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January 25, 2001

BY HAND DELIVERY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

Re: Applications for Assignment of Licenses from
Subsidiaries of Chris-Craft Industries, Inc. to Fox Television
Stations, Inc.
File Nos. BALCT-20000918ABB, et al.

Dear Ms. Salas:

On behalf of the proposed assignors UTV of San Francisco, Inc., KCOP Television, Inc., UTV of San Antonio, Inc., Oregon Television, Inc., UTV of Baltimore, Inc., WWOR-TV, Inc., UTV of Orlando, Inc., and United Television, Inc. (collectively, "Chris-Craft") and the proposed assignee Fox Television Stations, Inc. ("FTS" and, together with Chris-Craft, the "Applicants"), this letter is written in response to the letter dated December 21, 2000 from Roy J. Stewart, Chief, Mass Media Bureau, to the undersigned counsel ("FCC Letter"). Also enclosed is an Amendment to the above-referenced assignment applications (collectively, the "Application") that provides the information requested by the staff in the FCC Letter.

I. INTRODUCTION AND SUMMARY

The Applicants have proposed a structure whereby the FCC licenses of Chris-Craft's ten stations (the "Stations") will be assigned to and held by FTS, the other assets of those Stations will be held by Newco, a newly formed subsidiary of Fox Entertainment Group, Inc. ("FEG"), and the Stations will be operated under FTS's control pursuant to an operating

agreement between FTS and Newco. The Applicants have proposed this ownership structure in order to comply with federal income tax law requirements relating to tax-free reorganizations. This structure was *not* proposed to increase the economic interest of aliens in the Stations beyond that which they would hold if Newco did not exist and all the Stations' assets were acquired by FTS. In the FCC Letter, the staff questions "whether Newco will be the controlling party and the *de facto* licensee of the stations being acquired," and whether the involvement of Newco will result in increased economic benefits to FTS's alien investors. FCC Letter at 2. The FCC Letter concludes that, if Newco were the actual controlling party, the Chris-Craft Stations would be "acquired outside of the ownership structure approved in *Fox II*" (*Id.* at 2), and requests Applicants to provide additional information and explanations regarding these issues.

In response, as Applicants will demonstrate below: (1) The ownership structure of Newco, in terms of "the breakdown of economic benefits between aliens and American[s] . . ." (FCC Letter at 2), is identical to the ownership structure approved in *Fox II*. (The extent of alien ownership and participation in economic benefits will actually be less than that approved in *Fox II*.) (2) FTS, an entity controlled by K. Rupert Murdoch, will have *de jure* and *de facto* control of the Chris-Craft Stations. (3) Under the Operating Agreement¹ between FTS and Newco, FTS will set the policies for programming, personnel, and finances of the Chris-Craft Stations and will exercise control of the Stations. (4) Representatives of FTS and Newco, in declarations submitted with the enclosed Amendment, confirm that FTS has no intention to relinquish, and Newco has no intention to assert, control over the Chris-Craft Stations within the meaning of Section 310 of the Communications Act.

The FCC Letter also directs the Applicants to submit a supplementary showing of how the proposed transaction will serve the public interest; requests the Applicants to waive their rights to confidentiality under the Hart-Scott-Rodino Act ("HSR") to permit the FCC staff to review documents filed by the Applicants with the Department of Justice ("DOJ") pursuant to HSR; and notes the absence in the record of facts in support of FTS's general statements in the Application regarding the current financial condition of the *New York Post*.

Applicants are providing the following: (5) A supplementary showing of the public interest benefits of the proposed transaction, together with a discussion of why established

¹ A copy of a Revised Stations Operating Agreement ("Operating Agreement"), along with a copy marked to show changes from the version filed as part of Assignee's Exhibit No. 1 to the Application, is included as Attachment A to the enclosed Amendment.

Commission practice in the area of broadcast regulation does not require such a showing; (6) An explanation why Applicants respectfully decline to waive their confidentiality rights with respect to the HSR review of the transaction, a review of which has recently been terminated by the DOJ, except for a decree to require divestiture of a station in Salt Lake City as the Applicants have already proposed in the Application; and (7) Under separate cover, a declaration with additional facts regarding the current financial condition of the *New York Post*, together with a request for confidentiality and a protective order in accordance with Sections 0.457 and 0.459 of the Commission's rules, as permitted by the FCC Letter.

II. OWNERSHIP AND CONTROL OF THE STATIONS

A. Under the Proposed Ownership Structure the Participation in Economic Benefits by Aliens Will Be Less Than in the Ownership Structure Previously Approved by the Commission in *Fox II*.

The proposed ownership structure for the Chris-Craft Stations does not differ in any material respect from the structure approved in *Fox II*. The tentative conclusions in the FCC Letter to the contrary are based on the inaccurate assumption that: "[u]nder the *Fox II* ownership structure, 99% of the economic benefit of the station operations flowed to the alien investors in the company, while 1% flowed to an American citizen, Mr. Murdoch." FCC Letter at 2. The correct facts are described below.

Structure Approved in *Fox II*. In 1995, as described to and approved by the Commission in *Fox II*, FTS was a 100% owned subsidiary of Twentieth Holdings Corp. ("THC"). K. Rupert Murdoch owned 100% of the preferred shares and had 76% of the voting interest in THC. A wholly owned, indirect subsidiary of News Corp owned 100% of the common shares and had 24% of the voting control of THC.² The Certificate of Incorporation of THC provided that the preferred stock with a par value of \$100 per share was entitled to "dividends at the fixed annual rate of \$12.00 per share, and no more . . ."³ The preferred shares

² See *Fox Television Stations, Inc.* 10 FCC Rcd 8452, 8456, 8461, paras. 6, 20 (1995) ("*Fox I*").

³ Specifically, the Certificate of Incorporation of Twentieth Holdings Corporation provided that "[t]he holders of record of the issued and outstanding Preferred Stock shall be
(continued...)

did not entitle Rupert Murdoch to a percentage interest in THC – 1% or otherwise. Rather, they entitled him to a fixed return at the rate of 12% per annum on his paid-in capital investment of \$760,000 (i.e., \$91,200 per year) and, in the event of dissolution, an ultimate redemption of his shares for a fixed sum of \$760,000.⁴

The Commission acknowledged, when it reviewed the FTS ownership structure in *Fox I*, that Rupert Murdoch's preferred shares entitled him to only a "fixed return on [his] capital investment."⁵ In *Fox II*, the Commission again acknowledged that the preferred shares entitled Rupert Murdoch to only the "relatively minimal" Fixed Return Interest, while News Corp was entitled to the balance of all of the profits and losses from the operation of the television stations owned by FTS:

News Corp continues to own all of THC's common stock, which is entitled to substantially all of THC's profits and losses and virtually all of THC's assets upon sale or dissolution. . . . The return on the common stock is subject to the relatively minimal dividends on Murdoch's preferred stock, and at dissolution Murdoch is entitled to the return of his \$760,000 investment.

Fox Television Stations, Inc., 11 FCC Rcd at 5720, para. 15 & n.5 (1995) ("*Fox II*"). The FTS ownership structure approved by the Commission in *Fox II* thus did not provide an economic benefit split of 99% to alien investors and 1% to Rupert Murdoch. Rather, alien investors held,

³ (...continued)
entitled to receive, when and as declared by the Board of Directors out of the assets or funds of the Corporation legally available therefor, *dividends at the fixed annual rate of \$12.00 per share, and no more, . . .*" MMB Ex. No. 28 at 4 (emphasis added). A copy of this Mass Media Bureau exhibit from the 1995 review of the FTS ownership structure is attached hereto as Exhibit A for convenience.

⁴ This limited, fixed interest of a 12% per annum dividend on his paid in capital investment of \$760,000 (i.e., \$91,200 per year) and an ultimate redemption of his shares, upon dissolution, for \$760,000, is sometimes referred to herein as the "Fixed Return Interest."

⁵ *Fox I*, 10 FCC Rcd at 8458, para. 13 (emphasis added).

in the words of the Commission, "**99+ percent**."⁶ That is, the entire equity interest in FTS belonged to News Corp, less only Rupert Murdoch's Fixed Return Interest, the calculation of which is not related to the profits and losses of FTS.

Pursuant to the ownership structure approved in *Fox II*, and as modified by a *pro forma* reorganization approved by the Commission in 1998,⁷ Rupert Murdoch continues to exercise *de jure* and *de facto* control over FTS through his 76% direct voting interest (which is represented by his preferred shares) in FTH, FTS's sole stockholder. Fox Entertainment Group, Inc. ("FEG"), a public company controlled by News Corp, continues to own all of the outstanding common stock and all of the equity of FTH (and therefore FTS) less only Rupert Murdoch's Fixed Return Interest.

Ownership Structure Proposed in the Application. As described in Assignee's Exhibit No. 1 to the Application, the Chris-Craft Stations' licenses will be held by FTS and the remaining station assets will be held by Newco, a newly created, wholly owned subsidiary of FEG. Pursuant to the Operating Agreement, net income and net losses from the operations of the Chris-Craft Stations will be shared on the basis of FTS receiving 5% of such income and losses and Newco receiving 95% of the income and losses. *See* Operating Agreement, Section 5.1.

⁶ *Fox II*, 11 FCC Rcd at 5729, para. 36 (concluding that "the full percentage (99+ percent) of FTS's alien ownership must be accounted for in determining compliance with Section 310(b)(3)") (emphasis added); *see also Fox I*, 10 FCC Rcd at 8456, para. 6 (finding that "News Corp. contributed *over* 99 percent of the capital invested in [FTH] and is entitled to virtually all of the economic incidents of [FTH's] operation") (emphasis added).

⁷ As explained in Assignee's Exhibit No. 5 to the Application and in the Joint Opposition (*see* Joint Opposition of Chris-Craft and FTS, filed Nov. 9, 2000, at 48), in 1998 the Commission approved a short-form assignment of the stations licensed to FTS and its subsidiaries to a newly formed subsidiary which was re-named "FTS." The company formerly known as "FTS" was re-named "Fox Television Holdings, Inc." ("FTH"). Rupert Murdoch acquired voting preferred stock of FTH representing 76% of the voting power of FTH. Rupert Murdoch's voting preferred stock in FTH is otherwise similar in all material respects to the preferred stock of THC held by Rupert Murdoch prior to the *pro forma* reorganization. THC was renamed "Fox Entertainment Group, Inc." ("FEG"), and News Corp's indirect ownership of all the common shares and 24% of the voting power of FTH is now held through FEG. Approximately 82 percent of FEG is indirectly owned by News Corp, and the remaining interests are owned by public shareholders. *See* ownership structure charts attached as Attachment D to the enclosed Amendment.

Because Newco is a wholly owned subsidiary of FEG, and because FEG holds all of the equity of FTS (subject only to the Fixed Return Interest), FEG will be entitled to (1) all of Newco's economic interest in the Chris-Craft Stations plus (2) all of FTS's economic interest in the Chris-Craft Stations less only the Fixed Return Interest. **In other words, FEG will be entitled to all of the economic interest in the Chris-Craft Stations, less only the Fixed Return Interest due to Rupert Murdoch.**⁸

As demonstrated above, FEG's proposed economic interest in the operations of the Chris-Craft Stations under the Applicant's proposed structure will be **identical** to FEG's current economic interest in the operations of the existing FTS stations, **and will be identical to what its economic interest in the Chris-Craft Stations would be if those stations were being acquired outright by FTS.** Accordingly, the breakdown of economic benefits between aliens and U.S. citizens under the proposed ownership structure for the Chris-Craft Stations remains the same as in the FTS structure previously approved by the Commission.⁹ In fact, when the ownership of the public shareholders of FEG is factored in, aliens will have less ownership and

⁸ Regardless of whether the profits and losses of the Chris-Craft Stations run through FTS or Newco, at the end of the day they will all be received by FEG less only the Fixed Return Interest – precisely as is the case with the current, *Fox II*-approved structure.

⁹ The FCC Letter also suggests that the proposed ownership structure is not the same as in *Fox II* because "Newco . . . is not part of that ownership structure." FCC Letter at 2. But Applicants submit that, while it is true that Newco is a new entity that was not part of the ownership structure approved in 1995, that fact is not material to the issue of whether the proposed ownership structure is the same as that approved in *Fox II*. If the *pro forma* introduction of new subsidiaries that were not part of the FTS ownership structure approved in 1995 were inconsistent with *Fox II*, then the Commission could not and would not have routinely approved the *pro forma* reorganization in 1998. See note 7 *supra*. Nor would the Commission have approved FTS's acquisition of Station KDFI-TV, Dallas, Texas, following the *pro forma* reorganization. See File No. BTCCT-19991116AJN, approved by Public Notice released Feb. 25, 2000. The Applicants submit that such *pro forma* changes were not deemed material by the Commission then and are not material here. Newco is a wholly owned subsidiary of FEG, and its equity ownership interests in the Stations can and should be treated as ownership interests held by FEG. As discussed above (see note 6 *supra*), the Commission has approved FEG owning 99+% of stations licensed to FTS, as will be the case here. The fact that the economic benefits flow to FEG through a wholly owned subsidiary should not make a difference.

participation in the economic benefits of the Stations than was permitted by the Commission in *Fox II*.¹⁰

Ownership of Newco. Finally, with respect to ownership, the FCC Letter requests information that details the level of foreign investment in Newco, FEG, and their parent companies. See FCC Letter at 2. This request was apparently based on the staff's belief that the Operating Agreement "appears to place virtually all control of the Chris-Craft licensees . . . in the hands of Newco . . ." FCC Letter at 2. Given that, (a) as demonstrated in Part II.B below, Newco will not control the Stations, (b) the Commission has approved FTS's ownership structure assuming FEG's alien ownership to be 100%, and (c) as demonstrated above, the ownership structure proposed by the Applicants will leave FEG and News Corp with the same economic interest they would hold if the Chris-Craft Stations were to be acquired entirely by FTS, the Applicants submit that the proposed structure is the same as that approved in *Fox II* in all material respects, even if Newco is deemed to be foreign controlled by News Corp and 100% foreign-owned. The Applicants therefore respectfully submit that information concerning the precise levels of foreign ownership of Newco and its parent companies is not material or necessary to the Commission's review of the Application.

Nevertheless, in an effort to assist the staff in better understanding the ownership of Newco, even if not material, the proposed assignee is submitting as part of the enclosed Amendment information (including citizenship) regarding the officers, directors, and attributable shareholders of Newco, FEG, and their corporate parents. Assignee does not know and therefore cannot provide the precise level of foreign investment in FEG or News Corp because random surveys of their shareholders have not been required and have not been conducted. However, the level of alien ownership of the Chris-Craft Stations will be substantially less than the 99+%

¹⁰ In the course of discussing ownership of the Stations, the staff alludes to the issue of whether Newco is controlled by aliens. See FCC Letter at 2. The corporate ownership chain above Newco clearly reflects that Newco is a controlled, indirect subsidiary of News Corp. See Attachment D to the enclosed Amendment. The Applicants do not ask the Commission to decide, and the Commission need not decide (as it did not decide in *Fox II* (see FCC Letter at 2)), whether Rupert Murdoch controls News Corp within the meaning of Section 310(b) of the Act. Even assuming *arguendo* that Newco is deemed foreign controlled for FCC purposes, Newco's ownership of the underlying assets of the Chris-Craft Stations and its ownership interest in Station income and losses are, as discussed above, are consistent with *Fox II*. Furthermore, Newco's involvement will not run afoul of the alien control restrictions in Section 310(b) because, as demonstrated in Part II.B below, Newco will not possess *de facto* control of the Chris-Craft Stations.

approved by the Commission for FTS. In *Fox II*, the Commission treated News Corp's interest in FTS as 100% alien and authorized the ownership structure accordingly. As the result of the 1998 public offering of class A common stock of Fox Entertainment Group, Inc. ("FEG") in connection with the reorganization approved by the Commission, the economic benefits flowing to U.S. citizens in both the FTS ownership structure and the proposed ownership structure are greater than the levels approved by the Commission in *Fox II*. News Corp's indirect equity interest in FTS, through its control of FEG, has decreased from "99+%" of the equity to approximately 82% with the remaining 18% being publicly traded. Because shareholders of the Chris-Craft entities will receive shares of News Corp stock, FEG will issue additional shares upstream to a News Corp subsidiary. Following the proposed transaction, News Corp's indirect interest in FEG is expected to be approximately 85.25% with the remaining 14.75% being publicly held. As stated in the Declaration of Steven Myers, Assistant Vice President of the Bank of New York (which is attached to the enclosed Amendment) based on a review of stockholder records, U.S. citizens hold 93.245% of the public shares of FEG.

B. FTS Will Have *De Jure* and *De Facto* Control of the Chris-Craft Stations Under the Operating Agreement.

Based on provisions in the Operating Agreement regarding Newco's responsibilities, the FCC Letter questions whether Newco would be "the controlling party and the *de facto* licensee of the stations being acquired." *Id.* at 2. For the reasons discussed below, Applicants submit that the answer to that question is demonstrably "No."

To put the factual analysis in context, a brief summary of the standards for determining *de facto* control under Section 310 of the Communications Act is warranted as an introduction. Under Commission precedent, a party is deemed to possess *de facto* control if it is in a position to determine the manner or means of operating the licensee and the policies that the licensee will pursue.¹¹ The determination of whether a party is in *de facto* control requires analysis of the individual circumstances presented by each case.¹² The Commission looks to determine who dominates station operations, focusing primarily on the areas of programming,

¹¹ See *WHDH, Inc.*, 17 F.C.C. 2d 856, 863 (1969), *aff'd sub nom. Greater Boston Television Corp. v. FCC*, 444 F.2d 841 (D.C. Cir.), *cert. denied*, 403 U.S. 922 (1970).

¹² See, e.g., *Univision Holdings, Inc.*, 7 FCC Rcd 6677, 6679 (1992); *William S. Paley*, 1 FCC Rcd 1025 (1986); *Stereo Broadcasters, Inc.*, 55 F.C.C. 2d 819, 821 (1970).

personnel, and finances.¹³ As the Commission has held, however, "*Section 310(d) [of the Communications Act] permits the delegation of day-to-day operations relating to those three areas, so long as the licensee continues to set the policies guiding those operations.*"¹⁴ And as the Commission has further explained, "[t]he touchstone of control, in short, is not divining who *executes* the station's programming, personnel and finance responsibilities, but who *establishes policies* governing the three areas and exercises ultimate control."¹⁵

Consistent with and guided by the Commission precedent and standards, the Applicants have crafted a structure that assures that FTS will have control of the Stations within the meaning of, and to the degree required by, Section 310 of the Communications Act. Following consummation of the proposed transaction, FTS will be the licensee of the Stations with all the rights and responsibilities that *de jure* status as the FCC licensee entails. FTS's control will be maintained and assured pursuant to the Operating Agreement between FTS and Newco. Day-to-day operations are delegated to Newco under the Operating Agreement, but Newco's execution of those functions will be subject to FTS's control under policies established by FTS. The operational functions that will be executed by Newco under the Operating Agreement cannot be read without reference to other provisions that repeatedly and expressly

¹³ See, e.g., *In re Application of WGPR, Inc. (Assignor) and CBS, Inc. (Assignee)*, 10 FCC Rcd 8140, 8141, para. 9 (1995) (citing *Stereo Broadcasters, Inc.*, 55 F.C.C. 2d 87 (1981)).

¹⁴ *Application of Choctaw Broadcasting Corp. (Assignor) and New South Communications, Inc. (Assignee)*, 12 FCC Rcd 8534, 8538-39, para. 11 (1997) (emphasis added) (citing *Southwest Texas Public Broadcasting Council*, 85 F.C.C. 2d 713, 716 (1981); *The Alabama Educational Television Commission*, 33 F.C.C. 2d 495, 508 (1972)).

¹⁵ *In re Application of WGPR, Inc. (Assignor) and CBS, Inc. (Assignee)*, 10 FCC Rcd 8140, 8142, para. 11 (1995) (emphasis added), *vacated and remanded on other grounds*, *Serefy v. FCC*, 149 F.3d 1213 (D.C. Cir. 1998).

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affirm and assure that FTS will have the degree of control required by the statute.¹⁶ Section 2.1 of the Operating Agreement specifies precisely where control lies:

2.1 FTS To Control Stations

FTS shall hold the Licenses and shall have full authority, power and control over the management and operations of the Stations during the Term, . . . [and] shall establish all policies regarding Station personnel, programming and finances,

Operating Agreement, Section 2.1.

While the FCC Letter correctly notes that "Newco would perform all of the day-to-day operations of the stations, [including] purchase the stations' equipment, enter into and administer programming contracts and pay all station expenses and capital costs" (FCC Letter at 1; *see* Operating Agreement, Section 2.2), it should also be noted that Newco's performance of those responsibilities will be under and subject to the direction and control of FTS. Section 2.2 of the Operating Agreement expressly provides that such day-to-day functions are:

[s]ubject to the rights and powers of FTS over the management and operations of the Stations as set forth in Section 2.1. . . .

Operating Agreement, Section 2.2. And Section 3 of the Operating Agreement further provides that:

¹⁶ To underscore their intent that FTS possess ultimate authority and control over the Chris-Craft Stations, and to address further the concerns of the staff suggested in the FCC Letter, the parties have made several changes to the proposed Operating Agreement, which are reflected in Attachment A to the enclosed Amendment, including a revision to the preamble of the Operating Agreement to incorporate a statement of the parties intent:

WHEREAS, Newco and FTS intend that FTS shall exercise de facto and de jure control over the Stations within the meaning of Section 310 of the Communications Act.

Operating Agreement, at 1.

FTS shall be responsible for the compliance by the Stations with all applicable provisions of the Communications Act, the FCC Rules and all other applicable laws [and] [n]othing . . . shall abrogate or limit the unrestricted authority of FTS to discharge FTS's obligations to the public, and to comply with the Communications Act,

Operating Agreement, Section 3. FTS thus will establish Station policy, and will otherwise exercise its clear powers to assure that its policies are implemented by Newco to FTS's satisfaction.¹⁷

FTS Access to the Chris-Craft Station Assets. While the Commission staff was correct in noting that "Newco would own all of the stations' assets" (FCC Letter at 1), it should also be noted that the Operating Agreement provides that FTS will have unfettered access to and use of all facilities and equipment held by Newco in connection with the business and operations of the Chris-Craft Stations:

2.3 Access to the Stations

At all times during the Term, Newco shall afford FTS and its representatives full and complete access to all of the assets used or held for use by Newco in connection with the business and operations of the Stations (collectively, the "Stations Assets" or, with respect to individual Stations, "Station Assets"), to the extent deemed necessary or desirable by FTS in its sole discretion to (a) maintain control over the management and operations of the Stations within the meaning of Section 310 of the Communications Act, (b) comply with FTS's responsibilities and obligations under this Agreement, and (c) comply with the Communications Act and FCC rules.

¹⁷ As set forth above, the Commission has held that the touchstone of control is whether a licensee has the unqualified right to control a station's programming, personnel, and finances – not whether the licensee or someone else performs these functions subject to the licensee's active control. See text accompanying notes 13-15 *supra*.

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Operating Agreement, Section 2.3.¹⁸

FTS Control Over Equipment Purchases. Moreover, while it is also true, as noted by the Commission staff, that Newco is required to purchase equipment for the Stations (see FCC Letter at 1), Newco must "*purchas[e] equipment consistent with the FTS-approved budgets*" and such budgets are subject to "*FTS's review, modification and approval.*" Operating Agreement, Section 2.2(a)-(b). Section 2.1 of the Operating Agreement also provides that "*FTS shall . . . approve the purchase of all Station equipment, including without limitation the power to direct Newco to acquire specific items of equipment, or to make other capital expenditures, which in FTS's judgment are necessary for the operation of the Stations.*" Operating Agreement, Section 2.1(d).

And, while the Operating Agreement does obligate Newco to maintain and replace the Stations' equipment and to make all repairs and capital improvements, FTS has the ultimate authority "*in FTS's judgment . . . to make repairs and improvements to, and replacements of, the Stations Assets . . .*" Operating Agreement, Section 2.4(b). The parties also have clarified Section 2.4 to provide:

The rights and obligations of Newco under this Section 2.4 [to maintain the Stations Assets and to make repairs and improvements to, and replacements of, the Stations Assets] shall be subject to the rights and powers of FTS as set forth in Section 2.1 hereof.

¹⁸ The positioning of assets and licenses in different corporate entities, a structure often required by lenders, is not novel. A broadcast licensee is not required to own its station's assets – it is sufficient for the licensee to have unfettered access to station facilities by arrangements other than ownership. As the Commission has previously held, and contrary to the allegation first raised by the Petitioners in their Reply (see Reply to Joint Opposition of Fox and Chris-Craft, filed Nov. 22, 2000, at 7-10), no "bare license" issue arises when a proposed licensee will have access to the assets required to operate the station through means other than ownership of those assets. See, e.g., *Broadcasters of Douglas County*, 10 FCC Rcd 10429, para. 15 (1995); *KPAL Broadcasting Corp.*, 28 F.C.C. 2d 46, 48 (1970). In compliance with the Commission's bare license policy, Section 6 of the Operating Agreement expressly provides that the Stations' licenses may not be transferred without the underlying assets: "*Neither the Station Assets of any Station nor the Licenses of such Station may be sold, leased, licensed or otherwise transferred without the other.*" Operating Agreement, Section 6.

Operating Agreement, Section 2.4(c).

FTS Control Over Programming. Section 2.1 of the Operating Agreement provides that "*FTS shall hold the Licenses and shall have full authority, power and control over the management and operations of the Stations during the Term, including, without limitation, determination of programming decisions,*" Operating Agreement, Section 2.1. While the Operating Agreement does provide that "Newco would . . . enter into and administer programming contracts" (FCC Letter at 1), the execution of these programming functions is expressly "*[s]ubject to the rights and powers of FTS over the management and operations of the Stations*" and "*subject to the direction and approval of FTS as provided in Section 2.1*" Operating Agreement, Section 2.2.

To further clarify those FTS powers, Section 2.1 of the Operating Agreement has been revised to elaborate that "*FTS shall . . . approve all Station programming*" and that FTS will have "*the power to direct the scheduling of any programming and to direct Newco to acquire, produce, pre-empt or discontinue any programs or program series;*" Operating Agreement, Section 2.1(a).

FTS Supervision and Control of Station Employees. While the Commission staff is correct in noting the Newco will employ the Stations' personnel (*see* FCC Letter at 1), such Newco activities are subject to FTS control. First, the Operating Agreement provides that "*FTS shall establish all policies regarding Station personnel,*" Operating Agreement, Section 2.1. And Section 2.2 of the Operating Agreement provides that "*Newco shall . . . hir[e] and employ[] personnel, subject to the direction and approval of FTS*" Operating Agreement, Section 2.2(d). In addition, to eliminate any concerns the staff may hold, Section 2.1 of the Operating Agreement has been clarified to provide that "*FTS shall . . . approve employment decisions with respect to all personnel of the Stations;*" Operating Agreement, Section 2.1(b).

To the extent the FCC Letter indicates concern that "Newco would . . . employ all of the stations' personnel" (*see* FCC Letter at 1), the parties have also revised the Operating Agreement to provide that "*two employees [of each Station] (one of whom shall be a management-level employee) . . . shall be selected and employed by FTS,*" *See* Operating Agreement, Section 2.5. Through these two employees, FTS will maintain a meaningful presence at each of the Chris-Craft Stations.¹⁹ In addition, "*[t]he general manager of each Station shall be selected by FTS and shall report directly to the Chairman of FTS or an FTS*

¹⁹ *See Main Studio and Program Origination Rules (Clarification)*, 3 FCC Rcd 5024 (1988).

employee designated by the Chairman of FTS." Operating Agreement, Section 2.5. Likewise all the principal department heads of each Station will report to the respective FTS division head:

In addition to reporting to the general manager of each Station, the principal department heads of each Station shall report to the respective FTS division head (for example, the Station Program Director to the FTS VP of Programming; the Station Personnel Manager to the FTS President of Sales; the Station Business Manager to the FTS VP of Finance).

Operating Agreement, Section 2.5. The Applicants submit that these provisions clearly are sufficient to assure FTS control over the Stations' personnel.

FTS Power to Control Station Finances. Section 2.1 of the Operating Agreement provides that "*FTS shall hold the Licenses and shall have full authority, power and control over the management and operations of the Stations during the Term, including, without limitation, . . . active control over finances and budgets, . . .*" Operating Agreement, Section 2.1. In addition, Section 2.1 of the Operating Agreement has been revised to provide specifically that "*FTS shall . . . direct the preparation of all budgets for the Stations, including without limitation having the power to review, modify and approve all such budgets;*" Operating Agreement, Section 2.1(c). FTS thus will have control over the budgets for each of the Stations, and such budgets in turn will dictate and direct the business parameters within which Newco must operate the Stations.²⁰

While Section 2.2 of the Operating Agreement provides that Newco will pay all expenses and capital costs (FCC Letter at 1), the execution of these day-to-day accounting functions is subject to the budgets approved by FTS and to the overall "*rights and powers of FTS over the management and operations of the Stations . . .*" Operating Agreement, Section 2.2. Moreover, Newco is required to provide to FTS, within 30 days after the end of each fiscal month, a reasonably detailed statement of the net income or losses from the operations of the Stations. See Operating Agreement, Section 5.1(a). And Section 5.3 of the Operating Agree-

²⁰ See, e.g., *Bennett Gilbert Gaines, Interlocutory Receiver for Magic 680, Inc.*, 8 FCC Rcd 1405, 1406-08, paras. 7-9, 20 (Rev. Bd. 1993), *recon. denied* 8 FCC Rcd 3986 (1993) (finding no *de facto* transfer of control where receiver/licensee approved budget, format, and personnel proposed by manager selected to run the day-to-day operations of the station).

ment provides FTS with the right to "reasonable access to the books, records and other information of Newco . . . in order to monitor Newco's compliance with the terms and conditions of [the Operating] Agreement." Operating Agreement, Section 5.3. And thus, FTS will have access to records and other information as necessary to monitor Newco's compliance with the budgets approved by FTS for each Station.

In response to the reference in the FCC Letter regarding "Newco . . . retain[ing] all the advertising and other receipts from station operations" (FCC Letter at 1), the parties have revised Section 2.2 of the Operating Agreement to make clear that "all advertising and other receipts collected in operating the Stations shall be deposited in Newco accounts established for the respective Stations for the benefit of Newco and FTS in accordance with the terms of [the Operating] Agreement." Operating Agreement, Section 2.2. Newco thus will not be free to retain these advertising receipts to use as it sees fit in its sole discretion; rather Newco is billing and collecting these advertising and other receipts at the ultimate direction and control of FTS for the benefit of FTS as well as itself.²¹

The Applicants submit that these provisions adequately place *de facto* control of station finances in the hands of FTS, as and to the extent required by Section 310 of the Communications Act.²²

²¹ The FCC Letter indicates concern over "Newco . . . receiv[ing] 95% of the net income from the stations", which the FCC Letter appears to equate to "Newco . . . dominance of . . . station income . . ." FCC Letter at 1-2. As demonstrated above in Part II.A of this letter, Newco's parent FEG will receive exactly the same economic benefits from the operation of the Chris-Craft Stations as it receives from the operation of the FTS stations, as approved in *Fox II* and subsequently modified by the *pro forma* reorganization approved by the Commission in 1998.

²² The performance of programming and other activities by Newco under the Operating Agreement is perfectly consistent with the responsibilities the Commission has permitted licensees to delegate to operators under local marketing agreements. *See generally* *WGPR, Inc. (Assignor) and CBS, Inc. (Assignee)*, 10 FCC Rcd 8140 (1995), *vacated and remanded on other grounds*, *Serefy v. FCC*, 149 F.3d 1213 (D.C. Cir. 1998); *KANZA, Inc.*, DA 00-669 (EB March 23, 2000); *Roy B. Russo*, 5 FCC Rcd 7586 (MMB 1990). Since the licensees and not the operators have been held to have *de facto* control of station operations under the agreements in these cases, *a fortiori* FTS will have *de facto* control under the Operating Agreement.

FTS Control of Station Sales. The FCC Letter expressed concern that Newco might have the "power to control the sale of the station [sic]," FCC Letter at 2. To alleviate such concerns of the staff, the parties have modified Section 6 to provide that:

FTS shall have the power to cause the sale of the Licenses and Station Assets of one or more Stations without the approval of Newco provided that such sales are at arms length for fair market value.

Operating Agreement, Section 6. FTS thus has the power to compel the sale of the Stations, without Newco's approval, provided that the sale is at arms length for fair market value, and Newco has a veto right if and only if the sale is not at arms length or not for fair market value. Newco's veto right is thus reasonable and consistent with Commission precedent.²³

* * *

The broad and unambiguous provisions of the Operating Agreement corroborate that FTS can and will control the operations of the Stations to the extent required of a licensee under the Communications Act. The Operating Agreement provides FTS with all of the rights and powers needed to fulfill its obligations under the Communications Act as a broadcast licensee. The Operating Agreement, both as an entire agreement and in each individual provision, underscores that FTS, not Newco, will dominate the operations of the Stations:

- FTS shall establish all policies regarding Station personnel, programming, and finances.
- FTS shall have the power to approve Station programming, including the power to direct the scheduling and to direct Newco to acquire, produce, preempt, or discontinue any programs on the Stations; Newco's administration of programming contracts for the Stations shall be subject to the direction and approval of FTS.
- FTS shall have the power to approve the employment decisions of all personnel of the Stations and shall select the General Manager of each Station. Newco's

²³ See, e.g., *BBC License Subsidiary (Assignor) and SF Green Bay License Subsidiary, Inc. (Assignee)*, 10 FCC Rcd 7926, 7927, paras. 8, 36 (1995); *News International, PLC*, 97 F.C.C. 2d 349, 351, 357-58, paras. 6, 19-21 (1984).

hiring and employment of personnel for the Stations shall be subject to the direction and approval of FTS.

- The General Manager of each Station will report directly to the Chairman of FTS or his/her FTS-employed designee, and the department heads of each Station will report to the respective FTS division heads.
- FTS will have two employees (one of whom will be a management-level employee) at each of the Stations.
- FTS shall direct the preparation of the budgets for all of the Stations; Newco's preparation of initial budget presentations shall be subject to the review, modification, and approval of FTS.
- FTS shall have the power to sell the Stations, without the approval of Newco, in arms length sales for fair market value.
- Newco's performance of the day-to-day operations of the Stations shall be subject to the rights and powers of FTS over the management and operations of the Stations.

Finally, when dealing with future conduct and operation of broadcast stations, the Commission has held that "it is not appropriate to infer, in the absence of evidence to the contrary, that [a party] will not faithfully carry out its representations or that it will be controlled and operated in a manner that differs from the agreement under consideration."²⁴ As stated in the Declarations of Mitchell Stern and Ellen Agress, submitted as part of the enclosed Amendment, FTS fully intends to fulfill its duties and obligations as licensee of the Chris-Craft Stations, including the obligation to comply with the Communications Act and Commission rules. Neither Newco's ownership of the Chris-Craft Stations' assets nor the terms of the Operating Agreement contradict FTS's representations.

²⁴ *In re News International, PLC*, 97 F.C.C. 2d 349, 356, para. 17 (1984) (citing *KCOP Television, Inc.*, 71 FCC 2d 1430, 1433-34 (1979)); *see also Univision Holdings, Inc. & Perenchio Television, Inc.*, 7 FCC Red 6672, 6674, para. 12 (1992) ("Absent specific factual support to the contrary, [the Commission] should not speculate that an applicant will act illegally"); *WBC Associates, L.P.*, 2 FCC Red 6083, 6085, para. 13 (1987) (Commission "should not speculate that an applicant will act illegally or other than as represented to us").

Applicants submit that the preceding discussion should alleviate the staff's concern that Newco would have "dominance of station operations" and its belief that the Operating Agreement "appears to place virtually all control of the Chris-Craft licensees . . . in the hands of Newco, . . ." FCC Letter at 2. FTS, and not Newco, will have *de facto* control of the Chris-Craft Stations within the meaning of Section 310 of the Communications Act.

III. PUBLIC INTEREST

The staff has directed the Applicants to "supplement the record with an explanatory statement illustrating how the proposed transaction will benefit the public interest." FCC Letter at 3. The staff does not cite any case law in support of this request, relying instead solely on the assertion that such a showing is required because "Section 310(d) of the Act requires that, in order for a station license to be transferred or assigned, there must be a finding by the Commission that the public interest, convenience and necessity will be served thereby." *Id.*

Before presenting an explanatory statement as requested by the staff, the Applicants at the outset wish to reassert and preserve their position that this staff request does not reflect the law or rules governing broadcast transactions. As Applicants have previously argued in the Joint Opposition (at 39-42), in the extensively regulated broadcast area, there is no requirement that applicants make an affirmative public interest showing above and beyond the information solicited by the relevant FCC Form. Substantial Commission practice and precedent establishes that the submission of a complete current version of the FCC Form 314 "provide[s] a sufficient basis" for approving an assignment application.²⁵ In fact, in the *Streamlining Order*, the Commission directed applicants to provide only the information necessary to respond to the questions on the Form itself (with reference, as appropriate, to

²⁵ See 1998 Biennial Regulatory Review – *Streamlining of Mass Media Applications, Rules and Processes*, 13 FCC Red 23056, 23067, para. 22 (1998) ("*Streamlining Order*"); see also 47 C.F.R. § 73.3540 (specifying that an application to assign or transfer control of broadcast station is to be made on the appropriate FCC Form). We note that Petitioners to Deny in the instant proceeding took the position that a separate public interest statement was necessary. Petition to Deny at 3-4. The Applicants cited extensive and, we believe, conclusive case law in response to this position. Joint Opposition of FTS and Chris-Craft, filed Nov. 9, 2000, at 39-42. Without addressing the merits of either argument, the staff directed the Applicants to file the supplemental public interest statement.

specific worksheets).²⁶ The FCC Form 314 does not require any applicant to provide a separate public interest showing above and beyond its answers to questions on the Form.²⁷

Commission precedent confirms that completion of an FCC Form 314 suffices to demonstrate that a proposed transaction is consistent with the public interest. The Mass Media Bureau routinely grants applications for consent to an assignment of licenses without any suggestion that the applicants are required to file a separate public interest showing beyond the matters addressed in the Form 314.²⁸ No such showing was solicited or offered in connection with the largest broadcast transaction to date, CBS-Viacom. The FCC Letter offers no explana-

²⁶ See *Streamlining Order*, 13 FCC Rcd at 23067, para. 22.

²⁷ That the Form 314 does not require a separate public interest statement reflects the Commission's repeated affirmation of the need to provide "concrete guidance" and "predictability to broadcasters in structuring their business transactions." *Review of the Commission's Regulations Governing Television Broadcasting; Television Satellite Stations Review of Policy and Rules*, 14 FCC Rcd 12903, 12948, para. 103 (1999). In furtherance of this policy, the Commission has established an extensive framework of broadcast regulations and forms, including Form 314, which enable applicants to provide information sufficient for the Commission to find that the proposal is consistent with the public interest without requiring that each applicant submit an amorphous and difficult to evaluate "public interest" statement.

²⁸ In fact, the Commission and the Mass Media Bureau have recently granted several assignment applications that enable an entity to own two television stations in the same market without any separate showing as to how each particular proposed transaction specifically serves the public interest. See, e.g., *In the Matter of the Applications of Shareholders of CBS Corporation, and Viacom, Inc., For Transfer of Control of CBS Corporation and Certain Subsidiaries, Licensees of KCBS-TV, Los Angeles, CA, et al.*, 15 FCC Rcd 8230 (2000) (granting six duopolies in the CBS/Viacom merger); FCC File Nos. BALCT-20000920AAU, Broadcast Actions, Report No. 44858 (released Nov. 9, 2000) (granting Boston duopoly to Hearst); FCC File No. BALCT-19991201ABB, Broadcast Actions, Report No. 44678 (released Feb. 25, 2000) (granting San Francisco duopoly to Cox); FCC File No. BTCCT-19991116AJN, Broadcast Actions, Report No. 44678 (released Feb. 25, 2000) (granting Dallas duopoly to FTS). If the staff were correct in asserting that such explanatory statements are mandated by Section 310(d), such a requirement would apply to every transfer and assignment application, a practice clearly not followed by the Commission.

tion to indicate why the much smaller instant transaction should be treated differently than the CBS-Viacom deal. As with the parties to the CBS/Viacom transaction and other broadcasters who have filed Forms 314 with the Commission, the Applicants have submitted detailed information in the Form that is sufficient to demonstrate that the proposed transaction serves the public interest.²⁹

Although the Applicants take exception to the legal premise of the staff's directive, the Applicants nevertheless submit that the proposed transaction will serve the public interest in, among other things, the following ways:

FTS has an established record of operating stations in the public interest. For example, as stated in the Joint Opposition, FTS provides expansive news coverage at the stations it operates.³⁰ While it is premature to specify precisely how the operations at the Chris-

²⁹ This view has also been expressed by Commissioner Powell:

I am concerned about the manner in which our public interest authority is applied in the [Commission's AT&T/MediaOne merger]. Generally, I support the application of our four-part public interest test in the context of large and complicated telephone mergers. However, where rules comprehensively embody our goals and fulfill the public interest standard without rote application of the four factors, I believe that simply applying the rule is a better approach. It is the approach we took recently in our decision to approve the CBS/Viacom merger, and I believe it should have been followed here.

Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from; MediaOne Group, Inc., Transferor, To AT&T Corp. Transferee, 15 FCC Rcd 9816 (2000), Separate Statement of Michael Powell.

³⁰ Significantly, FTS implemented dramatic expansions of news operations after acquiring its current stations in the duopoly markets at issue in this Application. In 1996 when FTS acquired KSAZ, Phoenix, Arizona, the station offered 33 hours of news and public affairs programming per week. The station now offers 38½ hours of news and public affairs programming per week. KSAZ also provides a live Spanish-language translation of its 9 p.m. news programming on the SAP channel six nights per week, a unique service among English-language stations in the Phoenix market. In New York, WNYW offered just 13
(continued...)

Craft stations will change after consummation of the acquisition by FTS, all of the Chris-Craft Stations will benefit from and have their news programming improved through access to Fox News Edge, a state-of-the-art news gathering service provided by Fox.

News Edge is a branded news service that provides 27 scheduled daily news feeds, amounting to 9,855 regularly scheduled feeds per year. Additionally, News Edge provides hundreds of special news feeds each year, including news packages covering business news, consumer issues, entertainment news, health/medicine, investigations and sports. Last year alone, News Edge delivered over 170,000 news stories and 11,000 custom live shots to its affiliated stations. News Edge's news gathering resources include:

- 11 national news bureaus;
- 5 international news bureaus;
- 120 dedicated full-time News Edge employees;
- 4 satellite production trucks and 2 fly-away units;
- 3 full-time satellite transponders for news gathering and news distribution;
- A state-of-the-art full service Washington D.C. studio facility;
- Studios in New York, Chicago, and Los Angeles available for use by News Edge; and
- Linking to/from News Edge's intranet site.

In addition, News Edge provides access to the following Fox-affiliated services:

³⁰

(...continued)

hours of news programming per week prior to FTS's acquisition in 1985. FTS more than doubled the station's news to 27 hours per week. In Los Angeles, KTTV was offering 8½ hours of news per week when FTS acquired the station in 1986. The station now provides 24½ hours of news programming per week. See Joint Opposition of FTS and Chris-Craft at n.35.

- Access to Fox News researchers, editors, assignment editors, and support staff;
- Access to worldwide infrastructure with News Corp entities and journalists (i.e., B-sky-B, I-sky-B, J-sky-B, Star Television, Foxtel);
- Ability to retransmit a live feed from *Fox News Channel*, Fox's 24-hour cable news network, for breaking news stories;
- Access to excerpts from Fox News Sunday, Fox's Sunday morning news maker program, through custom news packages;
- Fox News Sunday staff assistance in gaining access to Washington political news makers; and
- Access to results from weekly Fox News polls.

The worldwide resources of Fox News, which includes access to a comprehensive global news gathering service will also be available to the Stations after the consummation of the proposed transaction. Applicants submit that the new and improved news coverage described herein will serve the public interest.³¹

³¹ The Commission has long established that improvements to news programming are a public interest benefit of such a degree as to justify waivers of the Commission's rules. See, e.g., *Gaylord Entertainment Co.*, 14 FCC Rcd 12209, 12211-12, 12214-15, paras. 7-8, 17 (MMB 1999) (granting one-to-a-market waiver because the proposed ownership "will result in such public benefits" as the ability "to improve all of its stations' ability to gather and disseminate news and weather information"); *Infinity Broadcasting Corporation*, 12 FCC Rcd 5012, 5054, para. 91 (1997) (granting temporary waiver because of public benefits, including "improvements and enhancement of news and local programming"). In fact, "[t]he Commission has previously considered qualitative and quantitative improvements in a television station's public affairs programming and news programming to be 'compelling public interest factors'" *Broadcast Plaza, Inc.*, 45 F.C.C. 2d 101, 106-07, para. 23 (1974) (citing, among others, *Chris-Craft Industries, Inc.*, 24 R.R.2d 729 (1972) and *Metropolitan Television Co.*, 13 F.C.C. 2d 479 (1968); see also *Public Interest Obligations of TV Broadcast Licensees*, Notice of Inquiry, 14 FCC Rcd 21633, 21641-43, paras. 14, 21 (1999); *Review Of The Commission's Rules Regarding The Main Studio & Local Public Inspection Files Of Broadcast Television & Radio Stations*, Report (continued...)

Second, Chris-Craft – with FTS's full support and consent – has agreed to extend all its affiliation agreements with the UPN network through August 2002. FTS has agreed to assume Chris-Craft's obligations under these extended agreements following consummation of the merger. Extensions of the affiliation agreements well past the expected consummation date of the FTS/Chris-Craft transaction clearly will serve the public interest by enhancing the stability of the UPN network.³²

IV. CONFIDENTIALITY WAIVER

The Commission staff has requested that the Applicants waive the confidentiality to which they are entitled in connection with the HSR review of their transaction, to permit the Commission staff to review business documents submitted to the DOJ in connection with its HSR review and to discuss the transaction with DOJ officials involved in the investigation. However, this request has largely become moot. By letter dated January 18, 2001, the Applicants have been advised by the DOJ that it has terminated its review of this transaction, subject to News Corp's agreement to enter into a consent decree requiring divestiture of one of the stations in the Salt Lake City market – a commitment News Corp and FTS have already made to the Commission. The Applicants therefore do not anticipate having to submit any documents in response to the DOJ's Second Request. The Applicants will advise the Commission of any further developments at DOJ.

Quite apart from the fact that, with the limited exception noted above, the DOJ has decided to allow this transaction to proceed without further inquiry, the Applicants believe

³¹ (...continued)
and Order, 13 FCC Rcd 15691, 15692-94, paras. 1-2 (1998) (noting that "serv[ing] the needs and interests of its community" is the "bedrock" and "primary" obligation of every broadcast licensee).

³² The Petitioners have argued in this proceeding that UPN serves the public interest because "the UPN network substantially contributes [to] viewpoint diversity as it is the sole network that creates programming targeted to a minority audience." Petition to Deny at 43. Additionally, the Commission has long held the view that the emergence of new national networks is in the public interest. See, e.g., *Evaluation of the Syndication and Financial Interest Rules*, 6 FCC Rcd 3094, 3151, para. 159 (1991); Network Inquiry Special Staff, *New Television Networks: Entry, Jurisdiction, Ownership and Regulation* (Oct. 1980, Vol. I at 27); *Competition and Responsibility in Network Television Broadcasting*, 25 F.C.C. 2d 318, 333 (1970).

that it would not be appropriate to waive their rights under the HSR, which are designed, among other things, to preserve the confidentiality of competitively sensitive materials. First, the FCC staff's request appears to be unprecedented in the context of a broadcast transaction. As with the request for a supplemental public interest statement, the Applicants submit that the instant transaction raises no issues that merit different or more exacting review than other broadcast transactions recently approved by the Commission.

Second, the Applicants are very concerned with protecting the confidentiality of the competitively sensitive information that was initially filed with the DOJ as required in all HSR reviews. In the handful of telecom mega-deals where the Commission has requested that the parties waive their confidentiality rights to permit Commission review of documents filed with the DOJ, other applicants, for reasons of their own, have agreed to do so conditioned upon the Commission's agreement to preserve their confidentiality.³³ However, there is ultimately no guarantee that the confidentiality of the documents will in fact be preserved, or that the Commission even has the legal authority to assure confidentiality to the same extent as does the DOJ under the HSR.³⁴ For example, documents submitted to the DOJ in connection with an HSR filing are not subject to disclosure pursuant to a Freedom of Information Act Request.³⁵

³³ See, e.g., Letter to Magalie Roman Salas dated December 6, 2000 from Julie A. Veach, IB Docket No. 00-187 (VoiceStream Wireless Corp./Powertel, Inc./Deutsche Telekom AG Merger); Letter to Magalie Roman Salas dated September 1, 2000 from William J. Bailey, III and Michael E. Glover, CS Docket No. 00-157 (NorthPoint Communications/Verizon Communications Merger); Letter to Magalie Roman Salas dated April 4, 2000 from Peter D. Ross and Arthur H. Harding, CS Docket No. 00-30 (Time Warner/America Online Merger).

³⁴ For example, to the extent that the Commission relies on a document in the decision-making process, the rules require its disclosure. 47 C.F.R. § 1.1204(a)(6). Even where applicants have agreed to waive their confidentiality rights in the HSR process, they have acknowledged the possibility of disclosure under Section 1.1204(a)(6). See Letter to Magalie Roman Salas, dated April 4, 2000, from Peter D. Ross and Arthur H. Harding, CS Docket No. 00-30 (Time Warner/America Online merger). Indeed, even in instances where the Commission agrees to seal any portion of a decision relying on confidential information, there is no guaranty that it will not be made available pursuant to a Freedom of Information Act request or even by a court reviewing the Commission's action.

³⁵ See Clayton Act, 15 U.S.C. § 18(a)(h).

The Commission's rules and procedures governing confidentiality afford far less protection than the procedures followed by the DOJ.

The Applicants are concerned that opening up the DOJ's files to the Commission would jeopardize the confidentiality of competitively sensitive documents with no countervailing benefit to the Commission's review. The principal thrust of the DOJ's HSR review concerned the competitive effects, if any, of the creation of duopolies in New York, Los Angeles, Phoenix, and Salt Lake City on spot advertising in those markets. The DOJ has concluded that in every market but Salt Lake City, where divestiture of one of the stations is already required by the Commission's rules, competition will not be harmed by the proposed acquisitions. Further review of the HSR-filed documents by the Commission staff would merely be duplicating the efforts of the DOJ staff, which has already reviewed the documents and has concluded that no further review is required.³⁶ For the reasons stated above, the Applicants respectfully decline to grant the requested blanket waiver.

V. FINANCIAL CONDITION OF *NEW YORK POST*

The FCC Letter notes the absence in the record of factual information, supported by affidavit, documenting the serious financial difficulties suffered by the *New York Post*. The FCC Letter also rejected as premature and inconsistent with Section 0.459 of the Commission's rules, FTS's request by letter dated December 13, 2000 that any and all financial information submitted regarding the *Post* be treated as confidential. *See* FCC Letter at 3. As directed by the FCC Letter, News Corp is now submitting, simultaneously herewith under separate cover, the

³⁶ Commissioner Powell, in his May 26, 1999 testimony before the Senate Committee on Commerce, Science and Transportation stated:

[T]he FCC often requires voluminous filings that are duplicative of those made to the Department of Justice or the Federal Trade Commission. [Parties] often must incur the expense of outside counsel to prove their case to both agencies. I have come to doubt whether the marginal value of full-blown merger review by the Commission is justified by its cost in time and resources. Moreover, with all due respect to our hard working staff, we do not really possess enough personnel schooled in antitrust and competitive economics to do the job well consistently. The antitrust authorities do. I believe that there is room to preserve a more limited, complementary role for the FCC in the review of mergers, while limiting its involvement to its areas of expertise.

Ms. Magalie Roman Salas

January 25, 2001

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requested factual information supported by affidavit together with a Request for Confidentiality and a Protective Order Pursuant to 47 C.F.R. § 0.459 and 5 U.S.C. § 552(b)(4).

VI. CONCLUSION

The Applicants believe that the foregoing and the Amendment enclosed herewith provide the information necessary to permit the Commission promptly to grant the Application. Should any further questions arise concerning this matter, however, kindly contact any of the undersigned.

Respectfully submitted,



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Counsel for Chris-Craft Industries, Inc.

Enclosures

cc (w/enclosures): Chairman Michael Powell
Commissioner Susan Ness
Commissioner Harold Furchtgott-Roth

Ms. Magalie Roman Salas
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Commissioner Gloria Tristani

Roy J. Stewart, Chief, Mass Media Bureau (MMB)
Barbara J. Kreisman, Chief, Video Services Division, MMB
Clay Pendarvis, Chief, Television Branch, MMB

Christopher R. Day
Angela J. Campbell, Esq.
Georgetown University Law Center
Institute for Public Representation

(By Hand Delivery)

Exhibit A

[Copy of Mass Media Bureau Exhibit No. 28]

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CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
TWENTIETH HOLDINGS CORPORATION

FILED *9 am*

NOV 14 1985

H. J. [Signature]

Adopted in accordance with the provisions
of Section 242 of the General Corporation Law
of the State of Delaware

We, Jeffrey Leist, Vice President and Arthur M. Siskind, Assistant Secretary of TWENTIETH HOLDINGS CORPORATION, do hereby certify as follows:

FIRST: That the Certificate of Incorporation of said corporation has been amended as follows:

By striking out the whole of Article 4 thereof as it now exists and inserting in lieu and instead thereof a new Article 4 and a new Article 4.A., reading as follows:

"4. The aggregate number of shares which the Corporation shall have the authority to issue and the designations, relative rights, preferences, privileges and limitations attached thereto shall be as follows:

(A) The aggregate number of shares which the Corporation shall have the authority to issue is Thirteen Thousand (13,000), of which Three Thousand (3,000) shares, par value One Dollar (\$1.00) per share, shall be Common Stock, and Ten Thousand (10,000) shares, par value One Hundred Dollars (\$100.00) per share, shall be Preferred Stock.

Fact 2

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(B) No holder of stock of the Corporation of any class shall be entitled as of right to subscribe for, purchase or receive any new or additional shares of stock of any class, whether now or hereafter authorized, or notes, bonds, debentures or other securities convertible into, or carrying options or warrants to purchase, stock of any class; but all such new or additional shares of stock of any class, or notes, bonds, debentures or other securities convertible into, or carrying options or warrants to purchase, stock of any class may be issued or disposed of by the Board of Directors to such persons and on such terms as it, in its absolute discretion, may deem advisable.

(C) The designations, relative rights, preferences, privileges and limitations of the shares of each class and the restrictions and qualifications thereof are as follows:

(1) Except as otherwise provided by law, the voting power for the election of directors and for all other purposes shall be vested in the Preferred Stock and in the Common Stock voting together as one class on all matters and each outstanding share of Preferred Stock and Common Stock shall be entitled to one vote for all purposes.

In the event that the Corporation shall reclassify either its Preferred Stock or Common Stock as a result of a stock dividend, split-up, split-down, merger, consolidation, combination of shares or otherwise, the Preferred Stock or Common Stock affected thereby shall be appropriately adjusted to reflect such additional or substituted shares in order to preserve the relative voting rights of each shareholder.

(2) Except as otherwise required by law, and subject to the rights, preferences and limitations of the Preferred Stock:

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(a) Each issued and outstanding share of the Common Stock shall entitle the holder of record thereof to receive cash dividends if, as and when declared with respect to the shares of the Common Stock in the sole and absolute discretion of the Board of Directors out of funds legally available therefor. In addition to such cash dividends, the Board of Directors may make share distributions of authorized but unissued shares of the Common Stock and/or of its treasury Common Stock, if any, and/or may make distributions of bonds or property of the Corporation, including the shares or bonds of other corporations. The holders of record of the issued and outstanding shares of the Common Stock shall be entitled in respect of said Common Stock exclusively to receive any such cash dividends which may be declared and/or any such distributions which may be made on the Common Stock, each issued and outstanding share of the Common Stock entitling the holder of record to receive an equal proportion of said dividends and/or distributions. The Board of Directors may, in its sole and absolute discretion, declare a dividend payable on the Preferred Stock without declaring a dividend on the Common Stock.

(b) In the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, after setting apart or paying in full the preferential amount to be paid to the holders of record of the issued and outstanding Preferred Stock, the holders of the Common Stock shall be entitled to share ratably in all remaining assets of the Corporation; provided, however, this provision shall not be deemed to require distribution of assets among the holders of the Common Stock in the event of a consolidation, merger, lease or sale which does not result in the liquidation or winding-up of the enterprise.

(.11111)

(3) Except as otherwise required by law:

(a) The holders of record of the issued and outstanding Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of the assets or funds of the Corporation legally available therefor, dividends at the fixed annual rate of \$12.00 per share, and no more, payable at such times as may be determined by the Board of Directors. Dividends on the Preferred Stock to the extent not declared and paid shall accrue and be cumulative from and after the date of the original issue thereof. Such dividends on the Preferred Stock shall be declared and paid, or set apart for payment, before any dividends or other distributions shall be declared or paid, or set apart for payment, on the Common Stock and shall be cumulative as above provided, so that if dividends at the annual rate of \$12.00 per share shall not have been declared or paid or set apart for payment on all the issued and outstanding Preferred Stock during any calendar year, then the aggregate cumulative deficiency shall be declared and fully paid, or set apart for payment, but without interest, before any dividends shall be declared or paid or set apart for payment on the Common Stock. Anything herein to the contrary notwithstanding, no dividends shall be declared or paid or set apart for payment on the Common Stock so long as there exists any default on the part of the Corporation in respect of the rights of the Preferred Stock hereunder.

(b) The issued and outstanding shares of Preferred Stock shall be redeemable by the Corporation in whole or in part upon the affirmative vote of the holders of $66\frac{2}{3}\%$ of the issued and outstanding shares of Common Stock; provided, however, that no such redemption shall be

Fact 7

1.1.1.15

made if the Board of Directors shall determine that as a result of such redemption the issued and outstanding shares of Common Stock and Preferred Stock entitled to vote would be held of record by persons who are citizens of, or incorporated entities formed in, the United States or would not otherwise disqualify the Corporation or any subsidiary of the Corporation under Section 310 of the Federal Communications Act (or a successor to such Act) from being issued a television broadcast license by the United States Federal Communications Commission. In the event of a redemption, the holders of record of shares of Preferred Stock shall be paid, out of funds legally available therefor, the par value of each such share to be redeemed, plus a sum equal to accrued but unpaid dividends to the date fixed for redemption. In the event of such redemption, a notice fixing the date and place of redemption shall be mailed by the Corporation, postage prepaid, to each holder of record of the Preferred Stock to be redeemed at his address as it appears on the record of stockholders at least thirty (30) days prior to the redemption date. Such notice shall state the proportion of shares of the Preferred Stock so to be redeemed and the date for the presentation of certificates to be redeemed. Upon presentation of certificates for the Preferred Stock to be redeemed, the Corporation shall pay the full redemption price to the holder of record of such shares. In the event that less than all of the issued and outstanding shares of the Preferred Stock are to be redeemed and the holders of Common Stock voting in favor of the redemption have failed to specify a method for determining which shares of Preferred Stock are to be redeemed, the Board of Directors shall have full power and absolute discretion to select particular shares for redemption from the outstanding shares of the Preferred Stock. In such event, the

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Board of Directors shall NOT be required to prorate the shares of the Preferred Stock to be redeemed among the holders of the Preferred Stock and the proceedings of the Board of Directors in connection with the selection of the shares of Preferred Stock to be redeemed shall not be subject to challenge or attack; provided, however, that such redemption shall not cause the issued and outstanding shares of Common and Preferred Stock entitled to vote to be held by persons who are citizens of, or incorporated entities formed in, the United States or would not otherwise disqualify the Corporation or any subsidiary of the Corporation under Section 310 of the Federal Communications Act (or a successor to such Act) from being issued a television broadcast license by the United States Federal Communications Commission. On and after the date fixed for such redemption, the holders of the shares of the Preferred Stock so called for redemption shall not be entitled to any dividends and shall not have any rights or interests as holders of said shares except to receive the payment or payments herein designated, without interest thereon, upon presentation and surrender of the certificates therefor. Any Preferred Stock which shall at any time have been redeemed shall forthwith revert to the status of authorized and unissued shares and each surrendered certificate shall be cancelled.

(c) In the event of any distribution of assets upon liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, each issued and outstanding share of the Preferred Stock shall entitle the holder of record thereof to receive a payment from the Corporation from the assets and funds available therefor in an amount equal to the par value of each share to be redeemed, plus a sum equal to accrued but unpaid dividends to the date such payment is made. After setting apart

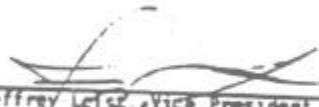
or paying in full preferential amounts aforesaid to the holders of record of the issued and outstanding shares of the Preferred Stock, the remaining net assets, if any, shall be distributed exclusively to the holders of record of the issued and outstanding shares of the Common Stock entitling the holder of record thereof to receive any equal portion of said remaining assets. If the net assets of the Corporation shall be insufficient to pay in full the preferential amounts among the holders of the Preferred Stock as aforesaid, then each issued and outstanding share of the Preferred Stock shall entitle the holder of record thereof to an equal portion of said net assets, and the holders of the Common Stock shall in no event be entitled to participate in the distribution of said net assets. Without excluding any other proceeding which does in fact effect a liquidation, dissolution or winding-up of the Corporation, a merger or consolidation of the Corporation into or with any other corporation or a sale, lease, mortgage, pledge, exchange, transfer or other disposition by the Corporation of all or substantially all of its assets, shall not be deemed for the purposes hereof, to be a liquidation, dissolution or winding-up of the Corporation.

4.A. The voting capital stock of the Corporation shall only be owned by, and shall only be recorded on the books and records of the Corporation in the name of persons who are citizens of, or incorporated entities formed in, the United States or would not otherwise disqualify the Corporation or any subsidiary of the Corporation under Section 310 of the Federal Communications Act (or a successor to such Act) from being issued a television broadcast license by the United States Federal Communications Commission. The provisions of this Article 4.A. shall not be rescinded, amended or modified without the prior written consent of the Federal Communications Commission of the United States.

11.11.18

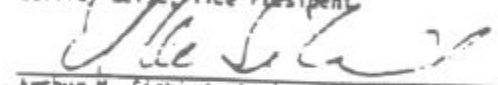
SECOND: That such amendment has been duly authorized in accordance with the provisions of Section 242 of the General Corporation Law of the State Delaware by unanimous written consent of all stockholders entitled to vote in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, we have signed this Certificate this 7th day of November, 1985.



Jeffrey Leis, Vice President

ATTEST:



Arthur M. Siskind, Assistant Secretary

AMENDMENT

The Assignee's portion of the pending applications for assignment of licenses for television stations KBHK-TV, San Francisco, California, KCOP-TV, Los Angeles, California, KMOL-TV, San Antonio, Texas, KMSP-TV, Minneapolis, Minnesota, KPTV(TV), Portland, Oregon, KTVX(TV), Salt Lake City, Utah, KUTP(TV), Phoenix, Arizona, WWOR-TV, Secaucus, New Jersey, WUTB(TV), Baltimore, Maryland, and WRBW(TV), Orlando, Florida, filed September 18, 2000 (File Nos. BALCT-20000918ABB, ABC, ABD, ABF, ABK, ABL, ABM, ABN, ABU, ABY, ABG, ABH, ABI, ABJ, ABO, ABP, ABQ, ABR, ABS, ABV, ABW, ABX, ABZ, ACA, ACB, ACC, ACD, ACE) (collectively, the "Application"), are hereby amended to provide the information requested in the letter dated December 22, 2000 from Roy J. Stewart, Chief, Mass Media Bureau, to William S. Reyner, Jr., John C. Quale, and Marvin J. Diamond ("FCC Letter").

1. Assignee's Exhibit No. 1 is hereby amended to substitute the Revised Stations Operating Agreement attached hereto as Attachment A for the Stations Operating Agreement originally submitted with the Application. As stated in the attached Declarations of Mitchell Stern and Ellen Agress, Fox Television Stations, Inc. ("FTS") fully intends to fulfill its duties and obligations as licensee of the Chris-Craft Stations, including the obligation to comply with the Communications Act and Commission rules.

2. Assignee's Exhibit No. 5 is hereby amended to state: As the result of the 1998 public offering of class A common stock of Fox Entertainment Group, Inc. ("FEG") in connection with the reorganization approved by the Commission, the economic benefits flowing to aliens in both the current FTS ownership structure and the proposed ownership structure are less than the levels approved by the Commission in 1995. News Corp's indirect equity interest in FTS, through its control of FEG, has decreased from all of the equity to approximately 82% with the remaining 18% being publicly traded. Because shareholders of the Chris-Craft entities will receive shares of News Corp stock, FEG will issue additional shares upstream to a News Corp subsidiary. Following the proposed transaction, News Corp's indirect interest in FEG is expected to be approximately 85.25% with the remaining 14.75% being publicly held. As stated in the Declaration of Steven Myers, Assistant Vice President of the Bank of New York, attached hereto as Attachment B, based on a review of stockholder records, U.S. citizens hold 93.245% of the public shares of FEG.

3. Assignee's Exhibit No. 2 is amended to state correctly that Mitchell Stern's title is Chairman and Chief Executive Officer of Fox Television Stations, Inc.

4. Assignee's Exhibit Nos. 2 and 5 are supplemented with the information set forth in Attachment C hereto regarding the officers, directors, and attributable shareholders of Newco, FEG, and their parent companies.

I have read the foregoing Amendment and the letter dated January 25, 2001 to Magalie Roman Salas, Secretary, Federal Communications Commission, to which this Amendment is attached. The facts set out therein are true and correct to the best of my knowledge, information, and belief.



Molly Pauker

Vice President

Fox Television Stations, Inc.

Dated: January 25, 2001

DECLARATION OF ELLEN AGRESS

Ellen Agress hereby declares under penalty of perjury as follows:

1. I am Senior Vice President of Fox Entertainment Group, Inc. ("FEG"), the parent of Newco.

2. FEG recognizes that, pursuant to the Stations Operating Agreement to be entered into at closing by and between Fox Television Stations, Inc. ("FTS") and Newco, and pursuant to Section 310 of the Communications Act of 1934, as amended (the "Act"), FTS will control the operations of the broadcast stations to be acquired from subsidiaries of Chris-Craft Industries, Inc. (the "Stations"). FEG is fully cognizant of the requirements and restrictions of Section 310 of the Act. FEG, through its wholly owned subsidiary Newco, has no present intention of acquiring "control" of the Stations as that term is interpreted under Section 310 of the Act and recognizes that it would be required to obtain necessary approvals from the Federal Communications Commission before it could acquire such "control."

3. The foregoing is true and correct to the best of my knowledge, information and belief.



Ellen Agress
Senior Vice President
Fox Entertainment Group, Inc.

Date: 1/23/01

DECLARATION OF MITCHELL STERN

Mitchell Stern hereby declares under penalty of perjury as follows:

1. I am the Chairman and Chief Executive Officer of Fox Television Stations, Inc. ("FTS").
2. Pursuant to the Stations Operating Agreement to be entered into by and between FTS and a subsidiary of Fox Entertainment Group, Inc. ("Newco"), FTS will control the operations of the broadcast stations to be acquired from subsidiaries of Chris-Craft Industries, Inc. (the "Stations"). FTS will operate the Stations in a manner consistent with the Stations Operating Agreement and Section 310 of the Communications Act of 1934, as amended (the "Act"). FTS is fully cognizant of the requirements and restrictions of Section 310 of the Act. FTS has no present intention of relinquishing "control" of the Stations as that term is interpreted under Section 310 of the Act and recognizes that it would be required to obtain necessary approvals from the Federal Communications Commission before it could relinquish such "control."
3. The foregoing is true and correct to the best of my knowledge, information and belief.



Mitchell Stern
Chairman and Chief Executive
Officer

Dated: January 21, 2001

Attachment A

[Revised Stations Operating Agreement, including
copy marked to show changes from version filed with Application]

[REVISED] STATIONS OPERATING AGREEMENT

THIS STATIONS OPERATING AGREEMENT (this "Agreement") is entered into as of _____, 2001, by and between _____, a Delaware corporation and wholly-owned subsidiary of Fox Entertainment Group, Inc. ("Newco"), and FOX TELEVISION STATIONS, INC., a Delaware corporation ("FTS").

WHEREAS, pursuant to that certain Transfer Agreement dated as of August 13, 2000 (the "Transfer Agreement"), among The News Corporation Limited, a South Australia corporation ("News"), News Publishing Australia Limited, a Delaware corporation and wholly-owned subsidiary of News, FEG Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of News, and Newco, Newco would acquire certain assets formerly owned by Chris-Craft Industries, Inc., BHC Communications, Inc., United Television, Inc. or certain of their subsidiaries, which assets include certain television stations set forth on Exhibit A hereto (each individually, a "Station", and collectively, the "Stations");

WHEREAS, pursuant to that certain License Assignment Agreement dated as of the date hereof (the "License Assignment Agreement"), Newco has agreed to assign to FTS the licenses and authorizations for the Stations issued by the FCC (the "Licenses") and provide FTS with access to the Station Assets (as defined herein);

WHEREAS, the transactions contemplated under the License Assignment Agreement are necessary to assure compliance with the Communications Act and the FCC Rules;

WHEREAS, Newco and FTS desire to enter into this Agreement in connection with, among other things, the transfer of the Licenses from Newco to FTS; and

WHEREAS, Newco and FTS intend that this Agreement, and the activities of Newco and FTS under this Agreement be treated for Federal income tax purposes as a partnership formed to operate the Stations for joint profit; and

WHEREAS, Newco and FTS intend that FTS shall exercise *de facto* and *de jure* control over the Stations within the meaning of Section 310 of the Communications Act.

NOW, THEREFORE, in consideration of the above recitals, and mutual promises and covenants contained herein, the parties intending to be legally bound, agree as follows:

1. DEFINITIONS

Capitalized terms used herein without definition shall have the respective meanings assigned thereto in Annex I attached hereto and incorporated herein for all purposes of this Agreement (such definitions to be equally applicable to both the singular and plural forms of the terms defined).

2. OPERATIONS OF STATIONS

2.1. FTS To Control Stations.

FTS shall hold the Licenses and shall have full authority, power and control over the management and operations of the Stations during the Term, including, without limitation, determination of programming decisions, active control over finances and budgets, and selection of all personnel. Without limiting the generality of the foregoing, FTS shall establish all policies regarding Station personnel, programming and finances, and shall (a) approve all Station programming, including without limitation having the power to direct the scheduling of any programming and to direct Newco to acquire, produce, pre-empt or discontinue any programs or program series; (b) approve employment decisions with respect to all personnel of the Stations; (c) direct the preparation of all budgets for the Stations, including without limitation having the power to review, modify and approve all such budgets; and (d) approve the purchase of all Station equipment, including without limitation the power to direct Newco to acquire specific items of equipment, or to make other capital expenditures, which in FTS's judgment are necessary for the operation of the Stations. FTS shall not be entitled to any compensation for services rendered hereunder, apart from its economic interest as set forth in Section 5.1 hereof.

2.2. Newco To Perform Day-to-Day Operations of Stations.

Subject to the rights and powers of FTS over the management and operations of the Stations as set forth in Section 2.1 hereof, Newco shall perform the day-to-day operations of the Stations, including, without limitation: (a) preparing the initial budget presentations for the Stations for FTS's review, modification and approval; (b) purchasing equipment consistent with the FTS-approved budgets; (c) entering into and administering programming contracts, subject to the direction and approval of FTS as provided in Section 2.1 hereof; and (d) hiring and employing

personnel, subject to the direction and approval of FTS as provided in Sections 2.1 and 2.5 hereof. All expenses and capital costs incurred in operating the Stations shall be paid by Newco, and all advertising and other receipts collected in operating the Stations shall be deposited in Newco accounts established for the respective Stations for the benefit of Newco and FTS in accordance with the terms of this Agreement. Newco shall not be entitled to any compensation for services rendered hereunder, apart from its economic interest as set forth in Section 5.1 hereof.

2.3. Access to the Stations.

At all times during the Term, Newco shall afford FTS and its representatives full and complete access to all of the assets used or held for use by Newco in connection with the business and operations of the Stations (collectively, the "Stations Assets" or, with respect to individual Stations, "Station Assets"), to the extent deemed necessary or desirable by FTS in its sole discretion to (a) maintain control over the management and operations of the Stations within the meaning of Section 310 of the Communications Act, (b) comply with FTS's responsibilities and obligations under this Agreement, and (c) comply with the Communications Act and FCC Rules.

2.4. Maintenance And Replacement Of Station Assets.

(a) At all times during the Term, Newco shall maintain the Station Assets in adequate repair and condition in accordance with prudent broadcast engineering practices. Newco shall, at its sole cost and expense, make all capital improvements to the Stations and the Stations Assets in a timely manner consistent with prudent broadcast industry practices. In furtherance of and not in limitation of the obligations and liabilities of Newco set forth above, Newco shall, at its sole cost and expense, make such repairs and improvements to and replacements of, the Stations Assets as may be necessary or prudent for Newco to satisfy its obligations set forth in this Section 2.4. All such improvements shall remain the property of Newco.

(b) If at any time Newco shall, in FTS's judgment, fail to satisfy its obligations under this Section 2.4, FTS shall have the right, upon notice to Newco, to make repairs and improvements to, and replacements of, the Stations Assets as FTS may determine in its discretion to be necessary for Newco's obligations to be satisfied. Newco shall reimburse FTS for all costs and expenses incurred by FTS in connection with any such repairs, improvements and replacements. The exercise by FTS of its rights under this Section 2.4(b) shall in no way limit or diminish the rights and obligations of FTS and Newco hereunder.

(c) The rights and obligations of Newco under this Section 2.4 shall be subject to the rights and powers of FTS as set forth in Section 2.1 hereof.

2.5. Employees.

Except for two employees (one of whom shall be a management-level employee) who shall be selected and employed by FTS, and certain employees in markets where FTS holds more than one broadcast television license whose employment may be shared, all employees of each Station shall be employed by Newco, subject to the rights and powers of FTS as set forth in Section 2.1 hereof. The general manager of each Station shall be selected by FTS and shall report directly to the Chairman of FTS or an FTS employee designated by the Chairman of FTS. In addition to reporting to the general manager of each Station, the principal department heads of each Station shall report to the respective FTS division head (for example, the Station Program Director to the FTS VP of Programming; the Station Personnel Manager to the FTS President of Sales; the Station Business Manager to the FTS VP of Finance).

3. COMPLIANCE WITH LAWS

FTS shall be responsible for the compliance by the Stations with all applicable provisions of the Communications Act, the FCC Rules and all other applicable laws. Newco shall cooperate with FTS, at Newco's expense, in taking such actions as FTS may request to assist FTS in maintaining the compliance by the Stations with the Communications Act, the FCC Rules and all other applicable laws. Notwithstanding any other provision of this Agreement, Newco recognizes that FTS has certain obligations to operate the Stations in the public interest, to broadcast programming to meet the needs and interests of each Station's communities of license and service areas and to broadcast programming in order to comply with the terms and conditions of the network affiliation agreements for each Station. Nothing in this Agreement shall abrogate or limit the unrestricted authority of FTS to discharge FTS's obligations to the public, and to comply with the Communications Act, and FTS shall have no liability or obligation to Newco, for taking any action that FTS in good faith deems necessary or appropriate to discharge such obligations or comply with such laws, rules, regulations or policies, except to the extent that the actions of FTS arise from gross negligence or willful misconduct in the operation of the Stations.

4. INSURANCE: RISK OF LOSS

At all times during the Term, Newco shall maintain with reputable insurance companies, commercially reasonable amounts of insurance as is conventionally carried by broadcasters operating television stations in areas comparable to that of the Stations, including replacement cost insurance, errors and omissions insurance and general liability insurance, with respect to the Stations Assets owned by Newco and the operations of the Stations, and shall cause FTS to be named as an additional insured on Newco's policies. The risk of any loss, damage, impairment, confiscation, or condemnation ("Risk of Loss") of any Stations Assets shall be borne by Newco at all times throughout the Term. In the event of any loss, damage, impairment, confiscation, or condemnation with respect to any of the Station Assets, Newco shall, subject to FTS's supervision and direction, repair or replace such Station Assets. Newco shall effect any such repairs and replacements in a timely fashion.

5. PROFITS AND LOSSES: BOOKS AND RECORDS

5.1. Allocation of Net Income and Net Losses.

(a) The net income and net losses from the operation of the Stations shall be allocated ninety-five percent (95%) to Newco and five percent (5%) to FTS. Within thirty (30) days after the end of each fiscal month during the Term, Newco shall provide to FTS a statement of the net income or loss, as the case may be, for the Stations during such month, together with reasonably detailed information supporting the determinations of such net income or net loss, as the case may be. If such statement shall reflect net income from the Stations for the applicable month, then Newco shall be entitled to retain ninety five percent (95%) of such net income, and shall pay to FTS five percent (5%) of such net income within thirty (30) days after the end of such month. If such statement shall reflect a net loss from the Stations for the applicable month, then FTS shall pay to Newco five percent (5%) of the amount of such net loss within thirty (30) days after the end of such month, and Newco shall be responsible for the remaining ninety five percent (95%) of such net loss. In computing net income, net loss and capital accounts, expenses described in Sections 2.2, 2.4, 2.5 and 4 shall be taken into account.

(b) For financial reporting and tax purposes, items of income, gain, loss, deduction and credit shall be allocated between Newco and FTS in a manner consistent with Section 704(b) of the Tax Code and the Treasury regulations promulgated thereunder, and, solely for Federal income tax purposes, allocations shall be made to the extent required by Section 704(c) of the Tax Code.

5.2. Books and Records.

At all times during the Term, Newco shall maintain complete and accurate books and records in sufficient detail, in accordance with generally accepted accounting principles, to enable verification by FTS of the performance of Newco's obligations under this Agreement including, without limitation, the provisions of Section 5.1 above. In addition, with respect to the operation of the Stations, Newco shall establish a capital account for each of Newco and FTS and shall maintain such capital accounts in the manner required by Section 704(b) of the Tax Code. At all times during the Term, FTS shall maintain complete and accurate books and records in sufficient detail, in accordance with generally accepted accounting principles, allocable to the operations of the Stations.

5.3. Compliance Audits.

In addition to the access rights of FTS set forth in Section 2.3 above, during the Term, Newco shall afford to FTS reasonable access to the books, records and other information of Newco as FTS may reasonably request in order to monitor Newco's compliance with the terms and conditions of this Agreement.

6. SALE OF STATIONS

FTS shall have the power to cause the sale of the Licenses and Station Assets of one or more Stations without the approval of Newco provided that such sales are at arms length for fair market value. Neither the Station Assets of any Station nor the Licenses of such Station may be sold, leased, licensed or otherwise transferred without the other. Upon the sale of a Station, including any sale or other disposition pursuant to Section 7.3 hereof, FTS shall be allocated gain with respect to such sale and shall receive a payment of a share of the sale proceeds equal to the nominal consideration paid to Newco by FTS with respect to the assignment of the License relating to such Station plus five percent (5%) of the excess, if any, of (a) the net sale proceeds of the Station over (b) the sum of (i) the fair market value of such Station as of the date of this Agreement as set forth on Exhibit A hereto, (ii) five percent (5%) of the undistributed net income of the business since the date of this Agreement (or reduced by five percent (5%) of the unfunded net loss since the date of this Agreement), and (iii) the aggregate amount of capital expenditures made at such Station since the date of this Agreement. Newco shall be allocated the remainder of the gain on the sale and shall receive the remaining proceeds.

7. TERM AND TERMINATION

7.1. Term.

The term of this Agreement (the "Term") shall commence on the date hereof and, unless terminated earlier pursuant to this Section 7, shall continue in full force and effect until such date which is twenty (20) years after the date hereof.

7.2. Termination.

This Agreement shall terminate upon the first to occur of any of the following:

(a) this Agreement is declared invalid or illegal in whole or substantial part by an order or decree of an administrative agency or court of competent jurisdiction and such order or decree has become final and no longer subject to further administrative or judicial review; provided that in such event the parties shall first negotiate in good faith and attempt to agree on an amendment to this Agreement that will provide the parties with a valid, binding and enforceable agreement that conforms to such order or decree; or

(b) the mutual written consent of Newco and FTS.

7.3. Effect of Termination.

Upon termination of this Agreement, the parties shall use their good faith best efforts to enter into a mutually agreeable arrangement regarding the continued operation of the Stations or the disposition of the Stations in a manner consistent with the then applicable Communications Act and FCC Rules. In the event the parties cannot agree on any such arrangements, the Stations shall be sold to a third party for the highest reasonably obtainable price and the proceeds of such sale shall be allocated and paid in a manner consistent with the allocation of gain and payment of proceeds upon the sale of a Station, as set forth in Section 6 above.

8. LIMITATIONS ON LIABILITY

Neither party shall be responsible to the other party for its actions or omissions with respect to the business or operations of the Stations, unless such actions or omissions constitute gross negligence or willful misconduct in the business or operation of the Stations.

9. TAX AND ACCOUNTING MATTERS

9.1 Tax Treatment.

Each party hereto, by entering into this Agreement, (i) expresses its intention that the acquisition and operation of the Stations pursuant to this Agreement will be treated as a partnership for Federal income tax purposes, (ii) agrees that it will file its own Federal, state and local income, franchise and other tax returns in a manner that is consistent with the treatment of this Agreement as a partnership for Federal income tax purposes, and (iii) agrees to use reasonable efforts to notify the other party hereto promptly upon a receipt of any notice from any taxing authority having jurisdiction over such party with respect to the treatment of this Agreement as anything other than a partnership for Federal income tax purposes.

9.2 Tax Matters Partner.

The Tax Matters Partner (as defined in Section 6231 of the Tax Code and any corresponding state and local tax law) with respect to this Agreement shall initially be Newco. The Tax Matters Partner (i) shall prepare or cause to be prepared and filed partnership tax returns for federal, state and local tax purposes and (ii) shall be authorized to perform all duties imposed by Section 6221 of the Tax Code, including, without limitation, (A) the power to conduct all audits and other administrative proceedings with respect to the tax items of the partnership; (B) the power to extend the statute of limitations for all parties with respect to the tax items of the partnership; (C) the power to file a petition with an appropriate federal court for review of a final administrative adjustment of the tax items of the partnership; and (D) the power to enter into a settlement with the IRS on behalf of, and binding upon, all parties. FTS agrees to take any further action as may be required by regulation or otherwise to effectuate the designation of Newco as the Tax Matters Partner.

9.3 Additional Information.

FTS shall furnish Newco with all information necessary to comply with United States federal income tax information reporting requirements in respect of the interests of FTS hereunder.

10. ARBITRATION

10.1. General.

Notwithstanding any provision of this Agreement to the contrary, upon the request of any party (defined for the purpose of this provision to include Affiliates, principals and agents of any such party), any dispute, controversy or claim arising out of, relating to, or in connection with, this Agreement or any agreement executed in connection herewith or contemplated hereby, or the breach, termination, interpretation, or validity hereof or thereof (hereinafter referred to as a "Dispute"), shall be finally resolved by mandatory and binding arbitration in accordance with the terms hereof. Any party may bring an action in court to compel arbitration of any Dispute. Any party who fails or refuses to submit any Dispute to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration of such Dispute.

10.2. Governing Rules.

The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect at the time of the arbitration, *except* as they may be modified herein or by mutual agreement of the parties. The parties consent to the jurisdiction of the Courts of the State of New York located in New York, New York and of the United States District Court for the Southern District of New York, for all purposes in connection with the arbitration. The parties consent that any process or notice of motion or other application to either of said courts, and any paper in connection with arbitration, may be served by certified mail, return receipt requested, or by personal service, or in such other manner as may be permissible under the rules of the applicable court or arbitration tribunal, provided a reasonable time for appearance is allowed. Notwithstanding Section 11.2, the arbitration and this clause shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq. (the "Federal Arbitration Act"). The arbitrator shall award all reasonable and necessary costs (including the reasonable fees and expenses of counsel) incurred in conducting the arbitration to the prevailing party in any such Dispute. The parties expressly waive all rights whatsoever to file an appeal against or otherwise to challenge any award by the arbitrators hereunder; provided, that the foregoing shall not limit the rights of any party to bring a proceeding in any applicable jurisdiction to confirm, enforce or enter judgment upon such award (and the rights of the other party, if such proceeding is brought to contest such confirmation, enforcement or entry of judgment, but only to the extent permitted by the Federal Arbitration Act).

10.3. No Waiver; Preservation of Remedies.

No provision of, nor the exercise of any rights under this Agreement shall limit the right of any party to apply for injunctive relief or similar equitable relief with respect to the enforcement of this Agreement or any agreement executed in connection herewith or contemplated hereby, and any such action shall not be deemed an election of remedies. Such rights can be exercised at any time except to the extent such action is contrary to a final award or decision in any arbitration proceeding. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof. The institution and maintenance of an action for injunctive relief or similar equitable relief shall not constitute a waiver of the right of any party, including without limitation the plaintiff, to submit any Dispute to arbitration nor render inapplicable the compulsory arbitration provisions of this Agreement.

10.4. Arbitration Proceeding.

In addition to the authority conferred on the arbitration tribunal by the rules specified above, the arbitration tribunal shall have the authority to order reasonable discovery, including the deposition of party witnesses and production of documents. The arbitral award shall be in writing, state the reasons for the award, and be final and binding on the parties with no right of appeal. All statutes of limitations that would otherwise be applicable shall apply to any arbitration proceeding. Any attorney-client privilege and other protection against disclosure of confidential information, including without limitation any protection afforded the work-product of any attorney, that could otherwise be claimed by any party shall be available to and may be claimed by any such party in any arbitration proceeding. No party waives any attorney-client privilege or any other protection against disclosure of confidential information by reason of anything contained in or done pursuant to or in connection with this Agreement. Each party agrees to keep all Disputes and arbitration proceedings strictly confidential, except for disclosures of information to the parties' legal counsel or auditors or those required by applicable law.

11. MISCELLANEOUS

11.1. Modification.

This Agreement may be amended or modified in any respect and at any time by an instrument in writing signed by Newco and FTS; provided, however, that no such amendment or modification shall take effect until after any necessary approval or consent of the FCC is obtained with respect thereto.

11.2. Governing Law.

Subject to Section 10.2 hereof, this agreement and the rights and obligations of the parties hereto shall be governed by and construed under and in accordance with the laws of the State of New York, excluding the choice of law rules thereof (other than Section 5-1401 of the New York General Obligations Law).

11.3. Entire Agreement.

This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior agreements and understandings, whether written or oral, with respect to the subject matter hereof.

11.4. Counterparts.

This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

11.5. Third Parties.

This Agreement is not intended to confer upon any person not a party hereto (other than any direct or indirect successor or permitted assign of a party hereto) any rights or remedies hereunder.

11.6. Notices.

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to

have been duly given or made upon receipt) by delivery in person, by facsimile, by courier service or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 11.6):

If to Newco:

[_____]

Attention:

Telecopy Number: (____) _____

with a copy to:

[_____]

Attention:

Telecopy Number: (____) _____

or at such other address and to the attention of such other person as Newco may designate by written notice to FTS.

If to FTS:

[_____]

Attention:

Telecopy Number: (____) _____

with a copy to:

or at such other address and to the attention of such other person as FTS may designate by written notice to Newco.

11.7. Headings.

The Section, Article and other headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement. All references to Sections or Articles contained herein mean Sections or Articles of this Agreement unless otherwise stated.

11.9. Severability.

The parties hereto intend that the transactions contemplated hereunder comply in all respects with the Communications Act and the FCC Rules. If any provision of this Agreement shall be declared void, illegal, or invalid by any governmental authority with jurisdiction thereof, the remainder of this Agreement shall remain in full force and effect without such offending provision so long as such remainder substantially reflects the original agreement of the parties hereunder. Furthermore, in such event, the parties shall use their commercially reasonable efforts to reach agreement promptly on lawful substitute provisions in place of said offending provision so as to effectuate more closely their intent as expressed hereunder. If any Governmental Authority grants to any other entity or individual rights which are not contained in this Agreement, then the parties shall use their commercially reasonable efforts to amend this Agreement to provide the parties hereto such lawful provisions which comport with any rules, regulations and policies adopted after the date of this Agreement.

11.10. Assignment.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Neither party may assign this Agreement without the prior written consent of the other party, except that either party may assign this Agreement to an entity controlled by or under common control with such party without the prior written consent of the other party.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, each of the parties hereto has executed this Stations Operating Agreement, or has caused this Stations Operating Agreement to be executed and delivered in its name on its behalf as of the day and year first above written.

[NEWCO]

By: _____

Name: _____

Title: _____

FOX TELEVISION STATIONS, INC.

By: _____

Name: _____

Title: _____

Definitions

“Affiliate” shall have the meaning ascribed thereto in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as in effect on the date hereof.

“Agreement” means this Stations Operating Agreement as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Communications Act” shall mean the Communications Act of 1934, as amended, and any successor thereto.

“Dispute” shall have the meaning set forth in Section 10.1.

“FCC” means the Federal Communications Commission.

“FCC Rules” shall mean the rules, regulations and policies of the FCC promulgated under the Communications Act.

“Federal Arbitration Act” shall have the meaning set forth in Section 10.2.

“FTS” shall have the meaning set forth in the Preamble.

“Governmental Authority” means any government or state (or any subdivision thereof) of or in the United States, or any agency, authority, bureau, commission, department or similar body or instrumentality thereof, or any governmental court or tribunal.

“Licenses” shall have the meaning set forth in the Recitals.

“License Assignment Agreement” shall have the meaning set forth in the Recitals.

“Newco” shall have the meaning set forth in the Preamble.

“News” shall have the meaning set forth in the Recitals.

“Quarterly Accounting Date” shall have the meaning set forth in Section 5.2.

"Risk of Loss" shall have the meaning set forth in Section 4.1.

"Station" shall have the meaning set forth in the Recitals.

"Stations" shall have the meaning set forth in the Recitals.

"Stations Assets" and "Station Assets" shall have the meanings set forth in Section 2.3.

"Term" shall have the meaning set forth in Section 7.1.

"Tax Code" means the Internal Revenue Code of 1986, as amended, and any successor thereto.

"Transfer Agreement" shall have the meaning set forth in the Recitals.

Exhibit A

LOCATION	TELEVISION STATIONS	FAIR MARKET VALUE
1. New York, NY	WWOR (UPN-9)	
2. Los Angeles, CA	KCOP (UPN-13)	
3. Minneapolis, MO	KMSP (UPN-9)	
4. Phoenix, AZ	KUTP (UPN-45)	
5. Orlando, FL	WRBW (UPN-65)	
6. Portland, OR	KPTV (UPN-12)	
7. Baltimore, MD	WUTB (UPN-24)	
8. Salt Lake City, UT	KTVX (ABC-4)	
9. San Antonio, TX	KMOL (NBC-4)	
10. San Francisco, CA	KBHK (UPN-44)	

[REVISED] STATIONS OPERATING AGREEMENT

THIS STATIONS OPERATING AGREEMENT (this "Agreement") is entered into as of _____, 2001, by and between _____, a Delaware corporation and wholly-owned subsidiary of Fox Entertainment Group, Inc. ("Newco"), and FOX TELEVISION STATIONS, INC., a Delaware corporation ("FTS").

WHEREAS, pursuant to that certain Transfer Agreement dated as of August 13, 2000 (the "Transfer Agreement"), among The News Corporation Limited, a South Australia corporation ("News"), News Publishing Australia Limited, a Delaware corporation and wholly-owned subsidiary of News, FEG Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of News, and Newco, Newco would acquire certain assets formerly owned by Chris-Craft Industries, Inc., BHC Communications, Inc., United Television, Inc. or certain of their subsidiaries, which assets include certain television stations set forth on Exhibit A hereto (each individually, a "Station", and collectively, the "Stations");

WHEREAS, pursuant to that certain License Assignment Agreement dated as of the date hereof (the "License Assignment Agreement"), Newco has agreed to assign to FTS the licenses and authorizations for the Stations issued by the FCC (the "Licenses") and provide FTS with access to the Station Assets (as defined herein);

WHEREAS, the transactions contemplated under the License Assignment Agreement are necessary to assure compliance with the Communications Act and the FCC Rules;

WHEREAS, Newco and FTS desire to enter into this Agreement in connection with, among other things, the transfer of the Licenses from Newco to FTS; and

WHEREAS, Newco and FTS intend that this Agreement, and the activities of Newco and FTS under this Agreement be treated for Federal income tax purposes as a partnership formed to operate the Stations for joint profit; and

WHEREAS, Newco and FTS intend that FTS shall exercise *de facto* and *de jure* control over the Stations within the meaning of Section 310 of the Communications Act.

NOW, THEREFORE, in consideration of the above recitals, and mutual promises and covenants contained herein, the parties intending to be legally bound, agree as follows:

1. DEFINITIONS

Capitalized terms used herein without definition shall have the respective meanings assigned thereto in Annex I attached hereto and incorporated herein for all purposes of this Agreement (such definitions to be equally applicable to both the singular and plural forms of the terms defined).

2. OPERATIONS OF STATIONS

2.1. FTS To Control Over Operations of Stations.

FTS shall hold the Licenses and shall have full authority, power and control over the management and operations of the Stations during the Term, including, without limitation, ~~(a) determination of programming decisions; (b),~~ active control over finances and budgets; and ~~(c) selection of all management-level personnel.~~ personnel. Without limiting the generality of the foregoing, FTS shall establish all policies regarding Station personnel, programming and finances, and shall (a) approve all Station programming, including without limitation having the power to direct the scheduling of any programming and to direct Newco to acquire, produce, pre-empt or discontinue any programs or program series; (b) approve employment decisions with respect to all personnel of the Stations; (c) direct the preparation of all budgets for the Stations, including without limitation having the power to review, modify and approve all such budgets; and (d) approve the purchase of all Station equipment, including without limitation the power to direct Newco to acquire specific items of equipment, or to make other capital expenditures, which in FTS's judgment are necessary for the operation of the Stations. — FTS shall not be entitled to any compensation for services rendered hereunder, apart from its economic interest as set forth in Section 5.1 hereof.

~~2.2.~~

2.2. Newco To Perform Day-to-Day Operations of Stations.

Subject to the ~~full authority, power and control~~ rights and powers of FTS over the management and operations of the Stations as set forth in Section 2.1 hereof, Newco shall perform the day-to-day operations of the Stations, including, without limitation, ~~providing the following services: (a) preparation of:~~ (a) preparing the initial budget presentations for the Stations for FTS's review, modification and approval; (b) purchasing equipment consistent with the FTS-approved budgets; (c) entering into and administering programming contracts; ~~and (d) employment of,~~ subject to the direction and approval of FTS as provided in Section 2.1 hereof; and (d) hiring and employing personnel, subject to the direction and approval of FTS as provided in Sections 2.1 and 2.5 hereof. All expenses and capital costs incurred in operating the Stations shall be paid by Newco, and all advertising and other receipts collected in operating the Stations shall be ~~retained by Newco~~ deposited in Newco accounts established for the respective Stations for the benefit of Newco and FTS in accordance with the terms of this Agreement. Newco shall not be entitled to any compensation for services rendered hereunder, apart from its economic interest as set forth in Section 5.1 hereof.

2.3. Access to the Stations.

At all times during the Term, Newco shall afford FTS and its representatives full and complete access to all of the assets used or held for use by Newco in connection with the business and operations of the Stations (collectively, the "~~Station Assets~~")"Stations Assets" or, with respect to individual Stations, "Station Assets"), to the extent deemed necessary or desirable by FTS ~~to~~ (a) continue to in its sole discretion to (a) maintain control and operate over the management and operations of the Stations within the meaning of Section 310 of the Communications Act, (b) comply with FTS's responsibilities and obligations under this Agreement, and (c) comply with the Communications Act and FCC Rules.

2.4. Maintenance And Replacement Of Station Assets.

(a) At all times during the Term, Newco shall maintain the Station Assets in adequate repair and condition in accordance with prudent broadcast engineering practices. Newco shall, at its sole cost and expense, make all capital improvements to the Stations and the ~~Station~~ Stations Assets in a timely manner consistent with prudent broadcast industry practices. In furtherance of and not in

limitation of the obligations and liabilities of Newco set forth above, Newco shall, at its sole cost and expense, make such repairs and improvements to and replacements of, the Station Stations Assets as may be necessary or prudent for Newco to satisfy its obligations set forth in this Section 2.4. All such improvements shall remain the property of Newco.

(b) If at any time Newco shall, in FTS's reasonable judgment, fail to satisfy its obligations under this Section 2.4, FTS shall have the right, upon notice to Newco, to make repairs and improvements to, and replacements of, the Station Stations Assets as FTS may determine in its reasonable discretion to be necessary for Newco's obligations to be satisfied. Newco shall reimburse FTS for all costs and expenses incurred by FTS in connection with any such repairs, improvements and replacements. The exercise by FTS of its rights under this Section 2.4(b) shall in no way limit or diminish the rights and obligations of FTS and Newco hereunder.

(c) The rights and obligations of Newco under this Section 2.4 shall be subject to the rights and powers of FTS as set forth in Section 2.1 hereof.

2.5. Employees.

The

Except for two employees of the Stations (one of whom shall be a management-level employee) who shall be selected and employed by FTS, and certain employees in markets where FTS holds more than one broadcast television license whose employment may be shared, all employees of each Station shall be employed by Newco or its subsidiaries. The employees at the Stations shall conduct the day-to-day operations of the Stations, subject to the rights and powers of FTS as set forth in Section 2.1 hereof. The general manager of each Station shall be selected by FTS and shall report directly to the President Chairman of FTS or his or her designee an FTS employee designated by the Chairman of FTS. In addition to reporting to the general manager of each Station, the principal department heads of each Station shall report to the respective FTS division head (for example, the Station Program Director to the FTS VP of Programming; the Station Personnel Manager to the FTS President of Sales; the Station Business Manager to the FTS VP of Finance).

3. COMPLIANCE WITH LAWS

FTS shall be responsible for the compliance by the Stations with all applicable provisions of the Communications Act, the FCC Rules and all other applicable laws. Newco shall cooperate with FTS, at Newco's expense, in taking such actions as FTS may reasonably request to assist FTS in maintaining the compliance by the Stations with the Communications Act, the FCC Rules and all other applicable laws. Notwithstanding any other provision of this Agreement, Newco recognizes that FTS has certain obligations to operate the Stations in the public interest, to broadcast programming to meet the needs and interests of each Station's communities of license and service areas and to broadcast programming in order to comply with the terms and conditions of the network affiliation agreements for each Station. Nothing in this Agreement shall abrogate or limit the unrestricted authority of FTS to discharge FTS's obligations to the public, and to comply with the Communications Act, and FTS shall have no liability or obligation to Newco, for taking any action that FTS in good faith deems necessary or appropriate to discharge such obligations or comply with such laws, rules, regulations or policies, except to the extent that the actions of FTS arise from gross negligence or willful misconduct in the operation of the Stations.

4. INSURANCE; RISK OF LOSS

At all times during the Term, Newco shall maintain with reputable insurance companies, commercially reasonable amounts of insurance as is conventionally carried by broadcasters operating television stations in areas comparable to that of the Stations, including replacement cost insurance, errors and omissions insurance and general liability insurance, with respect to the ~~Station~~ Stations Assets owned by Newco and the operations of the Stations, and shall cause FTS to be named as an additional insured on Newco's policies. The risk of any loss, damage, impairment, confiscation, or condemnation ("Risk of Loss") of any ~~Station~~ Stations Assets shall be borne by Newco at all times throughout the Term. In the event of any loss, damage, impairment, confiscation, or condemnation with respect to any of the Station Assets, Newco shall, subject to FTS's supervision and direction, repair or replace such Station Assets. Newco shall effect any such repairs and replacements in a timely fashion.

5. PROFITS AND LOSSES; BOOKS AND RECORDS

5.1. Allocation of Net Income and Net Losses.

(a) The net income and net losses from the operation of the Stations shall be allocated ninety-five percent (95%) to Newco and five percent (5%) to FTS. Within thirty (30) days after the end of each ~~calendar quarter~~ fiscal month during the Term, Newco shall provide to FTS a statement of the net income or loss, as the case may be, for the Stations during such ~~quarter~~ month, together with reasonably detailed information supporting the determinations of such net income or net loss, as the case may be. If such statement shall reflect net income from the Stations for the applicable ~~quarter~~ month, then Newco shall be entitled to retain ninety five percent (95%) of such net income, and shall pay to FTS five percent (5%) of such net income within thirty (30) days after the end of such ~~quarter~~ month. If such statement shall reflect a net loss from the Stations for the applicable ~~quarter~~ month, then FTS shall pay to Newco five percent (5%) of the amount of such net loss within thirty (30) days after the end of such ~~quarter~~ month, and Newco shall be responsible for the remaining ninety five percent (95%) of such net loss. In computing net income ~~and~~, net loss and capital accounts, expenses described in Sections 2.2, 2.4, 2.5 and 4 shall be taken into account.

(b) For financial reporting and tax purposes, items of income, gain, loss, deduction and credit shall be allocated between Newco and FTS in a manner consistent with Section 704(b) of the Tax Code and the Treasury regulations promulgated thereunder, and, solely for Federal income tax purposes, allocations shall be made to the extent required by Section 704(c) of the Tax Code.

5.2. Books and Records.

At all times during the Term, Newco shall maintain complete and accurate books and records in sufficient detail, in accordance with generally accepted accounting principles, to enable verification by FTS of the performance of Newco's obligations under this Agreement including, without limitation, the provisions of Section 5.1 above. In addition, with respect to the operation of the Stations, Newco shall establish a capital account for each of Newco and FTS and shall maintain such capital accounts in the manner required by Section 704(b) of the Tax Code. At all times during the Term, FTS shall maintain complete and

accurate books and records in sufficient detail, in accordance with generally accepted accounting principles, allocable to the operations of the Stations.

5.3. Compliance Audits.

In addition to the access rights of FTS set forth in Section 2.3 above, during the Term, Newco shall afford to FTS reasonable access to the books, records and other information of Newco as FTS may reasonably request in order to monitor Newco's compliance with the terms and conditions of this Agreement.

6. SALE OF STATIONS

A

FTS shall have the power to cause the sale of all or substantially all of the the Licenses and Station Assets and Licenses, or a sale of any Station, shall require of one or more Stations without the written approval of both Newco and FTS. Neither Newco provided that such sales are at arms length for fair market value. Neither the Station Assets of any Station nor the Licenses of such Station may be sold, leased, licensed or otherwise transferred without the other. Upon the sale of a Station, including any sale or other disposition pursuant to Section 7.3 hereof, FTS shall be allocated gain with respect to such sale and shall receive a payment of a share of the sale proceeds equal to the nominal consideration paid to Newco by FTS to Newco plus with respect to the assignment of the License relating to such Station plus five percent (5%) of the excess, if any, of (a) the net sale proceeds of the Station over (b) the sum of (i) the cost basis fair market value of such Station as of the date of this Agreement as set forth on Exhibit A hereto, (ii) five percent (5%) of the undistributed net income of the business since the date of this Agreement (or reduced by 5% five percent (5%) of the unfunded net loss since the date of this Agreement), and (iii) the aggregate amount of capital expenditures made at such Station since the date of this Agreement. Newco shall be allocated the remainder of the gain on the sale and shall receive the remaining proceeds

7. TERM AND TERMINATION

7.1. Term.

The term of this Agreement (the "Term") shall commence on the date hereof and, unless terminated earlier pursuant to this Section 7, shall continue in full force and effect until such date which is twenty (20) years after the date hereof.

7.2. Termination.

This Agreement shall terminate upon the first to occur of any of the following:

(a) this Agreement is declared invalid or illegal in whole or substantial part by an order or decree of an administrative agency or court of competent jurisdiction and such order or decree has become final and no longer subject to further administrative or judicial review; provided that in such event the parties shall first negotiate in good faith and attempt to agree on an amendment to this Agreement that will provide the parties with a valid, binding and enforceable agreement that conforms to such order or decree; or

(b) the mutual written consent of Newco and FTS.

7.3. Effect of Termination.

Upon termination of this Agreement, the parties shall use their good faith best efforts to enter into a mutually agreeable arrangement regarding the continued operation of the Stations or the disposition of the Stations in a manner consistent with the then applicable Communications Act and FCC Rules. In the event the parties cannot agree on any such arrangements, the Stations shall be sold to a third party for the highest reasonably obtainable price and the proceeds of such sale shall be allocated and paid in a manner consistent with the allocation of gain and payment of proceeds upon the sale of a Station, as set forth in Section 6 above.

8. LIMITATIONS ON LIABILITY

Neither party shall be responsible to the other party for its actions or omissions with respect to the business or operations of the Stations, unless such

actions or omissions constitute gross negligence or willful misconduct in the business or operation of the Stations.

9. TAX AND ACCOUNTING MATTERS

9.1 Tax Treatment.

Each party hereto, by entering into this Agreement, (i) expresses its intention that the acquisition and operation of the Stations pursuant to this Agreement will be treated as a partnership for Federal income tax purposes, (ii) agrees that it will file its own Federal, state and local income, franchise and other tax returns in a manner that is consistent with the treatment of this Agreement as a partnership for Federal income tax purposes, and (iii) agrees to use reasonable efforts to notify the other party hereto promptly upon a receipt of any notice from any taxing authority having jurisdiction over such party with respect to the treatment of this Agreement as anything other than a partnership for Federal income tax purposes.

9.2 Tax Matters Partner.

The Tax Matters Partner (as defined in Section 6231 of the Tax Code and any corresponding state and local tax law) with respect to this Agreement shall initially be Newco. The Tax Matters Partner (i) shall prepare or cause to be prepared and filed partnership tax returns for federal, state and local tax purposes and (ii) shall be authorized to perform all duties imposed by Section 6221 of the Tax Code, including, without limitation, (A) the power to conduct all audits and other administrative proceedings with respect to the tax items of the partnership; (B) the power to extend the statute of limitations for all parties with respect to the tax items of the partnership; (C) the power to file a petition with an appropriate federal court for review of a final administrative adjustment of the tax items of the partnership; and (D) the power to enter into a settlement with the IRS on behalf of, and binding upon, all parties. FTS agrees to take any further action as may be required by regulation or otherwise to effectuate the designation of Newco as the Tax Matters Partner.

9.3 Additional Information.

FTS shall furnish Newco with all information necessary to comply with United States federal income tax information reporting requirements in respect of the interests of FTS hereunder.

10. ARBITRATION

10.1. General.

Notwithstanding any provision of this Agreement to the contrary, upon the request of any party (defined for the purpose of this provision to include Affiliates, principals and agents of any such party), any dispute, controversy or claim arising out of, relating to, or in connection with, this Agreement or any agreement executed in connection herewith or contemplated hereby, or the breach, termination, interpretation, or validity hereof or thereof (hereinafter referred to as a "Dispute"), shall be finally resolved by mandatory and binding arbitration in accordance with the terms hereof. Any party may bring an action in court to compel arbitration of any Dispute. Any party who fails or refuses to submit any Dispute to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration of such Dispute.

10.2. Governing Rules.

The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect at the time of the arbitration, *except* as they may be modified herein or by mutual agreement of the parties. The parties consent to the jurisdiction of the Courts of the State of New York located in New York, New York and of the United States District Court for the Southern District of New York, for all purposes in connection with the arbitration. The parties consent that any process or notice of motion or other application to either of said courts, and any paper in connection with arbitration, may be served by certified mail, return receipt requested, or by personal service, or in such other manner as may be permissible under the rules of the applicable court or arbitration tribunal, provided a reasonable time for appearance is allowed. Notwithstanding Section 11.2, the arbitration and this clause shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq. (the "Federal Arbitration Act"). The arbitrator shall award all reasonable and necessary costs (including the

reasonable fees and expenses of counsel) incurred in conducting the arbitration to the prevailing party in any such Dispute. The parties expressly waive all rights whatsoever to file an appeal against or otherwise to challenge any award by the arbitrators hereunder; provided, that the foregoing shall not limit the rights of any party to bring a proceeding in any applicable jurisdiction to confirm, enforce or enter judgment upon such award (and the rights of the other party, if such proceeding is brought to contest such confirmation, enforcement or entry of judgment, but only to the extent permitted by the Federal Arbitration Act).

10.3. No Waiver; Preservation of Remedies.

No provision of, nor the exercise of any rights under this Agreement shall limit the right of any party to apply for injunctive relief or similar equitable relief with respect to the enforcement of this Agreement or any agreement executed in connection herewith or contemplated hereby, and any such action shall not be deemed an election of remedies. Such rights can be exercised at any time except to the extent such action is contrary to a final award or decision in any arbitration proceeding. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof. The institution and maintenance of an action for injunctive relief or similar equitable relief shall not constitute a waiver of the right of any party, including without limitation the plaintiff, to submit any Dispute to arbitration nor render inapplicable the compulsory arbitration provisions of this Agreement.

10.4. Arbitration Proceeding.

In addition to the authority conferred on the arbitration tribunal by the rules specified above, the arbitration tribunal shall have the authority to order reasonable discovery, including the deposition of party witnesses and production of documents. The arbitral award shall be in writing, state the reasons for the award, and be final and binding on the parties with no right of appeal. All statutes of limitations that would otherwise be applicable shall apply to any arbitration proceeding. Any attorney-client privilege and other protection against disclosure of confidential information, including without limitation any protection afforded the work-product of any attorney, that could otherwise be claimed by any party shall be

available to and may be claimed by any such party in any arbitration proceeding. No party waives any attorney-client privilege or any other protection against disclosure of confidential information by reason of anything contained in or done pursuant to or in connection with this Agreement. Each party agrees to keep all Disputes and arbitration proceedings strictly confidential, except for disclosures of information to the parties' legal counsel or auditors or those required by applicable law.

11. MISCELLANEOUS

11.1. Modification.

This Agreement may be amended or modified in any respect and at any time by an instrument in writing signed by Newco and FTS; provided, however, that no such amendment or modification shall take effect until after any necessary approval or consent of the FCC is obtained with respect thereto.

11.2. Governing Law.

Subject to Section 10.2 hereof, this agreement and the rights and obligations of the parties hereto shall be governed by and construed under and in accordance with the laws of the State of New York, excluding the choice of law rules thereof (other than Section 5-1401 of the New York General Obligations Law).

11.3. Entire Agreement.

This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior agreements and understandings, whether written or oral, with respect to the subject matter hereof.

11.4. Counterparts.

This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective

when one or more counterparts have been signed by each of the parties and delivered to the other party.

11.5. Third Parties.

This Agreement is not intended to confer upon any person not a party hereto (other than any direct or indirect successor or permitted assign of a party hereto) any rights or remedies hereunder.

11.6. Notices.

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by facsimile, by courier service or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 11.6):

If to Newco:

[_____]

Attention:

Telecopy Number: (____) _____

with a copy to:

[_____]

Attention:

Telecopy Number: (____) _____

or at such other address and to the attention of such other person as Newco may designate by written notice to FTS.

If to FTS:

[_____]

Attention:

Telecopy Number: (____) _____

with a copy to:

or at such other address and to the attention of such other person as FTS may designate by written notice to Newco.

11.7. Headings.

The Section, Article and other headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement. All references to Sections or Articles contained herein mean Sections or Articles of this Agreement unless otherwise stated.

11.9. Severability.

The parties hereto intend that the transactions contemplated hereunder comply in all respects with the Communications Act and the FCC Rules. If any provision of this Agreement shall be declared void, illegal, or invalid by any governmental authority with jurisdiction thereof, the remainder of this Agreement shall remain in full force and effect without such offending provision so long as such remainder substantially reflects the original agreement of the parties hereunder. Furthermore, in such event, the parties shall use their commercially reasonable efforts to reach agreement promptly on lawful substitute provisions in place of said offending provision so as to effectuate more closely their intent as expressed hereunder. If any Governmental Authority grants to any other entity or individual rights which are not contained in this Agreement, then the parties shall use their commercially reasonable efforts to amend this Agreement to provide the parties hereto such lawful provisions which comport with any rules, regulations and policies adopted after the date of this Agreement.

11.10. Assignment.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Neither party may assign this Agreement without the prior written consent of the other party, except that either party may assign this Agreement to an entity controlled by or under common control with such party without the prior written consent of the other party.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, each of the parties hereto has executed this Stations Operating Agreement, or has caused this Stations Operating Agreement to be executed and delivered in its name on its behalf as of the day and year first above written.

[NEWCO]

By: _____
Name: _____
Title: _____

FOX TELEVISION STATIONS, INC.

By: _____
Name: _____
Title: _____

Definitions

“Affiliate” shall have the meaning ascribed thereto in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as in effect on the date hereof.

“Agreement” means this Stations Operating Agreement as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Communications Act” shall mean the Communications Act of 1934, as amended, and any successor thereto.

“Dispute” shall have the meaning set forth in Section 10.1.

“FCC” means the Federal Communications Commission.

“FCC Rules” shall mean the rules, regulations and policies of the FCC promulgated under the Communications Act.

“Federal Arbitration Act” shall have the meaning set forth in Section 10.2.

“FTS” shall have the meaning set forth in the Preamble.

“Governmental Authority” means any government or state (or any subdivision thereof) of or in the United States, or any agency, authority, bureau, commission, department or similar body or instrumentality thereof, or any governmental court or tribunal.

“Licenses” shall have the meaning set forth in the Recitals.

“License Assignment Agreement” shall have the meaning set forth in the Recitals.

“Newco” shall have the meaning set forth in the Preamble.

“News” shall have the meaning set forth in the Recitals.

"Quarterly Accounting Date" shall have the meaning set forth in Section 5.2.

"Risk of Loss" shall have the meaning set forth in Section 4.1.

"Station" shall have the meaning set forth in the Recitals.

"Stations" shall have the meaning set forth in the Recitals.

"Station

Assets" and "Station Assets" shall have the meaning set forth in Section 2.3.

"Term" shall have the meaning set forth in Section 7.1.

"Tax Code" means the Internal Revenue Code of 1986, as amended, and any successor thereto.

"Transfer Agreement" shall have the meaning set forth in the Recitals.

Exhibit A

LOCATION	TELEVISION STATIONS	COST-BASISFAIR MARKET VALUE
1. New York, NY	WWOR (UPN-9)	
2. Los Angeles, CA	KCOP (UPN-13)	
3. Minneapolis, MO	KMSP (UPN-9)	
4. Phoenix, AZ	KUTP (UPN-45)	
5. Orlando, FL	WRBW (UPN-65)	
6. Portland, OR	KPTV (UPN-12)	
7. Baltimore, MD	WUTB (UPN-24)	

LOCATION	TELEVISION STATIONS	COST-BASISFAIR MARKET VALUE
8. Salt Lake City, UT	KTVX (ABC-4)	
9. San Antonio, TX	KMOL (NBC-4)	
10. San Francisco, CA	KBHK (UPN-44)	

----- COMPARISON OF HEADERS -----

-HEADER 1-

-HEADER 2-

DRAFT- 1/23/01

-HEADER 3-

Header Discontinued

-HEADER 4-

Header Discontinued

Attachment B

[Declaration of Steven Myers, Bank of New York]

THE BANK OF NEW YORK

NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

101 BARCLAY STREET, NEW YORK, N. Y. 10286

DECLARATION

I, the undersigned, Steven Myers, Assistant Vice President of the Bank of New York, hereby declares under penalty of perjury that the following is true and correct to the best of my knowledge and belief:

1. The Bank of New York is the transfer agent for Fox Entertainment Group, Inc. shares.
2. Every year The Depository Trust Corp ("DTC") sends Bank of New York a letter stating the number of shares registered in DTC's nominee name that are held on behalf of "aliens." The most recent letter is dated July 21, 2000. As of that time, 8,422,455 out of 124,670,230 shares (or 6.755%) were held by aliens.
3. The DTC shares represent over 99% of the Fox Entertainment Group, Inc. shares that are publicly traded.
4. Attached is a copy of the report from DTC.

By: 

Name: Steven Myers

Title: Assistant Vice President

00009011: BANK NEW YORK

THE DEPOSITORY TRUST COMPANY
7 MANOVER SQUARE
NEW YORK, N.Y. 10004

JULY 21, 2000

BANK NEW YORK # 00009011

XXXX PLACE XXXX
XXXX LABEL XXXX
XXXX HERE XXXX

DEAR SIRs:

PLEASE NOTE THAT THE PARTICIPANTS OF THE DEPOSITORY TRUST COMPANY ("DTC") HAVE ADVISED DTC THAT AS OF THIS DATE THE FOLLOWING SHARES, REGISTERED IN DTC'S NOMINEE NAME, CEDE & CO., WERE HELD ON BEHALF OF "ALIENS", AS DEFINED BY APPLICABLE STATUTE.

CUSIP	DESCRIPTION	SHARES
35138T107	FOX ENTMT GRP A <	8,422,455

THE DEPOSITORY TRUST COMPANY

Attachment C

[charts of officers, directors, and shareholders of Newco and its parents]

Attachment C

The officers, directors, and 5% or greater stockholders of Newco:

Newco				
(1)	(2)	(3)	(4)	(5)
Chase Carey 281 West Hills Road New Canaan, CT 06840	USA	Chairman & Director	0	0
Mitchell S. Stern 8446 Carlton Way Los Angeles, CA 90069	USA	Chairman & Chief Executive Officer	0	0
Raymond L. Parrish, III 14263 Baker Street Westminister, CA 92683	USA	Vice President & Trea- surer	0	0
Lawrence A. Jacobs Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President & Secretary	0	0
Gerald Friedman 2705 Edwin Place Los Angeles, CA 90046	USA	Senior Vice President & Secretary	0	0
David E. Miller 26802 Seurat Lane Valencia, CA 91355	USA	Treasurer	0	0
Elisabeth Swanson 3668 Grand View Blvd. Los Angeles, CA 90066	USA	Vice President & Assis- tant Treasurer	0	0
Lesley Cohen 500 E. 77 th Street Apt. #233 New York, NY 10162	USA	Assistant Secretary	0	0
Rita L. Tuzon 850 Devon Avenue Los Angeles, CA 90024	USA	Assistant Secretary	0	0
Gary D. Roberts 8822 Evanview Drive Los Angeles, CA 90069	USA	Assistant Secretary	0	0

Newco				
(1)	(2)	(3)	(4)	(5)
Muriel Reis 1136 5 th Avenue New York, NY 10028	USA	Vice President	0	0
Molly Pauker 1855 California Street, N.W. Washington, DC 20009	USA	Vice President	0	0
Bonnie I. Bogin 1443 Warnall Avenue Los Angeles, CA 90024	USA	Assistant Secretary	0	0
Daphne Gronich 611 Las Casas Avenue Pacific Palisades, CA 90272	USA	Assistant Secretary	0	0
Raymond L. Parrish, III 14263 Baker Street Westminster, CA 92683	USA	Assistant Secretary	0	0
Randall F. Kender 1422 19 th Street, Unit D Santa Monica, CA 90404	USA	Assistant Secretary	0	0
Michelle V. Francis 31 West 16 th Street New York, NY 10011	USA	Assistant Secretary	0	0
Paula Wardynski 55 Central Park West Apt. 6A New York, NY 10023	USA	Vice President	0	0
Jan Constantine 10 West 66 th St., #22D New York, New York 10023	USA	Vice President	0	0
David DeVoe Brewster Peninsula P.O. Box 870 Lake Placid, NY 12946	USA	Director	0	0
K. Rupert Murdoch 141 Prince Street New York, NY 10012	USA	Director	0	0

Newco				
(1)	(2)	(3)	(4)	(5)
Fox Entertainment Group, Inc. c/o 1211 Avenue of the Americas New York, NY 10036	USA	N/A	100%	100%

The officers, directors, and 5% or greater stockholders of Fox Entertainment Group, Inc. are:

Fox Entertainment Group, Inc.				
(1)	(2)	(3)	(4)	(5)
K. Rupert Murdoch 141 Prince Street New York, NY 10012	USA	Chairman, Chief Executive Officer & Director	0	0
Peter Chernin Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	President, Chief Operating Officer & Director	0	0
Chase Carey 281 West Hills Road New Canaan, CT 06840	USA	Co-Chief Operating Officer & Director	0	0
Christos Cotsakos Fox Entertainment Group, Inc. c/o 1211 Avenue of the Americas New York, NY 10036	USA	Director	0	0
David F. DeVoe Brewster Peninsula P.O. Box 870 Lake Placid, NY 12946	USA	Senior Executive Vice President, Chief Financial Officer & Director	0	0
Arthur M. Siskind Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Executive Vice President, General Counsel & Director	0	0
Laura D'Andrea Tyson c/o Fox Entertainment Group, Inc. 1211 Avenue of the Americas New York, NY 10036	USA	Director	0	0
Mitchell S. Stern 8446 Carlton Way Los Angeles, CA 90069	USA	Executive Vice President	0	0

Fox Entertainment Group, Inc.				
(1)	(2)	(3)	(4)	(5)
David Hill Fox Entertainment Group c/o 10201 West Pico Blvd. Los Angeles, CA 90035	USA	Executive Vice President	0	0
Lawrence A. Jacobs Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President & Secretary	0	0
Greg Gelfan Fox Entertainment Group c/o 10201 West Pico Blvd. Los Angeles, CA 90035	USA	Senior Vice President	0	0
Gary Ginsberg Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President	0	0
Paul Haggerty Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President	0	0
John Nallen Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President	0	0
Ellen Agress Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President	0	0
Jay Itzkowitz 19 Lonsdale Road London W11 2BY	USA	Senior Vice President, Associate Secretary & Associate General Coun- sel	0	0
Bonnie I. Bogin 1443 Warnall Avenue Los Angeles, CA 90024	USA	Vice President & Assis- tant Secretary	0	0
Robert P. Gannon Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Vice President, Control- ler & Assistant Secretary	0	0

Fox Entertainment Group, Inc.				
(1)	(2)	(3)	(4)	(5)
Peter Giacalone Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Vice President & Finance	0	0
Daphne Gronich 611 Las Casas Avenue Pacific Palisades, CA 90272	USA	Vice President & Assistant Secretary	0	0
Randall F. Kender 1422 19 th Street, Unit D Santa Monica, CA 90404	USA	Vice President & Assistant Secretary	0	0
Paula Wardynski 55 Central Park West Apt. 6A New York, NY 10023	USA	Vice President, Treasurer & Assistant Secretary	0	0
Janet Nova Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Vice President & Assistant Secretary	0	0
Raymond L. Parrish, III 14263 Baker Street Westminster, CA 92683	USA	Vice President	0	0
Gary D. Roberts 8822 Evanview Drive Los Angeles, CA 90069	USA	Vice President & Assistant Secretary	0	0
Rita L. Tuzon 850 Devon Avenue Los Angeles, CA 90024	USA	Vice President & Assistant Secretary	0	0

Fox Entertainment Group, Inc.				
(1)	(2)	(3)	(4)	(5)
Rodney Parnter Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Assistant Controller	0	0
Laura O'Leary Fox Entertainment Group c/o 1211 Avenue of the Americas New York, NY 10036	USA	Assistant Secretary	0	0
FEG Holdings, Inc. c/o Corporation Service Company 1013 Centre Road Wilmington, DE 19805	USA	N/A	97.8%	82.76%

The officers, directors, and 5% or greater stockholders of FEG Holdings, Inc. are:

FEG Holdings, Inc.				
(1)	(2)	(3)	(4)	(5)
Peter Macourt FEG Holdings, Inc. c/o Corporation Service Company 1013 Centre Road Wilmington, DE 19805	Australia	President & Director	0	0
Leslie Hinton FEG Holdings, Inc. c/o Corporation Service Company 1013 Centre Road Wilmington, DE 19805	USA	Executive Vice President & Director	0	0
K. Rupert Murdoch 141 Prince Street New York, NY 10012	USA	Director	0	0
Paula Wardynski 55 Central Park West Apt. 6A New York, NY 10023	USA	Vice President, Treas- urer & Secretary	0	0
Raymond L. Parrish, III 14263 Baker Street Westminster, CA 92683	USA	Assistant Treasurer & Assistant Secretary	0	0

FEG Holdings, Inc.				
(1)	(2)	(3)	(4)	(5)
News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	N/A	100%	100%

The officers, directors, and 5% or greater stockholders of News America Incorporated are:

News America Incorporated				
(1)	(2)	(3)	(4)	(5)
K. Rupert Murdoch 141 Prince Street New York, NY 10012	USA	Member Executive Committee & Director	0	0
Chase Carey 281 West Hills Road New Canaan, CT 06840	USA	Member Executive Committee, Director, President & Chief Operating Officer	0	0
Paul V. Carlucci News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Director, News America Incorporated; Executive Vice President, Chairman & Chief Executive Officer, News America Marketing Group	0	0
Peter Chernin News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Member Executive Committee, Director, Chairman & Chief Executive Officer	0	0
David F. DeVoe Brewster Peninsula P.O. Box 870 Lake Placid, NY 12946	USA	Member Executive Committee, Director, Senior Executive Vice President & Chief Financial Officer	0	0

News America Incorporated				
(1)	(2)	(3)	(4)	(5)
Anthea Disney News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Director; Executive Vice President, Chairman & Chief Executive Officer, News America Publishing Group	0	0
Lachlan K. Murdoch News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Member Executive Committee & Director	0	0
Stanley Shuman The News Corporation Limited c/o News America Incorporated 1211 Avenue of the Americas New York, NY 10036	USA	Director	0	0
Arthur M. Siskind News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Member Executive Committee, Director, Senior Executive Vice President & General Counsel	0	0
Leon Hertz News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Executive Vice President	0	0
James Murdoch News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Executive Vice President	0	0
William A. O'Neill News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Executive Vice President	0	0
Gary Ginsberg News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President	0	0

News America Incorporated				
(1)	(2)	(3)	(4)	(5)
Paul Haggerty News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President	0	0
Joachim Kiener News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	Germany	Senior Vice President	0	0
Jan F. Constantine 10 West 66 th St., #22D New York, New York 10023	USA	Executive Vice President, Secretary, Deputy General Counsel	0	0
Lawrence A. Jacobs News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President & Deputy General Coun- sel	0	0
John Nallen News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President	0	0
Ellen Agress News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President & Deputy General Coun- sel	0	0
Eugenie Gavenchak News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President & Deputy General Coun- sel	0	0
Greg Gelfan News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Vice President & Deputy General Coun- sel, Fox Group	0	0

News America Incorporated				
(1)	(2)	(3)	(4)	(5)
Jay Itzkowitz 19 Lonsdale Road London W11 2BY	USA	Senior Vice President, Assistant Secretary & Associate General Counsel	0	0
News International plc 1 Virginia Street London E1 9XN	UK	N/A	18%	18%
News Publishing Australia Limited 1300 North Market Street Suite 404 Wilmington, DE 19801	USA	N/A	82%	82%

The officers, directors, and 5% or greater stockholders of News International plc are:

News International plc				
(1)	(2)	(3)	(4)	(5)
Leslie F. Hinton News International plc c/o 1 Virginia Street London E1 9XN	USA	Director	0	0
Andrew S. B. Knight News International plc c/o 1 Virginia Street London E1 9XN	UK	Director	0	0
Richard M. Linford News International plc 1 Virginia Street London E1 9XN	UK	Director	0	0
Jay Itzkowitz 19 Lonsdale Road London W11 2BY	USA	Director	0	0
K. Rupert Murdoch 141 Prince Street New York, NY 10012	USA	Director	0	0

News International plc				
(1)	(2)	(3)	(4)	(5)
William A. O'Neill News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Director	0	0
Peter W. Stehrenberger News International plc c/o 1 Virginia Street London E1 9XN	Swiss	Director & Secretary	0	0
Carla Stone News International plc c/o 1 Virginia Street London E1 9XN	UK	Assistant Secretary	0	0
Newscorp Investments Limited c/o 1 Virginia Street London E1 9XN	UK	N/A	95.84%	95.84%

The officers, directors, and 5% or greater stockholders of News Publishing Australia Limited are:

News Publishing Australia Limited				
(1)	(2)	(3)	(4)	(5)
Peter Macourt 1300 N. Market Suite 404 Wilmington, DE 19801	Australia	President & Director	0	0
Leslie Hinton 1300 N. Market Suite 404 Wilmington, DE 19801	USA	Executive Vice President & Director	0	0
K. Rupert Murdoch 141 Prince Street New York, NY 10012	USA	Director	0	0
Paula Wardynski 55 Central Park West Apt. 6A New York, NY 10023	USA	Vice President, Treasurer & Secretary	0	0

News Publishing Australia Limited				
(1)	(2)	(3)	(4)	(5)
Raymond L. Parrish, III 14263 Baker Street Westminster, CA 92683	USA	Assistant Treasurer & Assistant Secretary	0	0
Lesley Cohen 500 E. 77 th Street Apt. #233 New York, NY 10162	USA	Assistant Treasurer & Assistant Secretary	0	0
Newscorp Investments c/o 1 Virginia Street London E1 9XN	UK	N/A	10.7851%	10.7851%
The News Corporation Limited c/o News House 2 Holt Street Surry Hills NSW 2010	Australia	N/A	88.1098%	88.1098%

The officers, directors, and 5% or greater stockholders of Newscorp Investments Limited are:

Newscorp Investments				
(1)	(2)	(3)	(4)	(5)
Peter W. Stehrenberger c/o News International plc 1 Virginia Street London E1 9XN	Swiss	Director	0	0
Leslie F. Hinton c/o News International plc 1 Virginia Street London E1 9XN	USA	Director	0	0
Richard M. Linford c/o News International plc 1 Virginia Street London E1 9XN	UK	Director	0	0
K. Rupert Murdoch 141 Prince Street New York, NY 10012	USA	Director	0	0

Newscorp Investments				
(1)	(2)	(3)	(4)	(5)
The News Corporation Limited c/o News America Incorporated 1211 Avenue of the Americas New York, NY 10036	Australia	N/A	100%	100%

The officers, directors, and 5% or greater attributable stockholders of The News Corporation Limited are:

The News Corporation Limited				
(1)	(2)	(3)	(4)	(5)
K. Rupert Murdoch 141 Prince Street New York, NY 10012	USA	Chairman, Chief Executive Officer & Director	30%*	20%*
Geoffrey C. Bible The News Corporation Limited c/o News America Incorporated 1211 Avenue of the Americas New York, NY 10036	USA	Director	0	0
Chase Carey 281 West Hills Road New Canaan, CT 06840	USA	Co-Chief Operating Officer & Director	0	0
Peter Chernin News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	President, Chief Operating Officer & Director	0	0

* Approximate percentage is calculated based on 2,044,746,771 ordinary shares outstanding on November 15, 2000, and includes ordinary shares owned by (1) Mr. K. Rupert Murdoch, (2) Cruden Investments Pty. Limited, a private Australian investment company owned by Mr. K. Rupert Murdoch, members of his family and various corporations and trusts, the beneficiaries of which include Mr. K. Rupert Murdoch, members of his family and certain charities and (3) corporations, including a subsidiary of Cruden, which are controlled by trustees of settlements and trusts set up for the benefit of the Murdoch family, certain charities and other persons. By virtue of shares of News Corporation owned by such persons and entities, and Mr. K. Rupert Murdoch's positions as Chairman and Chief Executive of News Corporation, Mr. K. Rupert Murdoch may be deemed to control the operations of News Corporation. In addition, Mr. K. Rupert Murdoch, Cruden Investments Pty. Limited and such other entities beneficially own 233,098,527 preferred ordinary shares.

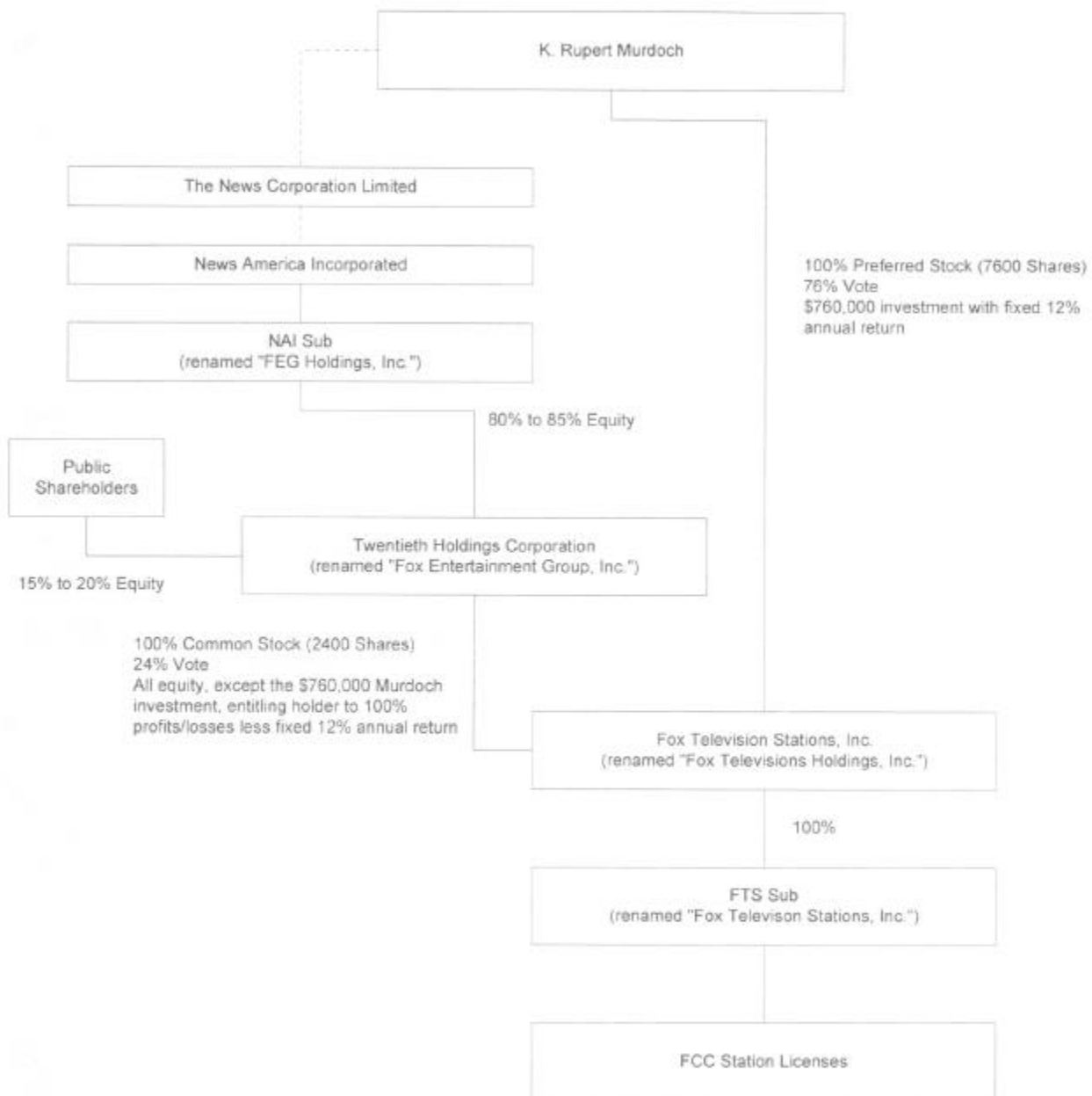
The News Corporation Limited				
(1)	(2)	(3)	(4)	(5)
Kenneth E. Cowley, AO News House 2 Holt Street Surry Hills NSW 2010	Australia	Director	0	0
David F. DeVoe Brewster Penninsula P.O. Box 870 Lake Placid, NY 12946	USA	Senior Executive Vice President, Chief Financial Officer & Director	0	0
Roderick I. Eddington The News Corporation Limited c/o News America Incorporated 1211 Avenue of the Americas New York, NY 10036	Australia	Director	0	0
Dr. Aatos J. Erkkö, KBE The News Corporation Limited c/o News America Incorporated 1211 Avenue of the Americas New York, NY 10036	Finland	Director	0	0
Andrew S. B. Knight News International plc c/o 1 Virginia Street London E1 9XN	UK	Director	0	0
Lachlan K. Murdoch News America Incorporated 1211 Avenue of the Americas New York, NY 10036	USA	Senior Executive Vice President, Deputy Chief Operating Officer & Director	0	0
Thomas J. Perkins c/o The News Corporation Limited c/o News America Incorporated 1211 Avenue of the Americas New York, NY 10036	USA	Director	0	0
Bert C. Roberts, Jr. c/o The News Corporation Limited c/o News America Incorporated 1211 Avenue of the Americas New York, NY 10036	USA	Director	0	0

The News Corporation Limited				
(1)	(2)	(3)	(4)	(5)
Stanley S. Shuman c/o The News Corporation Limited c/o News America Incorporated 1211 Avenue of the Americas New York, NY 10036	USA	Director	0	0
Arthur M. Siskind News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Senior Executive President, Group General Counsel & Director	0	0
James Murdoch News America Incorporated c/o 1211 Avenue of the Americas New York, NY 10036	USA	Executive Vice President & Director	0	0
Graham Kraehe c/o News Limited 2 Holt Street, Surry Hills Sydney NSW 2010	Australia	Director	0	0

Attachment D

[Ownership Structure Charts]

Structure Approved in 1998 Following *Pro Forma* Reorganization



Proposed Structure for Chris-Craft Acquisition

