on October 1, 2005) and which do not prohibit the payment of dividends other than in cash on the 11% Series B Preferred Stock or prohibit or otherwise interfere with our ability to mandatorily redeem the 11% Series B Preferred Stock in an amount sufficient to refinance either series of the Senior Preferred Stock, and (iii) additional shares of 11% Series B Preferred Stock or a new class of preferred stock in accordance with the terms of the Amended and Restated Stockholder Agreement, dated as of November 7, 2005, between NBC Palm Beach I, us and certain of our affiliates; and

any merger or consolidation involving us and any transfer of all or substantially all of our assets (including our subsidiaries, taken as a whole), unless certain conditions are met.

In addition, upon our failure to (1) satisfy our conversion and redemption obligations, including the mandatory redemption of the 11% Series B Preferred Stock on December 31, 2013, (2) make any required offer to purchase the 11% Series B Preferred Stock following a change of control, (3) comply with certain covenants or (4) make certain payments on our indebtedness, holders of a majority of the outstanding shares

of the 11% Series B Preferred Stock, other than NBCU, voting separately as one class, will be entitled to elect the lesser of two directors or that number of directors constituting at least 25% of our Board. The certificate of designation provides that this is the sole and exclusive remedy of the holders under these circumstances, except with respect to our obligation to mandatorily redeem the 11% Series B Preferred Stock on December 31, 2013.

Liquidation Rights. The liquidation preference of the 11% Series B Preferred Stock is \$10,000 per share. Upon the voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of shares of 11% Series B Preferred Stock shall be entitled to be paid an amount in cash equal to the greater of (a) the liquidation preference for each share outstanding, plus, without duplication, an amount in cash equal to accumulated and unpaid dividends thereon to the date fixed for liquidation, dissolution or winding up, and (b) the amount per share payable upon liquidation, dissolution or winding up to the holders of shares of the Class A Common Stock (without deduction for the liquidation preference otherwise payable), multiplied by the number of such shares into which the shares of 11% Series B Preferred Stock are then convertible.

The certificate of designation applicable to the 11% Series B Preferred Stock provides that the 11% Series B Preferred Stock is (i) junior in right of payment to the 141/4% Preferred Stock and 93/4% Preferred Stock and (ii) senior in right of payment to all classes of common stock.

Redemption. We may redeem all or a portion of the 11% Series B Preferred Stock, at our option, at any time after the earlier of (a) the Call Closing, and (b) the date of the Investor Call Right Termination, as defined in the Call Agreement, at the redemption price set forth in the 11% Series B Preferred Stock certificate of designation. If the Call Closing fails to occur, NBCU has the right (subject to applicable law) to require us to redeem any 11% Series B Preferred Stock and Class A Common Stock issued upon conversion of the 11% Series B Preferred Stock then held by it upon the occurrence of various events of default, including material uncured breaches under the certificate of designation.

We are required to redeem all of the outstanding shares of 11% Series B Preferred Stock for cash on December 31, 2013. If we fail to do so, the holders of 11% Series B Preferred Stock shall be entitled to all remedies available at law or equity, including the right to bring an action against us to compel enforcement of the mandatory redemption or an action for damages arising out of our failure to redeem.

Upon a change of control, we are required to make an offer to purchase all then outstanding shares of 11% Series B Preferred Stock at a purchase price of 101% of the liquidation preference plus, without duplication, an amount in cash equal to all of its accumulated and unpaid dividends.

Conversion Rights. Shares of the 11% Series B Preferred Stock will be convertible at any time after the Call Closing at the option of the holder into (1) a number of shares of Class A Common Stock or (2) in the case of NBCU only, if NBCU determines in its sole discretion that it is prevented under applicable laws and regulations of the FCC from holding shares of Class A Common Stock issuable upon conversion of its shares of 11% Series B Preferred Stock, into a number of shares of non-voting common stock (which upon disposition by NBCU will automatically be converted into shares of Class A Common Stock), equal to the liquidation preference of the shares of 11% Series B Preferred Stock surrendered for conversion, plus, without duplication, an amount in cash equal to accumulated and unpaid dividends, divided by the conversion price then in effect. The conversion price of the 11% Series B Preferred Stock was initially \$2.00 per share, and increases at a rate equal to the dividend rate on the 11% Series B Preferred Stock. We are required to cause the shares of Class A Common Stock issuable upon conversion of the 11% Series B Preferred Stock (or, in the case of NBCU's election to convert into non-voting common stock, upon conversion of such non-voting common stock) to be approved for listing on AMEX (or other principal securities exchange on which the Class A Common Stock may at the time be listed for trading), subject to official notification of issuance, before the date of issuance.

Exchange Provisions. The shares of 11% Series B Preferred Stock are exchangeable, in whole or in part, at the option of the holders, into convertible subordinated debentures that are due on December 31, 2013, and are fully guaranteed on a senior subordinated unsecured basis by all of our subsidiaries, provided that

(i) each partial exchange shall be with respect to shares of 11% Series B Preferred Stock outstanding with a liquidation preference of not less than \$50,000,000 in the case of NBC Palm Beach I and \$5,000,000 for all other holders or all such shares remaining, if less, and (ii) any exchange prior to April 16, 2013, may only be made if no default or event of default would exist or be caused by such exchange under the covenant limiting our ability to incur indebtedness under the indentures governing our existing indebtedness, as in effect on December 30, 2005, assuming that the debt incurrence covenants within any indentures entered into after December 30, 2005 are at least as permissive. Such debentures are convertible into shares of Class A Common Stock (or a corresponding number of shares of non-voting common stock, in the case of conversion by NBC Palm Beach I) at a price of \$13.01 per share, and are redeemable by us for cash at a price equal to 80% of the prevailing trading price of our Class A Common Stock multiplied by the number of shares of our Class A Common Stock into which such debentures are convertible (based on the \$13.01 per share conversion price).

Restrictive Covenants. The certificate of designation for the 11% Series B Preferred Stock contains covenants for the benefit of the holders of the 11% Series B Preferred Stock that, among other things, and subject to certain exceptions, restrict our ability and the ability of our restricted subsidiaries to:

incur additional indebtedness;

pay dividends and make other restricted payments;

issue certain stock of subsidiaries; and

enter into transactions with affiliates.

In the event we breach any of these covenants, the holders of the 11% Series B Preferred Stock have the right, voting separately and as one class, to elect the lesser of two directors and that number of directors constituting 25% of the members of the Board. Our rights and obligations in respect of the 11% Series B Preferred Stock are also subject to the terms of our agreements with NBCU.

Series A-1 Convertible Preferred Stock

General. We have designated 8,500 shares of our authorized preferred stock as our Series A-1 Convertible Preferred Stock, none of which are currently outstanding.

Dividends. We are not required to declare or pay dividends on the Series A-1 Convertible Preferred Stock. When dividends are declared by our Board, holders of the Series A-1 Convertible Preferred Stock will be entitled to receive dividends on each share at the higher of: (i) an annual rate of 12% of the liquidation preference per share, and (ii) the aggregate cash dividends per share paid on Class D Common Stock, from the later of (a) the date of issuance and (b) the date of the last payment of a cash dividend on the Class D Common Stock to the date of such determination, multiplied by the number of shares of Class D Common Stock into which each share of Series A-1 Convertible Preferred Stock is convertible. All dividends shall accrue and be cumulative, whether or not earned or declared, on a quarterly basis, in arrears from the issuance date, but shall be payable only at such time or times as may be fixed by our Board or as otherwise provided and shall not compound.

Voting Rights. Holders of the Series A-1 Convertible Preferred Stock will not be entitled to voting rights, except as required under the DGCL and as expressly provided in the certificate of designation, including, among other things, with respect to:

materially and adversely amending certain rights of the holders of the Series A-1 Convertible Preferred Stock;

issuing additional shares of Series A-1 Convertible Preferred Stock or any class of equity securities that ranks on a parity with or senior to the Series A-1 Convertible Preferred Stock, other than the issuance of such parity or senior securities in an amount sufficient to refinance any series of securities to which the Series A-1 Convertible Preferred Stock is junior, so long as such parity or senior securities (i) do not require us to pay dividends thereon on a current basis in cash, or (ii) require cash dividends to be paid at a rate not more than three percentage points greater than the dividend rate borne by any series

of securities to which the Series A-1 Convertible Preferred Stock is junior, and do not prohibit the payment of dividends other than in cash on the Series A-1 Convertible Preferred Stock, or prohibit mandatory redemption of the Series A-1 Convertible Preferred Stock; and

any merger or consolidation involving us and any transfer of all or substantially all of our assets (including our subsidiaries, taken as a whole), unless certain conditions are met.

In addition, the certificate of designation of the Series A-1 Convertible Preferred Stock provides that, upon our failure to satisfy any redemption or conversion obligation with respect to the Series A-1 Convertible Preferred Stock, as their sole and exclusive remedy under such circumstances, holders of a majority of the outstanding shares of such stock shall have the right, voting separately and as one class, to elect the lesser of two directors or that number of directors constituting 25% of the members of our Board.

Liquidation Rights. Upon our liquidation, winding-up and dissolution, holders of the Series A-1 Convertible Preferred Stock will be entitled to an amount in cash equal to the greater of: (i) \$10,000 per share, plus any accumulated and unpaid dividends, and (ii) the aggregate amount per share payable upon liquidation, dissolution or winding up to the holders of shares of Class A Common Stock or such other class or series of stock into which the Series A-1 Convertible Preferred Stock is then convertible (assuming the conversion of all of the Series A-1 Convertible Preferred Stock), multiplied by the number of shares of Class A Common Stock into which such shares of Series A-1 Convertible Preferred Stock are then convertible.

Ranking. The Series A-1 Convertible Preferred Stock will rank (i) senior in right of payment to any unexchanged shares of Senior Preferred Stock (provided that the Preferred Stock Amendment and the Senior Issuance are approved by both series of Senior Preferred Stock), Series C Convertible Preferred Stock, Series D Convertible Preferred Stock, Series E-1 Convertible Preferred Stock, Series E-2 Convertible Preferred Stock and Series F Non-Convertible Preferred Stock and all classes of common stock, (ii) equally in right of payment with the Series A-2 Non-Convertible Preferred Stock and Series A-3 Convertible Preferred Stock, and (iii) rank junior in right of payment to our Senior Debt, Series A Notes and Series B Notes.

Redemption. We are required to redeem all of the outstanding shares of Series A-1 Convertible Preferred Stock on August 31, 2013, for \$10,000 (in cash) per share plus, as applicable, all accrued and unpaid dividends through and including the date of redemption.

Conversion Rights.

Optional Conversion. At the holder's option, the shares of Series A-1 Convertible Preferred Stock will be convertible at any time into (A) a number of shares of Class D Common Stock equal to the number of shares of Series A-1 Convertible Preferred Stock surrendered for conversion, multiplied by \$10,000, plus accrued and unpaid dividends thereon, divided by (B) the conversion price then in effect, except that if shares of Series A-1 Convertible Preferred Stock are called for redemption the conversion right will terminate at the close of business on the redemption date. The conversion price is \$0.90 per share of Class D Common Stock, increasing at a rate per annum equal to the dividend rate for the Series A-1 Convertible Preferred Stock from the date of issuance through the date of conversion, which we refer to as the Series A-1 Convertible Preferred Stock Conversion Price. No fractional shares or securities representing fractional shares will be issued upon conversion; in lieu of fractional shares, we will pay a cash adjustment based upon the common stock value as of the close of business on the first business day preceding the date of conversion.

Mandatory Conversion. At any time following the first anniversary of the issuance date, the shares of Series A-1 Convertible Preferred Stock will be converted automatically, without notice to holders, into (A) a number of shares of

Class D Common Stock equal to the liquidation preference of the shares of Series A-1

Convertible Preferred Stock so converted, plus accrued and unpaid dividends thereon, divided by (B) the Series A-1 Convertible Preferred Stock Conversion Price, upon the earliest to occur of the following events:

the trading price for 15 consecutive trading days of our Class A Common Stock or Class D Common Stock is equal to or greater than:

in the event the mandatory conversion occurs after the first anniversary, but prior to the second anniversary of the issuance date, 102% of the Series A-1 Convertible Preferred Stock Conversion Price,

in the event the mandatory conversion occurs on or after the second anniversary, but prior to the third anniversary of the issuance date, 101% of the Series A-1 Convertible Preferred Stock Conversion Price, or

in the event the mandatory conversion occurs on or after the third anniversary of the issuance date, the Series A-1 Convertible Preferred Stock Conversion Price

(as the case may be, the Series A-1 Convertible Preferred Stock Mandatory Conversion Trigger Price); and

we issue common stock at an issue price per share equal to or greater than the Series A-1 Convertible Preferred Stock Mandatory Conversion Trigger Price, generating aggregate gross proceeds to us of at least \$75,000,000 (provided that, if the common stock is issued to CIG, NBCU or their respective affiliates, an internationally recognized investment bank selected by CIG from a list of three banks provided by us shall have provided an opinion to the effect that the issue price per share is at or higher than the fair market value of a share of our common stock).

The conversion prices shall be subject to customary adjustments for stock splits, dividends, recapitalizations, below market issues and similar events.

Series A-2 Non-Convertible Preferred Stock

General. We have designated 11,000 shares of our authorized preferred stock as our Series A-2 Non-Convertible Preferred Stock, none of which are currently outstanding.

Dividends. We are not required to declare or pay dividends on the Series A-2 Non-Convertible Preferred Stock. However, when dividends are declared by our Board, holders of the Series A-2 Non-Convertible Preferred Stock will be entitled to receive dividends on each share at 8% per year. All dividends shall accrue and be cumulative, whether or not earned or declared, on a quarterly basis, in arrears from the issuance date, but shall be payable only at such time or times as may be fixed by our Board or as otherwise provided and shall not compound.

Voting Rights. Holders of the Series A-2 Non-Convertible Preferred Stock will not be entitled to voting rights, except as required under the DGCL and as expressly provided in the certificate of designation, including, among others things, with respect to:

materially and adversely amending certain rights of the holders of the Series A-2 Non-Convertible Preferred Stock;

issuing additional shares of Series A-2 Non-Convertible Preferred Stock or any class of equity securities that ranks on a parity with or senior to the Series A-2 Non-Convertible Preferred Stock, other than the issuance of such parity or senior securities in an amount sufficient to refinance any series of securities to which the Series A-2 Non-Convertible Preferred Stock is junior, so long as such parity or senior securities (i) do not

require us to pay dividends thereon on a current basis in cash, or (ii) require cash dividends to be paid at a rate not more than three percentage points greater than the dividend rate borne by any series of securities to which the Series A-2 Non-Convertible Preferred Stock is junior, and do not prohibit the payment of dividends other than in cash on the Series A-2 Non-Convertible Preferred Stock, or prohibit mandatory redemption of the Series A-2 Non-Convertible Preferred Stock; and

any merger or consolidation involving us and any transfer of all or substantially all of our assets (including our subsidiaries, taken as a whole), unless certain conditions are met.

In addition, the certificate of designation of the Series A-2 Non-Convertible Preferred Stock provides that, upon our failure to satisfy any redemption or conversion obligation with respect to the Series A-2 Non-Convertible Preferred Stock, as their sole and exclusive remedy under such circumstances, holders of a majority of the outstanding shares of such stock shall have the right, voting separately and as one class, to elect the lesser of two directors or that number of directors constituting 25% of the members of our Board.

Liquidation Rights. Upon our liquidation, winding-up and dissolution, holders of the Series A-2 Non-Convertible Preferred Stock will be entitled to \$10,000 per share, plus any accumulated and unpaid dividends.

Ranking. The Series A-2 Non-Convertible Preferred Stock will rank (i) senior in right of payment to any unexchanged shares of Senior Preferred Stock (provided that the Preferred Stock Amendment and Senior Issuance are approved by both series of Senior Preferred Stock), Series C Convertible Preferred Stock, Series D Convertible Preferred Stock, Series E-1 Convertible Preferred Stock, Series E-2 Convertible Preferred Stock and Series F Non-Convertible Preferred Stock and all classes of common stock, (ii) equally in right of payment with the Series A-1 Convertible Preferred Stock and Series A-3 Convertible Preferred Stock, and (iii) junior in right of payment to our Senior Debt, Series A Notes and Series B Notes.

Redemption. We are required to redeem all of the outstanding shares of Series A-2 Non-Convertible Preferred Stock on August 31, 2013, for \$10,000 (in cash) per share plus, as applicable, all accrued and unpaid dividends through and including the date of redemption.

Conversion Rights. The Series A-2 Non-Convertible Preferred Stock is not convertible.

Series A-3 Convertible Preferred Stock

General. We have designated 11,000 shares of our authorized preferred stock as our Series A-3 Convertible Preferred Stock, none of which are currently outstanding.

Dividends. We are not required to declare or pay dividends on the Series A-3 Convertible Preferred Stock. However, when dividends are declared by our Board, holders of the Series A-3 Convertible Preferred Stock will be entitled to receive dividends on each share at the higher of: (i) 12% per year, and (ii) the aggregate cash dividends per share paid on Class A Common Stock, from the later of (a) the date of issuance or (b) the date of the last payment of a cash dividend on the Class A Common Stock to the date of such determination, multiplied by the number of shares of Class A Common Stock into which each share of Series A-3 Convertible Preferred Stock is convertible. All dividends shall accrue and be cumulative, whether or not earned or declared, on a quarterly basis, in arrears from the issuance date, but shall be payable only at such time or times as may be fixed by our Board or as otherwise provided and shall not compound.

Voting Rights. Holders of the Series A-3 Convertible Preferred Stock will not be entitled to voting rights, except as required under the DGCL and as expressly provided in the certificate of designation, including, among others things, with respect to:

materially and adversely amending certain rights of the holders of the Series A-3 Convertible Preferred Stock;

issuing additional shares of Series A-3 Convertible Preferred Stock or any class of equity securities that ranks on a parity with or senior to the Series A-3 Convertible Preferred Stock, other than the issuance of such parity or senior securities in an amount sufficient to refinance any series of securities to which the Series A-3 Convertible Preferred Stock is junior, so long as such parity or senior securities (i) do not require us to pay dividends thereon on a current basis in cash, or (ii) require cash dividends to be paid at a rate not more than three percentage points greater than the dividend rate borne by any series of securities to which the Series A-3 Convertible Preferred Stock is junior, and do not prohibit the payment of dividends other than in cash on the Series A-3 Convertible Preferred Stock or prohibit mandatory redemption of the Series A-3 Convertible Preferred Stock; and

any merger or consolidation involving us and any transfer of all or substantially all of our assets (including our subsidiaries, taken as a whole), unless certain conditions are met.

In addition, upon our failure to satisfy any redemption or conversion obligation with respect to the Series A-3 Convertible Preferred Stock, as their sole and exclusive remedy under such circumstances, holders of a majority of the outstanding shares of such stock shall have the right, voting separately and as one class, to elect the lesser of two directors or that number of directors constituting 25% of the members of our Board.

Liquidation Rights. Upon our liquidation, winding-up and dissolution, holders of the Series A-3 Convertible Preferred Stock will be entitled to an amount in cash equal to the greater of: (i) \$10,000 per share, plus any accumulated and unpaid dividends, and (ii) the aggregate amount per share payable upon liquidation, dissolution or winding up to the holders of shares of Class A Common Stock (or such other class or series of stock into which the Series A-3 Convertible Preferred Stock is then convertible) multiplied by the number of shares of Class A Common Stock into which such shares of Series A-3 Convertible Preferred Stock are then convertible.

Ranking. The Series A-3 Convertible Preferred Stock will rank (i) senior in right of payment to any unexchanged shares of Senior Preferred Stock (provided that the Preferred Stock Amendment and the Senior Issuance are approved by both series of Senior Preferred Stock), Series C Convertible Preferred Stock, Series D Convertible Preferred Stock, Series E-1 Convertible Preferred Stock, Series E-2 Convertible Preferred Stock and Series F Non-Convertible Preferred Stock and all classes of common stock, (ii) equally in right of payment with the Series A-2 Non-Convertible Preferred Stock and Series A-1 Convertible Preferred Stock, and (iii) junior in right of payment to our Senior Debt, Series A Notes and Series B Notes.

Redemption. We are required to redeem all of the outstanding shares of Series A-3 Convertible Preferred Stock on August 31, 2013, for \$10,000 (in cash) per share plus, as applicable, all accrued and unpaid dividends through and including the date of redemption.

Conversion Rights.

Optional Conversion. At the holder's option, the shares of Series A-3 Convertible Preferred Stock will be convertible at any time into (A) a number of shares of Class A Common Stock (or, under certain circumstances, Class C Common Stock) equal to the number of shares of Series A-3 Convertible Preferred Stock surrendered for conversion, multiplied by \$10,000, plus accrued and unpaid dividends thereon, divided by (B) the conversion price then in effect, except that if shares of Series A-3 Convertible Preferred Stock are called for redemption that conversion right will terminate at the close of business on the redemption date. The conversion price is \$0.75 per share of Class A Common Stock (or Class C Common Stock, as applicable), increasing at a rate per annum equal to the dividend rate for the Series A-3 Convertible Preferred Stock from the date of issuance through the date of conversion (the Series A-3 Convertible Preferred Stock Conversion Price). No fractional shares or securities representing fractional shares will be issued upon conversion; in lieu of fractional shares, we will pay a cash adjustment based upon the common stock value as of the close of business on the first day preceding the date of conversion.

Mandatory Conversion. At any time following the first anniversary of the issuance date, the shares of Series A-3 Convertible Preferred Stock will be converted automatically, without notice to holders, into (A) a number of shares of Class A Common Stock (or, under certain circumstances, Class C Common Stock) equal to the liquidation preference of the shares of A-3 Convertible Preferred Stock so converted, plus accrued and unpaid dividends, divided by (B) the Series A-3 Convertible Preferred Stock Conversion Price, upon the earliest to occur of the following events:

the trading price for 15 consecutive trading days of our Class A Common Stock or Class D Common Stock is equal to or greater than:

in the event the mandatory conversion occurs after the first anniversary, but prior to the second anniversary of the issuance date, 102% of the Series A-3 Convertible Preferred Stock Conversion Price,

in the event the mandatory conversion occurs on or after the second anniversary, but prior to the third anniversary of the issuance date, 101% of the Series A-3 Convertible Preferred Stock Conversion Price, or

in the event the mandatory conversion occurs on or after the third anniversary of the issuance date, the Series A-3 Convertible Preferred Stock Conversion Price

(as the case may be, the Series A-3 Convertible Preferred Stock Mandatory Conversion Trigger Price); and

we issue common stock at an issue price per share equal to or greater than the Series A-3 Convertible Preferred Stock Mandatory Conversion Trigger Price, generating aggregate gross proceeds to us of at least \$75,000,000 (provided that, if the common stock is issued to CIG, NBCU or their respective affiliates, an internationally recognized investment bank selected by CIG from a list of three banks provided by us shall have provided an opinion to the effect that the issue price per share is at or higher than the fair market value of a share of our common stock).

The conversion prices shall be subject to customary adjustments for stock splits, dividends, recapitalizations, below market issues and similar events.

Series B Convertible Preferred Stock

General. We have designated 3,000 shares of our authorized preferred stock as our Series B Convertible Preferred Stock, none of which are currently outstanding.

Dividends. We are not required to declare or pay dividends on the Series B Convertible Preferred Stock. However, when declared by our Board, the holders of the Series B Convertible Preferred Stock will be entitled to receive dividends on each share at the higher of: (i) 12% per year, and (ii) the aggregate cash dividends per share paid on Class D Common Stock, from the later of (a) the date of issuance or (b) the date of the last payment of a cash dividend on the Class D Common Stock to the date of such determination, multiplied by the number of shares of Class D Common Stock into which each share of Series A-1 Convertible Preferred Stock is convertible. All dividends shall accrue and be cumulative, whether or not earned or declared, on a quarterly basis, in arrears from the issuance date, but shall be payable only at such time or times as may be fixed by our Board or as otherwise provided and shall not compound.

Voting Rights. Holders of the Series B Convertible Preferred Stock will not be entitled to voting rights, except as required under the DGCL and as expressly provided in the certificate of designation, including, among others things, with respect to:

materially and adversely amending certain rights of the holders of the Series B Convertible Preferred Stock;

issuing additional shares of Series B Convertible Preferred Stock or any class of equity securities that ranks on a parity with or senior to the Series B Convertible Preferred Stock, other than the issuance of such parity or senior securities in an amount sufficient to refinance any series of securities to which the Series B Convertible Preferred Stock is junior, so long as such parity or senior securities (i) do not require us to pay dividends thereon on a current basis in cash, or (ii) require cash dividends to be paid at a rate no more than three percentage points greater than the dividend rate borne by any series of securities to which the Series B Convertible Preferred Stock is junior, and do not prohibit the payment of dividends other than in cash on the Series B Convertible Preferred Stock or prohibit mandatory redemption of the Series B Convertible Preferred Stock; and

any merger or consolidation involving us and any transfer of all or substantially all of our assets (including our subsidiaries, taken as a whole), unless certain conditions are met.

In addition, the certificate of designation of the Series B Convertible Preferred Stock provides that, upon our failure to satisfy any redemption or conversion obligation with respect to the Series B Convertible Preferred Stock, as their sole and exclusive remedy under such circumstances, holders of a majority of the

outstanding shares of such stock shall have the right, voting separately and as one class, to elect the lesser of two directors or that number of directors constituting 25% of the members of our Board.

Liquidation Rights. Upon our liquidation, winding-up and dissolution, holders of the Series B Convertible Preferred Stock will be entitled to the greater of: (i) \$10,000 per share, plus any accumulated and unpaid dividends from the issue date through and including the date of liquidation, and (ii) the aggregate amount per share payable upon liquidation, dissolution or winding up to the holders of shares of Class A Common Stock multiplied by the number of shares of Class A Common Stock or such other class or series of stock into which the Series B Convertible Preferred Stock is then convertible (assuming the conversion of all of the Series B Convertible