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**EXHIBIT 13**

**LETTER TO PCC FROM R. BRANDON BURGESS**

*faxed on 10/13*



**VIA FACSIMILE (561) 655 9424**

October 13, 2000

Lowell Paxson  
Chairman  
Paxson Communications Corporation  
601 Clearwater Park Road  
West Palm Beach, FL 33401

Re: NBC / Paxson Partnership Proposal

Dear Bud,

At our business update before the Olympics, you and Jeff had asked NBC to consider expanding our financial relationship to solidify Paxson's balance sheet and funding situation going forward.

We have conducted a financial and strategic review of NBC's investment position and have concluded that there are no principal strategic, regulatory, or financial obstacles that would prohibit an expansion of our funding position in Paxson by the amount contemplated by you and Jeff.

From an investment perspective, we feel that any such engagement would have to coincide with modifying some of the initial transactional features that we feel have been in part responsible for a slower than desired ability on our part to create full value for both of our companies.

Specifically, the features of the initial deal that we think should be addressed include:

**Program Control:** Due to the restrictive creative process, we have not been able to share a sense of programming optimization between our respective entertainment operations. One example of the resulting limitations on streamlining the creative processes includes the lack of alignment of our Promotion and Marketing efforts on the West Coast.

**Call on B Shares:** The inverse structure of the call on control shares – involving a floor price and a timing delay – does not align NBC's and Paxson's economic interests, as it makes it more onerous for NBC to get to a control position. We view this as a sub-optimal design of the original deal.

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**Warrants A and B:** Similarly to the Call on the B Shares, the mandatory conversion of Warrants A and B separates NBC from a clear path to control in the foreseeable future, especially given the share price performance. Further it limits severely our ability to negotiate effectively with potential financial and/or content partners.

**JSAs:** We are thrilled to have been of assistance with the NBC relationship in closing the Gannett JSA deal – we believe this will create strong momentum in other JSA dialogues. But nevertheless, the current JSA model is not necessarily an intuitive proposition for many affiliates, because it offers neither of two "traditional" opportunities for immediately tangible economic benefits for JSA partners:

- 1) The current network offering results in modest value of local avails, and therefore does not initially provide scale in JSA commission income;
- 2) Limited program flexibility at the local level does not allow the JSA partner to enhance value through local program initiatives.

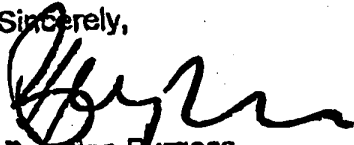
Assuming you agree with the premise that certain terms of the initial transaction need to be modified, we would be open to discussing an additional capital commitment by NBC, substantially in the form and under the conditions summarized in the attached Term Sheet.

Please note that this is not a formal proposal, but only a document for initial discussion. As such, we submit this to you as a non-disclosable document for SEC purposes, and we hope to keep our dialogue confidential until we have had a chance to formalize any proposed transaction.

We continue to be very excited about the partnership between our companies and look forward to finding ways to deepen the cooperation at the financial and operating levels.

We look forward to your thoughts.

Sincerely,



Brandon Burgess

Enclosure

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CC: NBC:  
Bob Wright  
Mark Begor  
Randy Falco  
John Eck

Faxon:  
Jeff Sagansky

Preliminary Work Document - For Discussion Only

**NBC FOLLOW-ON INVESTMENT**

**INVESTMENT:**

**Amount:** Up to \$150MM

**Investors:** NBC shall invest \$100MM on the date of execution of definitive agreements.

Some or all of the remaining \$50MM may be invested at the election of certain major NBC affiliate groups (to be selected in mutual agreement) with executed JSA agreements. Such affiliate groups may make such investment under the same terms as NBC's investment at any time during the six months after the execution date of this agreement

**Instrument:** 5-year Convertible Preferred Debt

**Convertibility:** Convertible into Series A Paxson Common Stock

**Conversion Price:** \$10.00 per share (relative to recent trading range; adjusted for stock splits etc.)

**Interest Rate:** LIBOR plus 300 - 350 bp based on market conditions at time of issuance, payable in cash or PIK at Paxson election.

**Redemption:** Mandatory redemption of unconverted principal and interest outstanding at end of 5-year term

**Other Rights:** Other rights and covenants of the convertible preferred debt will be substantially the same as NBC's existing preferred holdings in Paxson.

**RECEIVABLES FINANCING**

NBC will use commercially reasonable efforts to include Paxson in its current accounts receivable financing program, subject to the terms and conditions of that program, provided that such inclusion does not adversely effect NBC's accounting treatment for its investment in Paxson. A definitive decision on such inclusion shall be determined by the execution date of this agreement.

Preliminary Work Document - For Discussion Only**ADDENDUM TO INITIAL INVESTMENT AGREEMENT**

**Warrants A & B:** Warrants A and B remain in place at the original terms, but are no longer a pre-requisite for the exercise of NBC's call on Series B Common Shares

**Call on B Shares:** NBC's call on Series B Common shares is modified as follows:

- 1) Call becomes exercisable at any time effective immediately after the investment by NBC of the additional \$100MM.
- 2) The fixed exercise price for the Series B Common shares shall be defined as follows:
  - \$15.00 per share if notice given prior to 6/30/01
  - \$17.00 per share if notice given prior to 12/31/01
  - \$19.00 per share if notice given prior to 12/31/02
  - \$20.00 per share if notice given after 12/31/02
- 3) The call shall be exercisable by NBC for cash in full only and not in part, i.e. covering all of the Series B Common Stock
- 4) NBC has the right to assign the Call to a third party of its designation, which third party shall have the right to exercise the call on the above economic terms at the time of transfer.

**Network**

**Program Control:** NBC has the option to assume program responsibility for the Paxson Network, consistent with NBC's broadcast standards, without restrictions at any time after the additional investment.

**Local**

**Program Control:** Local program control will remain with Paxson, in compliance with FCC regulations.

As part of this transaction, Paxson and NBC shall determine a local programming strategy, which includes the opportunity for JSA partner stations to make a meaningful program contribution at the local station level, which shall be subject to an equitable revenue share or other economic arrangement mutually agreed.

**GE Approval:**

NBC investment is subject to the internal approvals customarily required for investment of this size and risk profile.

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**EXHIBIT 14**

**LETTER TO PCC FROM MARK W. BEGOR**



July 30, 2001

Mr. Jeff Sagarisky  
Paxson Communications Corporation  
601 Clearwater Park Road  
West Palm Beach, Florida 33401-6233

Dear Jeff:

As you know, NBC has significant concerns about the manner in which the board meetings of June 21 and 24 were noticed and conducted. Board materials were not delivered to our directors until the day before the originally-scheduled meeting date, and included only the proposed resolutions and portions excerpted from the offering memorandum describing the proposed \$200 million senior subordinated note offering. No pro forma or other financial information or use of funds analysis were provided to the board with respect to the proposed transaction. These materials represented the first indication to the board that Paxson was proposing to increase its overall indebtedness by over \$70 million. In light of the significance of the proposals being considered this is unacceptable.

Moreover, board members were given inadequate notice of the June 24 board meeting under the By-laws. Several conflicting notices were sent to the NBC board members by fax transmission beginning at 5:30 Friday evening, June 22, setting the meeting at noon on Sunday. As you are aware, Section 2.4 of the Company's By-laws requires that directors receive at least 48 hours' notice of a special meeting if delivered by fax transmission. We have been advised by counsel that, under Delaware law, a special meeting held without notice to all directors as required by the company's by-laws is of questionable validity, and all acts done at such a meeting may be void.

It is our position that the increase of over \$70 million to the Company's indebtedness potentially violates the covenants contained in the certificate of designations of the Series B Preferred Stock. The fact that this indebtedness was approved by the board at the June 24 meeting is irrelevant, because the meeting was defectively noticed and therefore invalidly held, and more importantly, because the board does not have the power to authorize the Company to violate the covenants contained in its certificate of designations. Only NBC, as the holder of the Series B Preferred, can waive compliance with these covenants.

We recognize that the debt offering has closed at this point, and believe it is not in the best interests of the Company's public stockholders to assert that the offering is void. With respect to this offering, we are willing to waive compliance by the Company with the covenants contained in the certificate of designations. We insist, however, that the Company provide NBC and the board of directors with a detailed plan specifying how the additional funds requested under the proposed financing will be used, and that any change in the plan be approved by NBC and the board. In addition, we insist that the Company comply with the By-laws regarding notice of board meetings, including the provision of adequate background information about matters to be presented to board for approval.





Please feel free to contact me if you would like to discuss this further.

Best regards,

  
Mark W. Begor

cc: Anthony Morrison, Esq.  
Brandon Burgess  
Lawrence P. Tu, Esq.

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**EXHIBIT 15**

**REPLY LETTER TO NBC FROM JEFF SAGANSKY**



August 2, 2001

(561) 682-4209

## Federal Express

Mark Begor  
Executive Vice President, Chief Financial Officer,  
President - NBC Business Development & Interactive Media  
National Broadcasting Company  
Rockefeller Plaza  
New York, New York

Dear Mark:

I received your letter, dated July 30, 2001, yesterday and wanted to respond as promptly as possible to the serious issues you raised. I am disappointed in the letter since I believe the issues you raised could have been handled through conversations between our two companies. I hope that in the future we will be able to discuss matters of this nature prior to your decision to commit, in writing, to a formal position.

First, let me note that the refinancing we completed on July 12<sup>th</sup> was the culmination of discussions and work of our two respective companies over approximately five months commencing in February of 2001. Your general assertion that inadequate information or use of funds analysis were not provided to the Board and that the Board may not have had sufficient information to have approved the proposed refinancing is simply incorrect. Please note that I have attached the following material provided to NBC or the full Board at various times during the past year which describe Paxson's financing needs:

- *Business Review, June 6, 2000* - initial discussions of Paxson financing requirements and possibility of NBC providing credit enhancement on \$500 million facility, with capital expenditure forecast through 2002
- *Business Review, September 7, 2000* - further discussion regarding Paxson financing requirements, including availability of additional borrowing under purchase money facility provided by GECC.
- *Fourth Quarter 2000 Board of Directors Presentation* - presentation included projected cash flow showing borrowing under new line of credit and more than \$91 million of projected capital expenditures; and overview of "Refinancing Opportunities" including a description of the proposed facility, which included a \$50 million for additional borrowing, which included a description of "a \$200M Senior Subordinated Note Offering, a \$350M senior credit facility (includes a \$280M term loan and a \$70M unfunded revolver", and included both timing and pricing estimates for the transaction.

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- *First Quarter 2001 Board of Directors Presentation* - presentation included projected cash flow showing borrowing under new line of credit and more than \$91 million of projected capital expenditures; and overview of "Refinancing Plan" including a description of "a \$200M Senior Subordinated Note Offering, a \$350M senior credit facility (includes a \$280M term loan and a \$70M unfunded revolver", and discussion of timing and pricing for the transaction. specifying additional borrowing capacity for purchase money basket, \$25 million general basket and a description of the proposed new facility, including a \$70 million for additional borrowing.
- *May 1, 2001 Board of Directors Meeting Minutes* - resolution adopted authorizing, generally, the Company to proceed with the financing in light of favorable market conditions.

In addition, NBC (as well as GE Capital) was provided far more detailed information than that provided to the Board members all in an effort to involve NBC to provide credit enhancement for a proposed transaction and subsequently to allow GECC to participate more actively in the financing through the capital markets. In March of this year, Tony Morrison, Tom Severson and Seth Grossman made a presentation to you, Brandon Burgess and Mark Keim, including materials nearly identical to those described above, all as part of an effort to have NBC or GE provide credit enhancement to reduce Paxson costs in the capital markets for the proposed refinancing.

In early April, Mark Keim of NBC prepared and distributed to Tom Severson and Seth Grossman for their review and comment a "Debt Overview" describing Paxson's existing capital structure and a review of "Financing Alternatives" which described various alternatives for Paxson's financing needs. (A copy of Mark's analysis is attached hereto.) One alternative, under the caption "Components of Standalone Refinancing," describes a \$280 million bank deal, \$200 million hi-yield offering and a "\$70 million new revolver", and is nearly identical to the deal ultimately concluded in July. Mark's work was prepared for NBC executives and under the supervision of Brandon Burgess in connection with NBC's consideration of providing credit enhancement for such a financing. Based on the foregoing, it cannot be disputed that NBC reviewed and understood in detail what Paxson was proposing. Frankly, it is IMPOSSIBLE for me to see how NBC can claim it was not fully aware of the terms of the potential financing and the intended uses of funds, including establishing \$70 million of additional debt capacity as additional liquidity to be used for general working capital and to fund capital expenditures.

With that factual background, I would like to now turn to the two specific issues you raised: (1) the adequacy of the Board Meeting held June 21 and continued through the 24<sup>th</sup>, and (2) the alleged violation of the Series B Preferred Stock Certificate of Designations.

On June 21, 2001, a Special Meeting of the Board of Directors was convened, after such meeting was called by the Chairman of the Board of the Company and duly noticed on

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June 19, 2001 in accordance with provisions of Section 2.4 of the Company's By-laws. Board members were literally scattered across the globe, and efforts were made by our staff to schedule a meeting time which would be convenient to as many Board members as possible. Although there was a quorum present, attendance at the June 21<sup>st</sup> meeting was low, including the attendance of only Brandon Burgess of the three NBC-nominees, and the June 21<sup>st</sup> meeting was adjourned and reconvened later the same day to allow the NBC members to join in and participate. When the meeting reconvened later that day on June 21, 2001, none of the NBC-nominated Board members attended and the meeting was again adjourned and then reconvened on June 24<sup>th</sup>. The reconvened meetings were scheduled based upon information provided to us as to the time and date when the most Board members would be able to be present and participate. Furthermore, notice for the meeting and the information regarding reconvening meetings was faxed and confirmed with each Board member. Specifically, late Friday afternoon on June 22, Tony Morrison's office made calls to Brandon Burgess' office regarding the June 24<sup>th</sup> meeting. Tony Morrison's assistant twice faxed information concerning the Sunday meeting and in each case called and spoke with an employee answering Brandon Burgess' phone. This individual confirmed receipt of the fax and that she would get the information to Brandon Burgess regarding the Sunday conference call. While Brandon Burgess had informed Tony Morrison during a conversation on Friday that, if needed, he could be reached by Tony over the weekend by cell phone or e-mail about the scheduling of the meeting for Sunday, Mr. Burgess' office received the information on Friday afternoon/evening and confirmed that it would be given to him for the Sunday call. Any inference that we sought to exclude Brandon Burgess or any NBC-nominee Board member from the meeting is simply unfounded. As I made clear above, the meeting was adjourned twice in order to allow greater board attendance. Ed Wilson attended the reconvened meeting on Sunday. I find it hard to believe that NBC could seriously think that we diligently provided notice to Ed Wilson and Keith Turner, but sought to exclude Brandon Burgess, even though all three are NBC nominees to the Board of Directors, and presumably would meet and confer in advance of any meeting. Finally, Brandon Burgess has been the most productive NBC nominated member of the Board of Directors and has been helpful in fostering a more productive partnership between NBC and Paxson. It is simply implausible that we would exclude him from a Board of Directors meeting.

Furthermore, while we tried to get a majority of the members of the Board for this vote, in fact, Section 2.6 of the Bylaws specifies that only one-third of the members are required to constitute a quorum in order for the Board to take action. Accordingly, while efforts were made to accommodate the ability of NBC to join the meeting duly noticed for June 21<sup>st</sup> and adjourned and reconvened twice, later that day on the 21<sup>st</sup> and again on June 24<sup>th</sup>, at all times during the meeting a quorum was, in fact, present and the Board could have taken action at any time. In sum, notice of a Board meeting duly given, and such meeting was held on June 21<sup>st</sup> and reconvened later on the 21<sup>st</sup> and 24<sup>th</sup> of June for the purpose of allowing NBC members to join in and participate at such meeting. On June 24<sup>th</sup> the Board

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took action, which action was taken with the quorum required under the terms of the By-laws and otherwise in full compliance with the Company's By-laws, Certificate of Incorporation and Delaware corporate law.

As for the alleged breach of the Series B Preferred Stock Certificate of Designations, please be advised that no such breach has occurred nor will occur in connection with the concluded refinancing. When the Company incurs debt, it must do so within the limitations of the Company's existing capital structure, including the Series B Preferred Stock held by NBC. The terms of the Series B Preferred Stock with respect to an incurrence of indebtedness is virtually identical to the other terms of our capital structure. All of the existing documents governing our capital structure including the Series B Preferred Stock Certificate of Designations, and the documents prepared in connection with the refinancing were reviewed by Tony Morrison, our Chief Legal Officer, Holland & Knight, our general outside counsel and, of course, Weil, Gotshal & Manges, counsel for both the underwriters and the bank group in the recently concluded financing. Further, the terms of our capital structure have been reviewed over the years by Simpson, Thacher & Bartlett, counsel to our prior bank group (and counsel to NBC in making its investment in Paxson), Kilpatrick Stockton, counsel to GE Capital, and Cahill, Gordon & Reindell, counsel to the underwriters in our prior offerings of debt and preferred stock.

The terms of the undrawn facilities established in the refinancing consist of a \$25 million line of credit to be used for general working capital purposes (of which approximately \$2 million was drawn at closing), and a \$50 million line of credit to be used to finance the purchase of capital assets. Clauses (iii) and (x) of the definition of "Permitted Indebtedness" contained in the Series B Preferred Stock Certificate of Designations, as well as virtually identical provisions in the other tiers of the Company's capital structure, provide for "baskets" of additional permitted indebtedness of \$25 million under the Credit Agreement and \$10 million of additional debt. Thus, any borrowings under the \$25 million line under the new credit facility to be used for general working capital purposes is clearly within the aggregate \$35 million basket provided in the Series B Preferred Stock held by NBC. Clause (viii) of the definition of "Permitted Indebtedness" contained in the Series B Preferred Stock Certificate of Designations, as well as virtually identical provisions in the other tiers of the Company's capital structure, allows the Company to incur additional permitted indebtedness in the form of purchase-money indebtedness in an amount up to five percent of the Company's consolidated total assets. Indebtedness to be incurred under the \$50 million facility will be incurred in reliance upon this purchase-money indebtedness basket. I know you are aware that prior to the recently concluded refinancing, we had an existing line from GE Capital Corporation under which, from time to time, GE Capital extended purchase-money loans to Paxson relying on precisely the same purchase-money indebtedness basket.

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In sum, in completing the refinancing, the Company has improved its liquidity by being able to access \$70 million of additional debt, fully and undisputably in compliance with all of the terms governing the Company's capital structure documents, including the terms of the Series B Preferred Stock Certificate of Designations. Frankly, I am completely perplexed by your seeming objection to this credit given all the concerns NBC raised at Director meetings and at other times over the last two years concerning the Company's liquidity after the Company elected to acquire assets from DP Media in the first six months of fiscal year 2000. This refinancing addressed a specific concern previously raised by NBC and provided the Company with valuable liquidity if needed in the future.

I trust that you will review the foregoing with your counsel and then get back to me as soon as possible in writing. While your assertion of alleged infractions of the By-laws can be cured through a Board meeting with or without NBC concurrence, your letter alleged a violation of the Series B Preferred Stock Certificate of Designations and expresses a willingness to waive the alleged lack of compliance by the Company. This letter is our formal response denying any such covenant violation has occurred and we will not seek a waiver from NBC. If you feel otherwise, please provide a specific basis for your position, as the matter may require a public disclosure in accordance with SEC rules and regulations.

While you have complained of an infirmity in the June 24<sup>th</sup> Board action, you failed to notify us until July 30<sup>th</sup>, well after the closing of the refinancing transaction on July 12<sup>th</sup>. Please note that in light of the fact that (a) Ed Wilson attended the June 24<sup>th</sup> meeting, (b) Brandon Burgess communicated on June 25<sup>th</sup> with Tony Morrison's office that he was upset that he had not been included in that meeting, (c) NBC and GECC were aware of the transaction at many levels, and (d) a press-release was issued both well before and after the closing of the transaction, it is difficult to conclude that NBC was unaware of the nature and scope of the transaction or the timing thereof. If NBC had a good-faith belief or concern that the June 24<sup>th</sup> Board action was ineffective or had questions or concerns about the refinancing transactions, we are hard-pressed to understand why you would wait until after July 12<sup>th</sup> to notify us of such matters. Please be advised that our Chief Legal Officer, Chief Finance Officer and other members of Paxson provided NBC with information requested by NBC both before and after the June 24<sup>th</sup> meeting. Prior to the July 12<sup>th</sup> closing, Tony Morrison made several calls, which went unanswered, as to whether NBC wanted more information regarding the transaction. In sum, if NBC had a problem, whether real or perceived, with the process by which the Board authorized the transaction or the substance of the transaction, I fail to understand why NBC did not voice these concerns during the *eighteen day* period after Board action was taken and prior to the closing of the transaction.

As I set forth in a letter to Andy Lack recently, there is a perception at NBC that helping Paxson will only make NBC's ultimate acquisition of Paxson more costly. This, in fact, is not the case, but is one of the principal reasons I have heard about NBC's unwillingness

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to repurpose programming on PAX TV. Similarly, NBC failed to provide any credit enhancement or substantive involvement in our refinancing process, perhaps for the same reason. However, as I have previously stated to Andy Lack, and as we at Paxson have said to Bob Wright, Brandon Burgess and countless other representatives of NBC since September 1999, we need this partnership with NBC to work. If you feel there are things we should be doing to grow the value of NBC's investment in Paxson and the value of our common shareholders' interests in Paxson I want to hear them. In the future, I suggest we have in depth discussions in order to resolve issues prior to committing them to writing. As for this instance, I repeat my request that you confirm, in writing, that there has been no violation of the covenants contained in the Series B Preferred Stock. I look forward to hearing from you soon.

Very truly yours,

  
Jeffrey Sagansky  
President, CEO

cc: Lowell W. Paxson  
Anthony L. Morrison, Esq.  
Brandon Burgess - NBC  
Lawrence P. Tu, Esq. - NBC



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**EXHIBIT 16**

**EXTRACTS FROM MINUTES OF PCC'S  
SEPTEMBER 7, 2001 BOARD MEETING**

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**MINUTES OF THE  
BOARD OF DIRECTORS OF  
PAXSON COMMUNICATIONS CORPORATION**

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A regular meeting of the Board of Directors of Paxson Communications Corporation (the "Corporation"), a Delaware corporation, was held on Friday, September 7, 2001 at 9:00 a.m. of said day, at the Rhiga Royal JW Marriott Hotel, 151 West 54th Street, New York, New York 10019.

**Directors Present:**

Lowell W. Paxson, Chairman  
Jeffrey A. Sagansky  
Bruce L. Burnham  
James L. Greenwald - via telephone  
R. Brandon Burgess  
John E. Oxendine  
Keith G. Turner  
Royce E. Wilson - via telephone  
Henry Brandon

**There were also present at said meeting:**

Dean M. Goodman, Executive Vice President, Chief Operating Officer, President - PAX TV  
Anthony L. Morrison, Executive Vice President, Secretary, General Counsel  
Seth A. Grossman, Executive Vice President, Chief Strategic Officer  
Thomas E. Severson, Jr., Senior Vice President, Chief Financial Officer  
Adam K. Weinstein, Vice President, Assistant Secretary, Assistant General Counsel  
Steve Friedman, President of Cable Distribution  
Karsten Amlie, President, PAX Internet

David L. Perry, Holland & Knight LLP  
John Eck, NBC  
Jay Ireland, NBC  
Randy Falco, NBC

Lowell W. Paxson, Chairman of the Board, presided over the meeting and the minutes thereof were kept by Adam K. Weinstein, Vice President, Assistant Secretary, Assistant General Counsel.

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**APPOINTMENT OF HENRY BRANDON AS DIRECTOR**

Chairman Paxson noted that the Corporation has received the resignation of William E. Simon, Jr.

the intent of any of the foregoing; and (c) any and all future modifications, amendments, extensions, renewals, increases, supplements, counterparts, ratifications, or assumptions of any of the foregoing;

**RESOLVED**, that any and all acts previously taken or documentation previously delivered by a Designee or others on behalf of the Corporation or its subsidiaries in furtherance of the intent and purposes of the foregoing resolutions are in all respects expressly ratified and confirmed; and

**RESOLVED**, that all actions by the officers of the Corporation or its subsidiaries, or any of them, on behalf of the Corporation or such subsidiaries with respect to the foregoing, which actions would have been authorized by the foregoing resolutions except that the actions were taken prior to the adoption of the foregoing resolutions, be, and they hereby are, ratified, confirmed and adopted as being the duly authorized and approved actions of the Corporation and such subsidiaries.”

#### **PRIOR BOARD MINUTES**

##### **Review of Board Consent and Meeting Procedures**

The following are highlights of a discussion among the Board of Directors related to logistics and procedures surrounding consents and meetings of the Board of Directors.

Mr. Morrison began the discussion by noting that Mr. Begor, the CFO of NBC, has expressed concerns in a letter to Director Sagansky (the “NBC Letter”) over the Corporation’s process of notifying and holding the special meeting of the Board of Directors which occurred on June 24, 2001, at which the Board of Directors approved the terms of the July debt refinancing transaction. Mr. Morrison stated to the Board of Directors that in connection with the Special Meeting held on June 24, 2001, the Corporation’s in-house and external counsel reviewed the notification and meeting process and concluded that the special meeting was held in full compliance with the letter and the spirit of the Delaware corporate law and the Corporation’s articles and bylaws.

Director Burgess commented that he would like to see a process instituted that gives NBC a full understanding of the Corporation’s plans so that an informed decision may be made on capital transactions. Chairman Paxson responded that the Corporation worked with NBC over a 15 week period on an alternative financing plan which was ultimately rejected by NBC late in the process. He noted that during this period, a large amount of information was provided to NBC and the Corporation’s management team worked closely with Director Burgess and other NBC employees in pursuing the alternative financing plan. Chairman Paxson noted that the Corporation’s willingness to work with NBC and its delay in effectuating the refinancing transaction increased the Corporation’s financing costs by approximately 50 basis points due to a deterioration in the market. He also noted that the Corporation has taken steps to notify and provide a meeting agenda to each

Director earlier than the Corporation has done in the past. Director Burgess noted that although the executive management of GE rejected the NBC alternative financing plan, all of the discussions surrounding such alternative financing plan were in good faith and a large amount of paper was reviewed and analyzed. Director Brandon noted that Mr. Simon, formerly Vice Chairman of the Board of Directors, and he have had knowledge of the refinancing needs of the Corporation since the initial institution investment by Simon & Sons, have received mounds of information on this matter, meet with Mr. Severson in Florida to discuss this matter and attended one of the road show events leading up to the refinancing transaction. He expressed his surprise that any Director would suggest that they did not have sufficient information or opportunity prior to the June 24, 2001 meeting to make an informed decision.

Chairman Paxson noted that once the Corporation received NBC's rejection of the alternative financing plan, he put lots of pressure on the Corporation's management team to moved as quickly as possible to finalize the refinancing transaction and distribute materials to the Board of Directors for approval. He noted that speed was required as the capital markets were deteriorating.

Director Burgess noted that in recent discussions with Mr. Severson, he thought that the following two ideas would help keep NBC informed with the Corporation's plans. First, he and other NBC representatives would attend a monthly finance meeting with the Corporation's finance team. Second, he and other NBC representatives would attend special dedicated meetings with members of the Corporation's management team in respect of major matters, such as the meeting held on Thursday, September 6, 2001 on the Corporation's proposed tower sale and the proposed refinancing of the Corporation's 12-1/2% Preferred Stock. Chairman Paxson indicated his support of Director Burgess's new ideas. He also directed each member of the management team to make themselves available to each Director prior to each meeting of the Board of Directors and directed management to provide each member of the Board of Directors with an agenda package at least one week in advance of each scheduled meeting.

#### **Discussion of Recently Completed Refinancing Transaction**

Chairman Paxson noted to the Board of Directors that, pursuant to Lawrence Tu's request (NBC's General Counsel), the Corporation had added the following item to the agenda for this Board of Directors meeting:

“Discussion of recently completed refinancing transaction; plans for future incurrence of additional debt to fund capital expenditures and controls applicable to such debt incurrence; and existing covenant restrictions on additional debt.”

As Mr. Tu was not present at the meeting, Chairman Paxson requested that Director Burgess illuminate the Board of Directors with the concerns which caused the addition of this agenda item. Director Burgess informed the Board of Directors that he would prefer to review this item in an off-line conversation as he viewed this matter involving legal technicalities, interpretations and covenant compliance, all of which he was not qualified or prepared to discuss and recommended that this item

be taken up with Mr. Tu.

Chairman Paxson noted to the Board of Directors that since the receipt of the NBC Letter, both the Corporation's in-house and external counsel have re-reviewed all aspects of the refinancing transaction and they have re-confirmed their opinion that the refinancing transaction was completed in accordance with all laws, restrictions on the Corporation imposed under contract, applicable laws and the Corporation's articles and bylaws. He noted that upon receipt of the NBC Letter, Director Sagansky promptly provided to Mr. Begor a detailed response to each concern raised in the NBC Letter (the "Paxson Response"). Chairman Paxson noted that although there have been a number of oral conversations between the Corporation and NBC on the matters contained in the NBC Letter, these matters have not been resolved and the Corporation was still waiting for a written response from NBC. Chairman Paxson noted that due to the nature and importance of the matters contained in the NBC Letter, there should be no further off-line conversations and this matter should be resolved in front of the full Board of Directors.

Director Burgess committed that NBC would respond to the Paxson Letter in writing prior to the next meeting of the Board of Directors and at such meeting the Board of Directors could further discuss the NBC Letter, the Paxson Letter and the forthcoming NBC response.

Chairman Paxson expressed his belief that the matters raised by the NBC letter are extremely important to the Corporation and should be dealt with in full view of Board of Directors in order to eliminate any further misunderstandings. He directed and Mr. Morrison distributed copies of the NBC Letter and the Paxson Letter to each member of the Board of Directors.

Mr. Morrison noted to the Board of Directors that to the extent any Director feels they need additional information in order to make an informed decision on any matter over that distributed to all members of the Board of Directors, such Director should feel free to contact his office and additional information will be provided. He summarized the question which was raised by the NBC Letter as whether the each of the Directors who acted on the refinancing transaction had sufficient information to make an informed judgment on the matter. He noted that the Corporation maintains that the Corporation provided sufficient information to all Directors and also provided NBC with substantial amounts of additional information, including a presentation to Mr. Begor and other senior executives of NBC and GE.

Chairman Paxson concluded by notifying the Board of Directors that he would (a) postpone the approval of the June 24, 2001 minutes until the next meeting of the Board of Directors, (b) distribute copies of the NBC Letter and the Paxson Letter to each member of the Board of Directors, which was distributed prior to the end of this meeting of the Board of Directors, (c) instruct management to continue to have dialog with NBC, and (d) if necessary, call a Special Meeting of the Board of Directors to further discuss and finalize this matter.

#### **Approval of May 1, 2001 Board Minutes**

Copies of the minutes of the Annual Meeting of the Board of Directors held on May 1, 2001 were previously distributed to the Directors for their review. Upon a motion duly made by Director Oxendine, seconded by Director Burnham and unanimously carried by an affirmative vote of all of the Directors, the motion to approve the minutes from the May 1, 2001 meeting was unanimously approved.

## **APPROVAL OF PROPOSED SALE OF BROADCAST TOWER ASSETS**

### **Tower Sale Presentation**

Chairman Paxson noted to the Board of Directors that the Corporation has waited until it clearly understood the implications of the DTV transition before it committed to selling its tower assets and therefore, is one of the last broadcasters to take such action.

Mr. Morrison informed the Board of Directors that the Letter of Intent dated August 17, 2001 between the Corporation and SpectraSite Broadcast Towers, Inc. was inadvertently not included in the pre-meeting package distributed to Directors. He noted that this Letter of Intent had been distributed to NBC and Mr. Grossman's presentation would review, in detail, the material terms of the Letter of Intent.

Mr. Grossman then made a presentation to the Board of Directors on the Corporation's efforts related to the sale and lease-back of Corporation's tower assets, including the materials contained in Part A of the handout which is attached hereto as Exhibit A. Mr. Grossman gave an overview of the Corporation's tower assets, reviewed the Corporation's rationale for the proposed transaction, reviewed each of the steps taken in pursuit of the proposed transaction, reviewed each of the prospective tower operators, and detailed the Corporation's objectives in evaluating tower proposals. Mr. Grossman next detailed the terms and conditions of the SpectraSite sale and leaseback proposal and contrasted those terms and conditions to those received in a proposal from American Tower Corporation. He next reviewed with the Board of Directors a financial analysis and an operating analysis of the SpectraSite sale and leaseback proposal.

Mr. Grossman noted that the Corporation was working with PricewaterhouseCoopers, the Corporation's outside auditors and accounting consultants, on confirming that the SpectraSite transaction would be classified as sale and an operating lease rather than a sale and a capital lease. He reviewed each of the factors which determines whether a lease will be classified an operating or a capital lease and noted that in the event that one or more of the transaction's terms cause a classification issue to arise, the Corporation would work with SpectraSite to modify such terms to eliminate the classification issue. At Director Burgess' recommendation, Mr. Grossman committed to explore whether SpectraSite would grant to the Corporation a purchase option on the towers upon a change of control of the Corporation and the related accounting issues which would be raised by such a provision.

Finally, Mr. Grossman reviewed the transactions progress and the remaining steps necessary to

effectuate the transaction, including, the completion by September 15, 2001 SpectraSite's due diligence review, the finalization of the Corporation's DTV transition schedule, finalization of the accounting treatment of the transaction and finalization of the Corporation's review of SpectraSite's financial health. Mr. Grossman noted that he expected to close the transaction on an accelerated basis by October 1, 2001. During the course of Mr. Grossman's presentation, Director Burgess posed several questions regarding the terms and conditions of the proposed tower transaction.

#### **700 MHZ Auction Update**

Chairman Paxson noted to the Board of Directors that he would like to bring the Board of Directors up to date on the Corporation's efforts on the 700 MHz auction prior to bringing the tower sale transaction to a vote.

Chairman Paxson informed the Board of Directors that he understands that, unofficially, four of five of the FCC Commissioners have approved an order which would effectuate the Corporation and other broadcasters' March 2001 proposal related to the clearing of the 700 MHz spectrum band in a timely and efficient manner. He further noted that the anticipated order from the FCC will allow the Corporation to pursue a strategy which allows a number of the Corporation's station to transmit in analog on such station's digital assignment. With this strategy in place 39 out of 43 of the Corporation's stations will be able to comply with the FCC's May 1, 2002 digital conversion requirements. Chairman Paxson noted that the SpectraSite proposal takes into account the issuance of the proposed FCC order and is consistent with the Corporation's plans with respect to the Corporation's 17 stations which operate within the 700 MHz band.

Chairman Paxson shared with the Board of Directors a draft press release to be issued after the issuance of the anticipated FCC order, which is expected at any time. He then shared with the Board of Directors his thoughts, ideas and expectations related to the auction process.

#### **Tower Sale Resolutions**

Chairman Paxson then presented to the Board of Directors a set of resolutions with respect to the sale and lease-back of the Corporation's tower assets.

Director Burgess noted that he and the other NBC nominated Directors (Burgess, Turner and Wilson) would abstain from the vote on the proposed transaction for the sale and lease-back of the Corporation's tower assets. He noted that they had concerns over the classification of the leases and are not willing to vote on this particular financial matter until NBC is satisfied with the resolution of the issues raised in the NBC Letter. Notwithstanding the forgoing comment, in response to Mr. Morrison's direct question, Director Burgess stated that each of the NBC nominated Directors had individually reached the determination to abstain from the vote on this matter.

Upon a motion duly made by Director Burnham, seconded by Director Oxendine and unanimously carried by an affirmative vote of all of the Directors, other than Director Burgess, Director Turner

and Director Wilson, who abstained, the following resolutions were duly adopted:

**“WHEREAS, in order to provide the liquidity necessary to meet Paxson Communications Corporation’s (the “Corporation”) obligations and financial commitments for at least the next twelve months, the Corporation is pursuing a plan to sell certain specified assets and anticipates the proceeds of these transactions to be approximately \$75-\$85 million, including, the sale of the Corporation’s television stations serving markets in Honolulu and Boston/Merrimack, the sale of certain low-powered television stations, the sale and securitization of the Corporation’s accounts receivable and the sale and leaseback of the Corporation’s transmission tower assets; and**

**WHEREAS, the Corporation has entered into a letter agreement (the “Letter of Intent”) with SpectraSite Broadcast Towers, Inc. (“SpectraSite”) which outlines the terms and conditions of a transaction by which the Corporation will sell its thirty-two (32) broadcast transmission towers and eight (8) studio transmitter link towers to SpectraSite and with an operating lease back space on such towers for its analog and digital television transmitters;**

**NOW, THEREFORE, BE IT**

**RESOLVED, that Lowell W. Paxson, Chairman; Jeffery Sagansky, President and Chief Executive Officer; Dean M. Goodman, Executive Vice President and Chief Operating Officer; Thomas E. Severson, Jr., Senior Vice President, Chief Financial Officer and Treasurer; Seth A. Grossman, Executive Vice President and Chief Strategic Officer; Anthony L. Morrison, Executive Vice President, Secretary and Chief Legal Officer; William L. Watson, Vice President and Assistant Secretary; or Adam K. Weinstein, Vice President and Assistant Secretary; or any one of the aforementioned (each such aforementioned officer or subsequently authorized officer being referred to herein as a “Senior Officer”), acting alone, is authorized, in the name and on behalf of the Corporation, to execute and deliver, with such terms and conditions and in such manner as are deemed necessary, appropriate, or convenient by the Senior Officer, and to perform (a) the Definitive Agreements (as defined in the Letter of Intent) which would effectuate the sale and leaseback transaction of all or a portion of the Corporation’s broadcast transmission towers and studio transmitter link towers as described in the Letter of Intent; (b) any further consents, agreements, instruments, certificates, authorizations, and documents in connection with the transactions authorized or approved hereby or to effectuate the intent of any of the foregoing; and (c) any and all future modifications, amendments, extensions, renewals, increases, supplements, counterparts, ratifications, or assumptions of any of the foregoing; and**



**RESOLVED, that any and all acts previously taken or documentation previously delivered by a Senior Officer or others on behalf of the Corporation or its subsidiaries in furtherance of the intent and purposes of the foregoing resolutions are in all respects expressly ratified and confirmed, including, without limitation, the execution, delivery, and performance of the Letter of Intent by the Corporation."**

## **FINANCIAL REPORT & FINANCING PROPOSAL PRESENTATION**

### **Refinancing of the 12 1/2 Cumulative Exchangeable Preferred Stock**

Chairman Paxson noted to the Board of Directors that the Corporation is pursuing a proposed refinancing of the Corporation's 12-1/2% Preferred Stock, which have dividends which become payable in cash beginning in October 2002 in the amount of approximately \$40 million per year. He informed the Board of Directors that the Corporation needs to conserve its cash and he is putting pressure on the Corporation's management team to move as quickly as possible to finalize the refinancing transaction.

Mr. Severson next made a presentation to the Board of Directors related to a proposed refinancing of the Corporation's 12 1/2% Preferred Stock, including the materials contained in Part B of the handout which is attached hereto as Exhibit A. Mr. Severson began by summarizing the Corporation's July 2001 debt refinancing transaction and noting that current market conditions are favorable for the Corporations proposed refinancing of its 12 1/2% Preferred Stock. He reviewed the Corporation's refinancing objectives and outlined the Corporation's capital structure assuming the proposed refinancing is effectuated.

Mr. Severson outlined three alternative refinancing plans for the 12 1/2% Preferred Stock, including an economic analysis each of the first two alternative plans. The first plan contemplated the Corporation issuing new zero coupon senior subordinated notes which would be pari-pasu with the Corporation's currently outstanding 10 3/4% Senior Subordinated Notes. He noted that this plan contains the simplest structure and may provide the Corporation with the ability to lower its cost of capital. He also noted that the Corporation was still investigating whether a clarification consent would be required of NBC and/or the holders of the Corporation's 13 1/4% Preferred Stock. Mr. Severson informed the Board of Directors that management was currently working with SSB and Merrill Lynch on this proposed transaction and would also be looking and considering Bear Sterns and others.

The second alternative plan is to seek a consent from the holders of the 12 1/2% Preferred Stock to extend the PIK feature of the related debentures, and exchange 12 1/2% Preferred Stock into 12.5% debentures. Mr. Severson noted that this alternative does not provide the Corporation with the ability to lower its cost of capital.

The third alternative plan is for NBC or its parent to provide credit enhancement for an instrument

which would be issued to refinance the 12 1/2% Preferred Stock. Mr. Severson noted that he has spoken to Director Burgess on this matter and he was informed that NBC is looking into the matter.

Mr. Severson highlighted the impact of a refinancing of the 12 1/2% Preferred Stock to the Corporation, including, the conservation of approximately \$40 million of cash per year, the extension of maturity dates, and savings on costs of capital. He also reviewed with the Board of Directors two proforma cash flow statements which outlined the Corporation's cash position assuming (1) the Corporation does not effect a refinancing and (2) the Corporation does effect a refinancing.

Finally, Mr. Severson outlined the timing of the proposed transaction and made a recommendation to the Board of Directors that the Corporation pursue a transaction which would have the Corporation issue \$300 million of zero coupon senior subordinated notes for a 7 year term, with 4 year call protection, and which would be pari pasu with the Corporation's 10 3/4% Senior Subordinated Notes.

### **Refinancing Resolutions**

Chairman Paxson then presented to the Board of Directors a set of resolutions with respect to a proposed refinancing of the Corporation's 12-1/2% Preferred Stock.

Director Burgess noted that although NBC believed that the proposed refinancing of the 12-1/2% Preferred Stock was good for the Corporation, he and the other NBC nominated Directors (Burgess, Turner and Wilson) would abstain from the vote on the proposed refinancing because NBC may be a party to the proposed transaction.

Upon a motion duly made by Director Oxendine, seconded by Director Brandon and unanimously carried by an affirmative vote of all of the Directors, other than Director Burgess, Director Turner and Director Wilson, who abstained, the following resolutions were duly adopted:

**"WHEREAS, Paxson Communications Corporation's (the "Corporation") 12-1/2% Cumulative Exchangeable Preferred Stock (the "12-1/2% Preferred Stock") pay dividends in (a) additional shares of 12-1/2% Preferred Stock through October 31, 2002, and (b) cash thereafter; and**

**WHEREAS, the US capital markets are liquid and in demand of high yield corporate debt and preferred stock instruments;**

**WHEREAS, the management of the Corporation, with the assistance and advise of its outside financial and legal advisors, have determined that the Corporation would realize significant cash interest savings if the Corporation takes advantage of the current market conditions and refinances, as soon as possible, the 12-1/2% Preferred Stock;**

**NOW, THEREFORE, BE IT**

**RESOLVED**, that Lowell W. Paxson, Chairman; Jeffery Sagansky, President and Chief Executive Officer; Dean M. Goodman, Executive Vice President and Chief Operating Officer; Thomas E. Severson, Jr., Senior Vice President, Chief Financial Officer and Treasurer; Seth A. Grossman, Executive Vice President and Chief Strategic Officer; or Anthony L. Morrison, Executive Vice President, Secretary and Chief Legal Officer; or any one of the aforementioned (each such aforementioned officer or subsequently authorized officer being referred to herein as a "Senior Officer"), acting alone, is authorized, in the name and on behalf of the Corporation, to (a) pursue with one or more third party financial underwriting institutions (collectively, the "Underwriters") the refinancing of all or a portion of the 12-1/2% Preferred Stock and (b) enter into, execute or modify upon such terms as such Senior Officer shall approve one or more engagement agreements with the Underwriters which would provide for the terms and conditions upon which such refinancing would take place; and (c) enter into any further consents, agreements, instruments, certificates, authorizations, and documents in connection with the transactions authorized or approved hereby or to effectuate the intent of any of the foregoing."

**Fiduciary Duties of Each Director**

Chairman Paxson noted to Director Burgess, Director Turner and Director Wilson, that, as Directors of the Corporation, they owe a fiduciary duty to the Corporation and its shareholders, not to NBC. He noted that, in his opinion, it appeared that Director Burgess, Director Turner and Director Wilson have voted NBC's position on the resolutions related to the tower sale and the refinancing of the 12 1/2% Preferred Stock, and did not vote such Director's individually determined positions on such matters. Chairman Paxson expressed his concern over Director Burgess, Director Turner and Director Wilson's person financial well being, as he believed that such Directors were acting outside their fiduciary duty to the Corporation and placing themselves at financial risk. Finally, Chairman Paxson recommended that each of Director Burgess, Director Turner and Director Wilson consult with their individual legal counsel regarding their actions at today's meeting of the Board of Directors, and offered such Directors the opportunity, if they desired, to consult with the Corporation's outside counsel, Holland & Knight.

In response to Mr. Morrison's query of what additional information Director Burgess required in order to be in a position to remove each of Director Burgess, Director Turner and Director Wilson's abstentions and make a decision on the refinancing and tower sale resolutions, Director Burgess stated that all financing matters would be considered in whole with the resolution of the issues raised by the NBC Letter and Director Turner, Director Wilson and he would not consider these financial matters independently.

Director Wilson noted that he failed to get the agenda materials for this meeting of the Board of Directors and requested that the Corporation give him more than 3 or 4 days notice of all future meetings. Chairman Paxson committed to assure each Director that they will receive advance notice and a meeting agenda package in advance of each meeting of the Board of Directors.

[Secretary's Note: Each Director was notified of the September 7, 2001 meeting of the Board of Directors by a notice sent by facsimile and FedEx on Friday, August 24, 2001. On Friday, August 31, 2001 each Director was sent by FedEx the agenda materials for delivery on Tuesday, September 4, 2001 and actual receipt was confirmed by phone on such day. Revised agenda materials were sent by facsimile on Thursday, September 6, 2001 and actual receipt was confirmed by phone that afternoon. On Monday, September 10, 2001, Ann Morteo, Director Wilson's secretary/assistant re-confirmed that she had received all of the agenda materials, but mistakenly placed the agenda materials in a briefcase as she believed that Director Wilson would call into the meeting of the Board of Directors at his home, rather than at his office.]

#### **OTHER NEW BUSINESS**

Chairman Paxson confidentially disclosed to the Board of Directors that he is under treatment for certain described medical conditions.

#### **Programming**

Director Sagansky noted to the Board of Directors that the Corporation and NBC are two years into the relationship and his characterization of such relationship, in terms of programming, is one which has been non-productive and frustrating. He reviewed, in detail, the history of working with NBC since the inception of the relationship. Finally, Director Sagansky requested that NBC provide an indication of how the Corporation and NBC should proceed on sharing programming in the future.

Director Burnham noted that programming was an unfulfilled area of the relationship between NBC and the Corporation. He proposed that the Board of Directors adopt a motion requesting that NBC provide the Corporation with a written position paper that clarifies NBC's position on the sharing of programming with the Corporation.

Director Wilson noted to the Board of Directors that he supported the preparation of a written plan as this was a good idea to clarify the relationship and intent of the parties. He also noted that NBC has delivered a number of movies and other programming over the last two years, but there was a need for NBC and the Corporation to work closer together on programming matters.

Chairman Paxson noted to the Board of Directors that the intent of the relationship between NBC and the Corporation was to have lots of shared programming and cross-promotion activities. He noted that he was personally frustrated with the lack of progress on programming matters and would

like clarification of the shared programming process. Finally, Chairman Paxson and Director Burnham suggested to the Board of Directors that during the meeting of outside Directors which follows the meeting of the full Board of Directors, such outside Directors work to draft and adopt a resolution by the Corporation to request NBC provide the Corporation with a written position paper that clarifies NBC's position on the sharing of programming with the Corporation. Director Oxendine recommended that clarification of the issues surrounding shared programming be outcome oriented and tied to an objective measurable criteria.

### **Ownership Caps**

Chairman Paxson reported to the Board of Directors that NBC's attorneys were making arguments today on NBC's action to overturn the FCC's 35% ownership cap. He noted that a decision was likely by the end of this calendar year and if the action was successful, he envisioned that the FCC would conduct rulemaking procedures which would result in a higher cap of 50% or more. Finally, Chairman Paxson noted to the Board of Directors that the combination of NBC and the Corporation's stations would result in ownership of just under 50% of US households.

### **PRIVATE SESSION OF INDEPENDENT DIRECTORS**

Attached hereto as Exhibit A is a letter from Director Burnham containing the recommendations of the outside Directors to the Board of Directors in respect of the creation of a joint NBC-PCC programming task force.

### **ADJOURNMENT**

There being no further business to come before the Board, upon a motion duly made by Director Burnham, seconded by Director Oxendine and unanimously carried by an affirmative vote of all of the Directors, the Board adjourned.

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Anthony L. Morrison  
Secretary

Approved:

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Lowell W. Paxson  
Chairman of the Board

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**EXHIBIT 17**

**AUGUST 27, 2001 E-MAIL MESSAGE**  
**FROM LAWRENCE TU**

**Morrison, Tony**

From: Tu, Lawrence (NBC) [Lawrence.Tu@nbc.com]  
 Sent: Monday, August 27, 2001 11:02 AM  
 To: 'tonymorrison@paxson.com'  
 Cc: 'DPERRY@HKLAW.COM'; Newell, Elizabeth (NBC); Burgess, Brandon (NBC); Campbell, Bruce (NBC)  
 Subject: Information Request

Tony:

Several follow-up items.

1. You may recall that when we spoke a few weeks ago I had asked about getting a copy of the refinancing documentation relating to the credit facility and the debentures. We have not yet received them, so could you track them down or perhaps send another set
2. Also, could you be good enough to send me a set of the documentation relating to the other series of preferred stock that remain outstanding. We apparently do not have those either.
3. Also, could you get to us a detailed agenda for the Sept. 7 board meeting as soon as you can, including any relevant background materials relating to the agenda items, so that the NBC representatives can be informed and prepared well in advance of the meeting. This would include the documents referred to in paragraphs 1 and 2 above, since they relate to issues that will be discussed at the board meeting.

Thanks.

Larry Tu

Because e-mail can be altered electronically,  
 the integrity of this communication cannot be guaranteed.

\*\*\* PAX \*\*\* MIMESweeper scanned this email for known computer viruses. \*\*\*

**Morrison, Tony**

From: Tu, Lawrence (NBC) [Lawrence.Tu@nbc.com]  
 Sent: Tuesday, August 21, 2001 7:08 PM  
 To: 'DPERRY@HKLAW.COM'; 'tonymorrison@paxson.com'  
 Subject: RE: Credit Agreement Question

David and Tony:

Could you please let me know if I have correctly understood Paxson's position. If not, could you clarify that position so that there is no misunderstanding.

Is it Paxson's position that under the terms of the NBC preferred stock any refinancing that includes the then outstanding PMI/CLO debt effectively re-sets the PMI/CLO incurrence basket to zero? If so, is it Paxson's position that this may be done repeatedly without restriction? If so, is this also Paxson's position relating to the covenants under the other outstanding preferred stock?

Or do you agree that the basket cannot be re-set, and we are only

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**EXHIBIT 18**

**SEPTEMBER 5, 2001 E-MAIL MESSAGE FROM**  
**LAWRENCE TU**



**Morrison, Tony**

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From: Tu, Lawrence (NBC) [Lawrence.Tu@nbc.com]  
Sent: Wednesday, September 05, 2001 7:37 PM  
To: 'TonyMorrison@Paxson.com'  
Subject: RE: Board meeting agenda

Thanks. As you know, we disagree with the interpretation that allows the basket to be re-set to zero upon a refinancing. Is that your view, or are you of the view that the preexisting PMI can be re-set?

Bear in mind that this issue does not go to the validity of the refinancing docs, only to the restrictions on drawing down Term A and the Revolver.

Can you confirm that none of Term A and the Revolver have been drawn down for cap ex.

Thanks.

-----  
Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

Because e-mail can be altered electronically,  
the integrity of this communication cannot be guaranteed.

\*\*\* PAX \*\*\* MIMESweeper scanned this email for known computer viruses. \*\*\*

**Morrison, Tony**

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From: Tu, Lawrence (NBC) [Lawrence.Tu@nbc.com]  
Sent: Wednesday, September 05, 2001 6:45 PM  
To: 'tonymorrison@paxson.com'  
Cc: Burgess, Brandon (NBC); Campbell, Bruce (NBC); Newell, Elizabeth (NBC); 'jeffsagansky@paxson.com'; Begor, Mark (NBC)  
Subject: Board meeting agenda

Tony:

Please add to the board agenda a discussion of the recently completed refinancing transaction. In particular, NBC would like to focus the discussion on the company's future plans for incurring additional debt to fund capital expenditure and related purposes, and the controls applicable to such debt incurrence. This will obviously involve a discussion of the existing covenant restrictions on additional debt.

Thanks.

Larry Tu

Because e-mail can be altered electronically,  
the integrity of this communication cannot be guaranteed.

\*\*\* PAX \*\*\* MIMESweeper scanned this email for known computer viruses. \*\*\*

**EXHIBIT 19**

**SEPTEMBER 24, 2001 FAXES FROM LAWRENCE TU**

NATIONAL BROADCASTING COMPANY, INC.  
30 Rockefeller Plaza, Room 1088E  
New York, New York 10112  
PHONE: (212) 664-7024  
FAX: (212) 664-4733

Ex.p. ①

FROM: Lawrence Tu  
TO: Anthony L. Morrison  
PHONE: 561-682-4205  
FAX: 561-659-4754  
DATE: September 24, 2001

Pages being sent including transmittal sheet: 7

Message:

Tony -

As discussed, I have enclosed marked pages to the board materials you circulated, indicated the changes we think are appropriate to reflect the prior proceedings.

Please let me know if you would like to discuss any of these changes. Ideally, if you find them acceptable, you might re-circulate the board papers to reflect the new language. I doubt that the directors would want to spend time tomorrow discussing the detailed drafting of summaries of discussions at the previous board meeting. However, if you are not in a position to re-circulate, we are prepared to discuss the proposed changes tomorrow.

I am separately preparing a letter describing our position and proposal regarding the issue of future drawdowns on the bank facility to fund capital expenditures.

Regards,

cc: Brandon Burgess, 3745  
Ed Wilson, (818) 526-7300  
Keith Turner, 7208

*The information contained in this facsimile message is attorney privileged and confidential information intended only for the use of the individual or entity named above. If the recipient of this facsimile message is not the intended recipient as named above, or the employee or agent responsible to deliver it to the intended recipient, he/she is hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify by telephone, and return the original message to us at the above address. Thank you.*

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Finally, Mr. Grossman reviewed the transactions progress and the remaining steps necessary to effectuate the transaction, including, the completion by September 15, 2001 SpectraSite's due diligence review, the finalization of the Corporation's DTV transition schedule, finalization of the accounting treatment of the transaction and finalization of the Corporation's review of SpectraSite's financial health. Mr. Grossman noted that he expected to close the transaction on an accelerated basis by October 1, 2001. During the course of Mr. Grossman's presentation, Director Burgess posed several questions regarding the terms and conditions of the proposed tower transaction.

*[Handwritten signature]*

### 700 MHz Auction Update

Chairman Paxson noted to the Board of Directors that he would like to bring the Board of Directors up to date on the Corporation's efforts on the 700 MHz auction prior to bringing the tower sale transaction to a vote.

Chairman Paxson informed the Board of Directors that he understands that, unofficially, four of five of the FCC Commissioners have approved an order which would effectuate the Corporation and other broadcasters' March 2001 proposal related to the clearing of the 700 MHz spectrum band in a timely and efficient manner. He further noted that the anticipated order from the FCC will allow the Corporation to pursue a strategy which allows a number of the Corporation's stations to transmit in analog on such station's digital assignment. With this strategy in place 39 out of 43 of the Corporation's stations will be able to comply with the FCC's May 1, 2002 digital conversion requirements. Chairman Paxson noted that the SpectraSite proposal takes into account the issuance of the proposed FCC order and is consistent with the Corporation's plans with respect to the Corporation's 17 stations which operate within the 700 MHz band.

Chairman Paxson shared with the Board of Directors a draft press release to be issued after the issuance of the anticipated FCC order, which is expected at any time. He then shared with the Board of Directors his thoughts, ideas and expectations related to the auction process.

### Tower Sale Resolutions

Chairman Paxson then presented to the Board of Directors a set of resolutions with respect to the sale and lease-back of the Corporation's tower assets.

Director Burgess noted that he and the other NBC nominated Directors (Burgess, Turner and Wilson) would abstain from the vote on the proposed transaction for the sale and lease-back of the Corporation's tower assets. He noted that they had concerns over the classification of the leases and are not willing to

vote on this particular financial matter until NBC is satisfied with the resolution of the issues raised in the NBC Letter. Notwithstanding the foregoing comment, in response to Mr. Morrison's direct question,

Director Burgess stated that each of the NBC nominated Directors had individually reached the determination to abstain from the vote on this matter.

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of capital.

The third alternative plan is for NBC or its parent to provide credit enhancement for an instrument which would be issued to refinance the 12 1/2% Preferred Stock. Mr. Severson noted that he has spoken to Director Burgess on this matter and he was informed that NBC is looking into the matter.

Mr. Severson highlighted the impact of a refinancing of the 12 1/2% Preferred Stock to the Corporation, including, the conservation of approximately \$40 million of cash per year, the extension of maturity dates, and savings on costs of capital. He also reviewed with the Board of Directors two proforma cash flow statements which outlined the Corporation's cash position assuming (1) the Corporation does not effect a refinancing and (2) the Corporation does effect a refinancing.

Finally, Mr. Severson outlined the timing of the proposed transaction and made a recommendation to the Board of Directors that the Corporation pursue a transaction which would have the Corporation issue \$300 million of zero coupon senior subordinated notes for a 7 year term, with 4 year call protection, and which would be pari passu with the Corporation's 10 3/4% Senior Subordinated Notes.

**Refinancing Resolutions**

Chairman Paxson then presented to the Board of Directors a set of resolutions with respect to a proposed refinancing of the Corporation's 12-1/2% Preferred Stock.

Director Burgess noted that although NBC believed that the proposed refinancing of the 12-1/2% Preferred Stock was good for the Corporation, he and the other NBC nominated Directors (Burgess, Turner and Wilson) would abstain from the vote on the proposed refinancing because NBC may be a party to the proposed transaction.

Upon a motion duly made by Director Oxendine, seconded by Director Brandon and unanimously carried by an affirmative vote of all of the Directors, other than Director Burgess, Director Turner and Director Wilson, who abstained, the following resolutions were duly adopted:

**"WHEREAS, Paxson Communications Corporation's (the "Corporation") 12-1/2% Cumulative Exchangeable Preferred Stock (the "12-1/2% Preferred Stock") pay dividends in (a) additional shares of 12-1/2% Preferred Stock through October 31, 2002, and (b) cash thereafter; and**

**WHEREAS, the US capital markets are illiquid and in demand of high yield corporate debt and preferred stock instruments;**

**WHEREAS, the management of the Corporation, with the assistance and advise of its outside financial and legal advisors, have determined that the**

(4)

Corporation would realize significant cash interest savings if the Corporation takes advantage of the current market conditions and refinances, as soon as possible, the 12-1/2% Preferred Stock;

**NOW, THEREFORE, BE IT**

**RESOLVED**, that Lowell W. Paxson, Chairman; Jeffery Sagansky, President and Chief Executive Officer; Dean M. Goodman, Executive Vice President and Chief Operating Officer; Thomas E. Severson, Jr., Senior Vice President, Chief Financial Officer and Treasurer; Seth A. Grossman, Executive Vice President and Chief Strategic Officer; or Anthony L. Morrison, Executive Vice President, Secretary and Chief Legal Officer; or any one of the aforementioned (each such aforementioned officer or subsequently authorized officer being referred to herein as a "Senior Officer"), acting alone, is authorized, in the name and on behalf of the Corporation, to (a) pursue with one or more third party financial underwriting institutions (collectively, the "Underwriters") the refinancing of all or a portion of the 12-1/2% Preferred Stock and (b) enter into, execute or modify upon such terms as such Senior Officer shall approve one or more engagement agreements with the Underwriters which would provide for the terms and conditions upon which such refinancing would take place; and (c) enter into any further consents, agreements, instruments, certificates, authorizations, and documents in connection with the transactions authorized or approved hereby or to effectuate the intent of any of the foregoing."

**Fiduciary Duties of Each Director**

~~Chairman Paxson noted to Director Burgess, Director Turner and Director Wilson, that, as Directors of the Corporation, they owe a fiduciary duty to the Corporation and its shareholders, not to NBC. He noted that, in his opinion, it appeared that Director Burgess, Director Turner and Director Wilson have voted NBC's position on the resolutions related to the tower sale and the refinancing of the 12 1/2% Preferred Stock, and did not vote such Director's individually determined positions on such matters. Chairman Paxson expressed his concern over Director Burgess, Director Turner and Director Wilson's personal financial well being, as he believed that such Directors were acting outside their fiduciary duty to the Corporation and placing themselves at financial risk. Finally, Chairman Paxson recommended that each of Director Burgess, Director Turner and Director Wilson consult with their individual legal counsel regarding their actions at today's meeting of the Board of Directors, and offered such Directors the opportunity, if they desired, to consult with the Corporation's outside counsel, Holland & Knight.~~

~~In response to Mr. Morrison's query of what additional information Director Burgess required in order to be in a position to remove each of Director Burgess, Director Turner and Director Wilson's abstentions and make a decision on the refinancing and tower sale resolutions, Director Burgess stated that all financing~~

Rider  
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matters would be considered in whole with the resolution of the issues raised by the NBC Letter and Director Turner, Director Wilson and he would not consider these financial matters independently.

Director Wilson noted that he failed to get the agenda materials for this meeting of the Board of Directors and requested that the Corporation give him more than 3 or 4 days notice of all future meetings. Chairman Paxson committed to assure each Director that they will receive advance notice and a meeting agenda package in advance of each meeting of the Board of Directors.

~~[Secretary's Note: Each Director was notified of the September 7, 2001 meeting of the Board of Directors by a notice sent by facsimile and FedEx on Friday, August 24, 2001. On Friday, August 31, 2001 each Director was sent by FedEx the agenda materials for delivery on Tuesday, September 4, 2001 and actual receipt was confirmed by phone on such day. Revised agenda materials were sent by facsimile on Thursday, September 6, 2001 and actual receipt was confirmed by phone that afternoon. On Monday, September 10, 2001, Ann Morico, Director Wilson's secretary/assistant re-confirmed that she had received all of the agenda materials, but mistakenly placed the agenda materials in a briefcase as she believed that Director Wilson would call into the meeting of the Board of Directors at his home, rather than at his office.]~~

**OTHER NEW BUSINESS**

Chairman Paxson confidentially disclosed to the Board of Directors that he is under treatment for certain described medical conditions.

**Programming**

Director Sagansky noted to the Board of Directors that the Corporation and NBC are two years into the relationship and his characterization of such relationship, in terms of programming, is one which has been non-productive and frustrating. He reviewed, in detail, the history of working with NBC since the inception of the relationship. Finally, Director Sagansky requested that NBC provide an indication of how the Corporation and NBC should proceed on sharing programming in the future.

Director Burnham noted that programming was an unfulfilled area of the relationship between NBC and the Corporation. He proposed that the Board of Directors adopt a motion requesting that NBC provide the Corporation with a written position paper that clarifies NBC's position on the sharing of programming with the Corporation.

Director Wilson noted to the Board of Directors that he supported the preparation of a written plan as this was a good idea to clarify the relationship and intent of the parties. He also noted that NBC has delivered a number of movies and other programming over the last two years, but there was a need for NBC and the Corporation to work closer together on programming matters.

9  
RIDER  
3

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Chairman Paxson noted to the Board of Directors that the intent of the relationship between NBC and the Corporation was to have lots of shared programming and cross-promotion activities. He noted that he was personally frustrated with the lack of progress on programming matters and would like clarification of the shared programming process. Finally, Chairman Paxson and Director Burnham suggested to the Board of Directors that during the meeting of outside Directors which follows the meeting of the full Board of Directors, such outside Directors work to draft and adopt a resolution by the Corporation to request NBC provide the Corporation with a written position paper that clarifies NBC's position on the sharing of programming with the Corporation. Director Oxendine recommended that clarification of the issues surrounding shared programming be outcome oriented and tied to an objective measurable criteria.

**Ownership Caps**

Chairman Paxson reported to the Board of Directors that NBC's attorneys were making arguments today on NBC's action to overturn the FCC's 35% ownership cap. He noted that a decision was likely by the end of this calendar year and if the action was successful, he envisioned that the FCC would conduct rulemaking procedures which would result in a higher cap of 50% or more. Finally, Chairman Paxson noted to the Board of Directors that the combination of NBC and the Corporation's stations would result in ownership of just under 50% of US households.

**PRIVATE SESSION OF INDEPENDENT DIRECTORS**

Attached hereto as Exhibit A is a letter from Director Burnham containing the recommendations of the outside Directors to the Board of Directors in respect of the creation of a joint NBC-PCC programming task force.

**ADJOURNMENT**

There being no further business to come before the Board, upon a motion duly made by Director Burnham, seconded by Director Oxendine and unanimously carried by an affirmative vote of all of the Directors, the Board adjourned.

\_\_\_\_\_  
Anthony L. Morrison  
Secretary

Approved:

\_\_\_\_\_  
Lowell W. Paxson  
Chairman of the Board



⑦

**Rider 1**

He noted that uncertainties over the classification of the sale and lease-back transaction implicated potential issues relating to existing covenants. He also raised a number of questions relating to possible alternatives to the sale and lease-back transaction and comparisons of relative benefits and drawbacks among them.

**Rider 2**

Chairman Paxson discussed the issue of the fiduciary duties owed by directors to the Corporation in the context of directors that are affiliated with shareholders who may have different interests. In particular, he noted the importance for such directors, including the directors affiliated with NBC, to cast their votes in accordance with such fiduciary obligations rather than in furtherance of such shareholder interests. There was no disagreement with this principle.

Mr. Morrison asked Director Burgess what additional information would be required to enable the directors affiliated with NBC to change their abstention votes. Mr. Burgess indicated that an understanding of the implications of the sale-leaseback transaction on potential covenant restrictions, and further consideration of alternatives, would be important.

**Rider 3**

Director Wilson noted to the Board of Directors that NBC had provided significant programming to Paxson in the past, and had committed resources to seeking ways to expand programming on mutually beneficial terms. He also pointed out that there existed significant constraints, including duties owed by NBC to third parties, relating to the terms on which NBC could provide certain types of programming. He noted that a key issue relates to transfer pricing, and the ability or willingness of Paxson to pay market rates for NBC programming. Director Wilson indicated that further discussions between the companies might be a useful way to explore these issues and to consider potential opportunities for increased cooperation.

**NATIONAL BROADCASTING COMPANY, INC.**  
30 Rockefeller Plaza, Room 1088E  
New York, New York 10112  
PHONE: (212) 664-7024  
FAX: (212) 664-4733

8

**FROM: Lawrence Tu**  
**TO: Anthony L. Morrison**  
**PHONE: 561-682-4205**  
**FAX: 561-659-4754**  
**DATE: September 24, 2001**

Pages being sent including transmittal sheet: 2

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**Message:**

**Tony - New Rider page. Ignore the first rider page sent.**

**cc: Brandon Burgess, 3745**  
**Ed Wilson, (818) 526-7300**  
**Keith Turner, 7208**

*The information contained in this facsimile message is attorney privileged and confidential information intended only for the use of the individual or entity named above. If the recipient of this facsimile message is not the intended recipient as named above, or the employee or agent responsible to deliver it to the intended recipient, he/she is hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify by telephone, and return the original message to us at the above address. Thank you.*

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**Rider 1**

He noted that uncertainties over the accounting classification of the sale and lease-back transaction might implicate existing covenants restrictions on capitalized lease obligations. He also raised a number of questions relating to the cost of financing, the drawback of losing control over material assets and related issues.

**Rider 2**

Chairman Paxson discussed the issue of the fiduciary duties owed by directors to the Corporation in the context of directors that are affiliated with shareholders who may have different interests. In particular, he noted the importance for such directors, including the directors affiliated with NBC, to cast their votes in accordance with such fiduciary obligations rather than in furtherance of such shareholder interests. There was no disagreement with this principle.

Mr. Morrison asked Director Burgess what additional information would be required to enable the directors affiliated with NBC to change their abstention votes. Mr. Burgess indicated that confirmation of the implications of the sale-leaseback transaction on potential covenant restrictions would be important, as well as additional information of the likely cost of financing.

**Rider 3**

Director Wilson agreed that it would be useful for the companies to explore programming issues and formalize a process for future cooperation. He noted, though, that NBC had already provided significant programming to Paxson in the past, and has committed resources to exploring other potential opportunities. He further noted that a key issue relates to transfer pricing, and the ability or willingness of Paxson to pay market rates for NBC programming. As a related matter, he pointed out that there existed significant constraints, including duties owed by NBC to third parties, relating to the terms on which NBC could provide certain types of programming.

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**EXHIBIT 20**

**SEPTEMBER 24, 2001 LETTER FROM LAWRENCE TU**

SEP. 24. 2001

7:34PM Broad-CLIFF-WE TU  
Company, Inc.

30 Rockefeller Plaza  
New York, NY 10112  
212 664-7024  
212 664-4733 Fax

10.200

Lawrence P. Tu  
Executive Vice President  
and General Counsel



September 24, 2001

Anthony L. Morrison, Esq.  
Executive Vice President  
Paxson Communications Corp.  
601 Clearwater Park Road  
West Palm Beach, Florida 33401-6233

Dear Tony:

This letter relates to the ongoing discussions between NBC and Paxson (the "Company") concerning the refinancing transaction (the "Refinancing") that was considered by the Company's Board of Directors at its June 24, 2001 meeting. NBC and the Company have exchanged letters setting forth our respective views, and you and I (and other representatives of both companies) have discussed these issues at some length in numerous telephone calls and meetings. The Company has asked us to summarize our views in writing. I would appreciate it if you would circulate this letter to the Board of Directors for their information.

#### THE ISSUE

Put simply, the issue is this. Does the Company need the consent of NBC as the holder of the 8% Preferred Stock (as well as, possibly, the consent of the holders of the other preferred stock) in order to incur up to \$75 million in additional indebtedness under the bank facility to fund capital expenditures?

We have indicated that we believe such consent may well be required. You have indicated that no such consent is required. In order to explain our position it is necessary to go into some detail relating to the analysis (although I will keep this discussion abbreviated). The issue turns on interpretation of the covenants ("Covenants") governing the 8% Preferred Stock (the same covenants, incidentally, are found in the other series of preferred stock of the company).

#### ANALYSIS

The Covenants limit the amount the debt the Company may incur. In general, the Company cannot incur debt if the ratio of debt to EBITA reaches 7 to 1. Even when this limit has been reached, however, the Company may nonetheless incur additional debt provided that it falls within the "Permitted Indebtedness" definition. This narrow

"exception from an exception" includes 10 categories of permitted debt which can be used by the Company "without duplication" to justify additional debt even when it fails the EBITA test. There are two key categories relevant to this issue:

- debt incurred to refinance existing debt (provided that it does not increase the total amount of debt);
- purchase money debt and capitalized lease obligations incurred to finance capital expenditures (provided that the total amount of such debt does not exceed a "basket" of 5% of consolidated assets – assumed for present purposes to be roughly \$70 million).

At the time of the Refinancing there was approximately \$60 million of purchase money debt outstanding (which was just below the 5% basket). The Company included this \$60 million in the term debt as part of the Refinancing. The Company also obtained a credit line that would allow it to incur an additional \$75 million of purchase money debt to fund capital expenditures. The overall effect of the transaction is to enable the Company to increase its overall debt by approximately \$75 million, in reliance on a limited exception to a flat prohibition on additional debt. The question is whether this is consistent with the Covenants.

The Company says yes. It asserts that if it repays the outstanding purchase money debt in a refinancing (which requires increasing the Company's term debt), the full purchase money basket is available for re-borrowing since the balance has been "re-set" to zero.

NBC believes that this interpretation subverts the entire covenant structure. It allows the Company, under the guise of a "refinancing" which is not intended to increase debt, to do just that. Moreover, if this interpretation is correct, the Company can do this repeatedly without restriction, in a scenario where the Company is under a general prohibition from incurring additional debt. We believe that this not consistent with the language of the Covenants; nor is it consistent with any reasonable view of the intention underlying the Covenants

In NBC's view, the Covenant requires the Company to treat the \$60 million of purchase money debt as still outstanding notwithstanding the Refinancing. This would leave only \$10 million of additional purchase money debt that can be incurred. If this is the correct view, not only does this affect future drawdowns, it also affects the proposed sale lease-back transaction, since it would be a prohibited transaction if it is treated as a capital lease for accounting purposes (since capital leases count against the purchase money basket).

As noted above, this issue may not be confined to the 8% Preferred Stock held by NBC. The same covenant structure appears to be present in the Company's other outstanding preferred stock, and consent rights are may be present for those holders as

well. (This letter does not purport to analyze the terms of the other series of preferred stock.)

### PROPOSAL

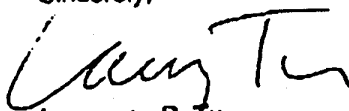
Although we may not reach complete agreement on the proper reading of the Covenants, NBC would like to find a constructive resolution of this issue. Our key concern is to ensure that this additional debt is incurred when absolutely necessary. As you know, NBC currently has certain contractual rights to approve the Company's budget and material deviations from that budget. We propose to utilize that existing right to resolve this impasse by agreeing to the following:

- The Company will periodically report to NBC (x) the amount of the outstanding "Purchase Money Indebtedness" and "Capitalized Lease Obligations" of the Company, and (y) the dollar figure represented by the 5% threshold;
- As part of its annual budget process, the Company will include in the budget submitted to NBC a detailed capital expenditure plan for the succeeding 12 month period, setting forth with sufficient specificity the items or categories of items of planned capital expenditures or capital lease transactions and the projected timetable (to deal with the remaining period of this year, we propose that the Company provide a similarly-detailed capital expenditure plan for the remaining months);
- Pursuant to the existing Investment Agreement, any expenditure in an approved budget will be deemed approved, and any material deviations will require further consultations and consent.

In addition, to avoid a repetition of this in the future, NBC proposes that the terms for the 8% Preferred Stock be amended to clarify that the Company may not re-lever in reliance on the refinancing covenant in the manner described above. (We note that such an express prohibition is contained in the recently executed indenture arising out of the Refinancing).

I hope the foregoing is responsive to Mr. Paxson's request that NBC set forth its position in writing. I would be happy to answer any questions regarding the foregoing.

Sincerely,



Lawrence P. Tu  
Executive Vice President and General Counsel

cc: Brandon Burgess  
Ed Wilson  
Keith Turner  
Randy Falco  
Jay Ireland



---

**EXHIBIT 21**

**LETTER FROM PCC'S WASHINGTON COUNSEL, JOHN FEORE  
(WITH COVER LETTER TO NBC FROM TONY MORRISON,  
PCC'S GENERAL COUNSEL)**



October 11, 2001

ANTHONY L. MORRISON  
(561) 682-4205  
(561) 659-4734 - FAX  
TONYMORRISON@PAXSON.COM

(212) 664-4733

Lawrence Tu  
NBC  
30 Rockefeller Plaza, 52<sup>nd</sup> Floor  
New York, New York 10112

Dear Larry:

We have had our FCC counsel, John Feore, of Dow Lohnes & Albertson, review your letter to me dated September 24, 2001, as well as other correspondence and minutes of the recent Board of Directors meetings. I have enclosed a copy of Mr. Feore's letter.

As you will note, there appears to be potentially serious issues arising from the recent conduct of NBC nominated board members and NBC. The appearance of NBC influencing, advising or instructing the NBC nominated directors, and the position taken by NBC that, by contract, it holds approval rights over the Company's budgets (as well as, presumably, the other rights under Article IV of the Investment Agreement) are inconsistent with NBC's status under FCC rules as a non-attributable investor in the Company. Even more troubling is the possibility that an FCC inquiry could conclude that the entire investment arrangement between the Company and NBC amounted to an evasion of its ownership rules.

Obviously, the Company cannot actively or passively participate in violations of FCC rules. Accordingly, the Company is reviewing all of the alternatives available to it to resolve this serious issue. I will advise you of developments concerning this matter, but if you have any questions, please do not hesitate to call me at (561) 682-4205.

Very truly yours,

Anthony L. Morrison  
Executive Vice President, General Counsel

enclosure

cc: Lowell W. Paxson  
Jeff Sagansky

S:\egan\Tony\LETTERS\lw. vpd

bcc: John R. Feore, Jr. - Dow, Lohnes & Albertson  
Dean M. Goodman

**DOW, LOHNES & ALBERTSON, PLLC**  
ATTORNEYS AT LAW

WASHINGTON, D.C.

**JOHN R. FBORE, JR.**  
DIRECT DIAL 202 776 2700  
jfbore@dlsiaa.com1200 NEW HAMPSHIRE AVENUE, N.W. - SUITE 800 - WASHINGTON, DC 20036-6802  
TELEPHONE 202.776.2000 - FACSIMILE 202.776.2222ONE RAVENNA DRIVE - SUITE 1000  
ATLANTA, GEORGIA 30346-2105  
TELEPHONE 770 901 8800  
FACSIMILE 770 901 4874

October 5, 2001

Mr. Lowell W. Paxson  
Chairman  
Paxson Communications Corporation  
601 Clearwater Park Road  
West Palm Beach, FL 33401-6233

Dear Bud:

This letter is written in response to certain issues that have been raised at the Board of Directors meetings of Paxson Communications Corporation ("PCC") of June 21, 2001, June 24, 2001 and September 7, 2001 as further amplified in various correspondence including the letter of Mark Begor, Chief Financial Officer of the National Broadcasting Company, Inc. ("NBC") to Jeff Sagansky, President and CEO of PCC on July 30, 2001, Mr. Sagansky's response of August 2, 2001 and the September 24, 2001 letter written by Lawrence P. Tu, Executive Vice President and General Counsel of NBC to Anthony L. Morrison, Executive Vice President of PCC. You have asked me to review these letters, the PCC Board minutes and the ensuing discussions between NBC and PCC and prepare a letter analyzing the issues that PCC intends to deliver to NBC. Our review will focus on ensuring NBC's status as a non-attributable shareholder in PCC and determining whether the items discussed in the correspondence and Board minutes create any FCC issues for PCC as the largest owner of television stations in the country licensed by the Federal Communications Commission ("FCC").

With that in mind, we have carefully reviewed the materials including the July 30, August 2 and September 24 letters and particularly the Proposal contained on page 3 of Mr. Tu's letter involving NBC's review and approval of PCC's operating and capital expenditure budgets.

As you will recall, when NBC's investment in PCC was discussed and structured in 1999 there were two principal FCC regulatory concerns which we felt it was in the best interests of both NBC and PCC to address at that time. First, it was necessary to ensure that there was no *de facto* transfer of control of PCC's television stations from you, as PCC's single majority shareholder, to NBC. The FCC, in reviewing *de facto* control issues, focuses primarily on programming, personnel and finances and, as we explained, the FCC's analysis will depend largely upon a review of the actual operational impact of any agreements between the parties. Second, we were concerned that any management and operational rights granted to NBC would not result in NBC becoming an attributable owner of the PCC television stations. In addition to carefully structuring the investment agreements to meet both of these concerns, legal representatives of both PCC and NBC met with the senior officials of the FCC's Mass Media

Mr. Lowell W. Paxson  
October 5, 2001  
Page 2

Bureau on September 16, 1999 to brief them on the agreements and to assure them that PCC was maintaining full control of its television stations.

Any *de facto* transfer of control would violate Section 310 of the Communications Act which requires the written approval of the FCC for any transfer of a controlling interest in broadcast licensees. It would also be directly contrary to the parties' representations to the FCC that no such transfer of control had occurred. In addition, NBC's status as an attributable owner of PCC would lead to the violation of certain FCC rules. For example, if NBC were an attributable owner of PCC's television stations, it would cause NBC to violate the national television ownership cap of 35% as well as create impermissible television duopolies in at least four markets, Birmingham, Providence, Hartford and Raleigh-Durham.

As a result of these concerns, NBC's investment in PCC was structured as a 32% non-voting equity interest so that it would fall below the then applicable cross-interest policy threshold and below the current EDP threshold subsequently established by the FCC in its ownership rulemakings. In addition, NBC's role in the management and operation of the PCC television stations was strictly limited and carefully structured to be implemented only through the PCC Board of Directors which would include a number of independent, non-PCC related members. In light of this careful structuring, to ensure compliance with the Communications Act and the FCC's rules, the budget Proposal contained in Mr. Tu's letter is unacceptable. To paraphrase a statement in a relevant FCC decision, the proposal would endow NBC with virtual veto power over PCC's budget and as such accords NBC a level of authority inconsistent with passive, non-attributable status. In the FCC decision referenced above, the parties were required to modify their agreements to eliminate the budget veto authority of the investing entity.

As an additional matter, I would note that Mr. Tu's letter was served on five employees of NBC, three of whom are, in fact, members of the Board of Directors of PCC (Keith Turner, Brandon Burgess and Ed Wilson). The developing relationship between NBC's senior management, including its General Counsel, and these three PCC board members, which has become apparent during the most recent PCC board meetings, also raises a significant issue. In summary, if these three apparently independent directors of PCC are receiving influence, advice or instruction from senior management of NBC on how to vote or abstain from voting on PCC matters we believe it raises extremely troubling FCC issues since it is inconsistent with NBC's position as a non-attributable owner in PCC. Any pattern of these three PCC Board members each abstaining on the same matters, in and of itself, creates an appearance of NBC corporate influence inconsistent with FCC rules. In fact, the FCC might well begin an inquiry to determine whether the entire investment arrangement between PCC and NBC amounted to an evasion of its ownership rules. These concerns would be exacerbated by the fact that, as we understand it, these directors also are employed by subsidiaries or affiliates of NBC although not in a position as officers or directors of NBC or its licensee companies. Given the totality of these circumstances, it could be viewed as NBC having influence over PCC inconsistent with NBC's claim of non-attribution and both PCC and NBC, as broadcast licensees, have a strong interest in avoiding even the appearance of ignoring, let alone violating, the FCC's ownership rules.

Mr. Lowell W. Paxson  
October 5, 2001  
Page 3

The holder of a non-attributable interest in a television licensee, such as NBC in the case of PCC, may have the right to nominate a member of the licensee's board of directors, but may not have the right to designate or elect a director. Similarly, the informal concurrence of a licensee and a non-attributable investor to a slate of directors to serve on the licensee's board of directors does not, in and of itself, constitute an attributable power to appoint a director. None of the FCC's decisions approving the limited involvement of a non-attributable investor in the nomination of officers and directors or in assenting informally to an initial slate of officers and directors, however, has involved an officer or director who had a current employment relationship with that investor, much less one who disclosed an intent to act at the instructions of the investor once placed on the licensee's board. In finding that Fox did not have an attributable interest in SF Broadcasting by reason of Fox's investment and its assent to a former Fox employee serving as an officer and director, the FCC expressly determined that the former employee had severed his connections with Fox and would act independently.

The presence of employees of NBC on the board of PCC places NBC and PCC at the far frontier of what the FCC has permitted for a non-attributable interest holder. The FCC has interpreted its cable television attribution rules, which are largely derived from its broadcast attribution rules, to require common attribution of the cable interests of two entities if employees of one entity serve as directors of the other. In response to a Time Warner request for clarification as to whether the power of a shareholder to appoint a corporate director is itself an attributable interest, the FCC stated:

A party that has the right to appoint a director to the board of an entity has the ability to influence the entity's conduct by virtue of the director the party selects; thus under the directors and officers rule that party has an attributable interest in the entity. Likewise, if two entities share common directors or officers, *or have employees that serve as directors or officers of the other entity*, the directors and officers render the entities attributable because of the influence that directors and officers have over an entity.

In its 1999 amendments to its broadcast attribution rules, the FCC repealed its former cross interest policy that, among other things, had required evaluation of the effect on program diversity and competition of independent licensees' sharing key employees. As the FCC recognized in its decision amending the rules, the new "equity-debt-plus" rule does not cover all of the areas encompassed by the former cross-interest policy. In defending the deregulation of these relationships, the FCC observed that "many key employees are also officers and directors and are thus already covered by the attribution rules." In declining to retain a policy that could have prevented a director of one licensee from serving as the key employee of another without attribution or evaluation, the FCC thus arguably took the position that a common position as an independent director of one licensee and the employee of another did not necessarily create an attributable relationship between the two licensees. Absent the director's independence from the non-attributable investor, however, this relationship would be highly questionable and inconsistent with other FCC attribution policies.

Mr. Lowell W. Paxson  
October 5, 2001  
Page 4

The FCC could very likely take a different view if an employee of NBC should not only serve as a director of PCC but, instead of acting as an independent director, also take directions on voting from the General Counsel or other senior management of NBC. In that situation, the votes of the director effectively would be the direct votes of the investor, in this case NBC. The FCC predicated the relaxation of its "key employee" policies on its conclusion "that internal conflict of interest policies, common law fiduciary duty, and contract remedies provide adequate substitutes for our administration of the policy with respect to key employees." On this basis, as the FCC concluded, the benefits of a clear and discernable standard outweighed the risk of potential abuse.

The FCC, however, expressly retained the power to prevent abuses arising from novel or unanticipated ownership patterns under its new rules, both generally and specifically with regard to the elimination of the key employee restrictions:

[W]e retain discretion to review individual cases that present unusual issues on a case-by-case basis where it would serve the public interest to conduct such a review. Such cases might occur, for example, when there is substantial evidence that the *combined interests held are so extensive that they raise an issue of significant influence such that the Commission's multiple ownership rules should be implicated*, notwithstanding the fact that these combined interests do not come within the parameters of the EDP rule. We do not intend by this reservation of discretion to resurrect the cross-interest policy, elsewhere eliminated in this Report and Order. Rather, we merely emphasize our obligation under the Communications Act to apply the public interest standard and, as necessary, *to scrutinize extraordinary or unanticipated circumstances that may arise*.

A situation in which a licensee's supposedly independent director votes in accordance with the instructions of the senior management or general counsel of a significant but ostensibly non-attributable investor would present a strong case for the FCC's exercise of its specifically reserved authority to scrutinize extraordinary circumstances. A director who votes at the instructions of an investor is scarcely an "independent" director in any meaningful sense, regardless of how the director is denominated. A director who is influenced by, receives advice from or is directed to vote by senior management of another corporation is certainly not "independent" in the sense contemplated by the FCC. That pattern of behavior would demonstrate that the FCC's fundamental assumptions about the effectiveness of "internal conflict of interest policies, common law fiduciary duty, and contract remedies" to avoid undue influence do not hold, at least for the parties involved. An investor who instructs an individual director on particular votes, moreover, arguably would have greater direct involvement in a licensee than even an investor with a definitively attributable right directly to appoint a director. The appointed director might act at times on general instructions or his or her own best judgment with little direct day-to-day participation by the appointing investor. In contrast, for a director passively to receive instructions for each vote implies that the instructing investor itself has direct, ongoing knowledge and participation in the affairs of the corporation. The investor, in that case, would undoubtedly be viewed as having replicated or exceeded the level of influence over corporate affairs that it could have obtained through a direct appointment right.

Mr. Lowell W. Paxson  
October 5, 2001  
Page 5

In sum, even though NBC did not elect or appoint the independent directors in question, the evidence that they in fact may be following the advice of, are influenced by or directed on how to vote by senior management of NBC requires PCC to take action to ensure that PCC does not tolerate or facilitate what the FCC might deem after inquiry to be an evasion or violation of the FCC's ownership rules in this critical area. Even if the FCC should find that fault clearly and completely lies with NBC for misleading PCC as to the independence of those suggested as independent nominees to the PCC board, a finding of attribution would place NBC in violation of the FCC's ownership rules and could potentially require disruptive remedial action contrary to PCC's interests.

In summary, any budget veto power is unacceptable to the FCC and the apparent course of conduct of three of the PCC independent directors raises serious concerns and should be curtailed without further delay. We have not been asked to address the corporate or securities law issues that may be raised by the conduct of NBC or the three PCC directors but we note that a fundamental assumption of the FCC in this very sensitive area is that common law fiduciary obligations and conflict of interest policies will prevent efforts to bend the FCC's ownership rules beyond recognition. Once these assumptions are undermined, the FCC's concerns will be significantly heightened.

I am happy to discuss these matters with you at your earliest convenience.

Very truly yours,



John R. Feore, Jr.

JRF/gt

cc: Anthony L. Morrison, Esq. ✓



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**EXHIBIT 22**

**OCTOBER 23, 2001 LETTER FROM LAWRENCE TU**



October 23, 2001

Mr. Anthony L. Morrison  
EVP, Secretary and Chief Legal Officer  
Paxson Communications Corp.  
601 Clearwater Park Road  
West Palm Beach, Florida 33401-6233

Dear Tony:

I have reviewed your letter dated October 11, 2001, together with a letter from Mr. John Feore to you dated October 5, 2001. Because we take seriously the issues raised in your correspondence, I am writing to correct the numerous inaccuracies and unfounded allegations and set the record straight.

Let me start with several important points on which we seem to be in complete agreement. First, NBC and Paxson structured the investment to comply with all applicable FCC regulations. Both parties worked closely together to achieve this objective and were satisfied with the final structure. Indeed, as you know, the closing was conditioned on NBC's receipt of a legal opinion from Paxson's special FCC counsel confirming in writing that the transaction and the provisions of the key contracts complied with all federal laws and regulations.

Second, I note that neither your recent letter, nor the letter from Mr. Feore, casts any doubt on the continuing correctness of this original legal conclusion. The investment structure and terms have not changed, and neither you nor Mr. Feore pointed to any change in law that would produce a different conclusion today. In short, your correspondence implicitly acknowledges that the investment structure itself does not raise any questions, and I agree.

Instead, your recent correspondence focuses on the presence of three NBC employees on Paxson's board of directors. One of your points seems to be that if such persons were to exercise their director responsibilities at the sole direction of NBC, it would raise FCC concerns. Your letters also seem to suggest that the mere existence of an employment relationship between NBC and these individuals might raise "appearance" issues that should be addressed. Mr. Feore concludes by urging that these matters be addressed "without further delay."

Mr. Feore's insinuation that either NBC or I have personally directed these individuals how to cast their votes as directors is baseless and, frankly, insulting. In fact, I have personally,

Page 2  
October 23, 2001

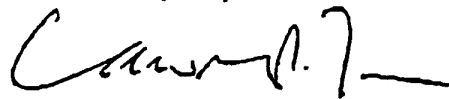
and on numerous occasions, reinforced with these individuals the importance of distinguishing between NBC's interests as an investor and their respective duties when acting in the capacity of a director. If Mr. Feore had extended the courtesy of contacting me before writing his letter I would have explained this to him. In short, I have no doubt that the employees in question are fully aware of their fiduciary duties as directors.

Mr. Feore also seems concerned about the employment relationship between these individuals and NBC. Yet as Mr. Feore acknowledges, FCC rules permit these individuals to serve as directors of Paxson. To suggest that NBC somehow "misled" Paxson about these individuals is absurd, since they were employees of NBC when they were initially elected to the board. As you know, NBC does not have any appointment rights.

In any event, you should have no doubts that we fully intend for NBC's investment in Paxson to continue to comply with FCC requirements. I assume that your intentions are the same. Although we strongly believe that the current arrangements comply with FCC requirements, we will work with you in a constructive fashion to resolve any concerns you may have. Accordingly, if you believe (as your letters imply) that having NBC employees on the Paxson board presents difficulties, we are prepared to restructure these arrangements to address your concerns, including, if necessary, having the individuals resign their seats. More generally, if notwithstanding the legal conclusions we all reached at the closing you now have doubts about certain terms and conditions of the original investment, we would be pleased to discuss them with you.

We look forward to hearing from you regarding how to address your specific concerns. Please let us know how you would like to proceed.

Very truly yours,



Lawrence P. Tu

cc: Andy Lack  
Robert Wright

---

**EXHIBIT 23**

**OCTOBER 31, 2001 LETTER FROM LAWRENCE TU**



October 31, 2001

Mr. Anthony L. Morrison  
EVP, Secretary and Chief Legal Officer  
Paxson Communications Corp.  
601 Clearwater Park Road  
West Palm Beach, Florida 33401-6233

Dear Tony:

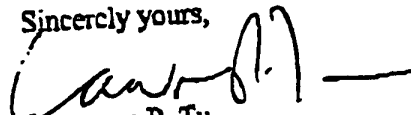
The purpose of this letter is to confirm the substance of our conversation yesterday. As you know, we have had a recent exchange of correspondence that addressed your concerns regarding the presence of three NBC employees elected to the board of directors of Paxson Communications Corp. As you also know, both Paxson and NBC believed that this arrangement is consistent with all applicable FCC rules, and we continue to so believe.

Nonetheless, in an effort to be sensitive to your concerns, we are prepared to arrange for the three employees to resign from the board. I had previously indicated this to you in my letter to you dated October 23, 2001, and during our conversation yesterday I reiterated this offer, and stated that we are prepared to arrange for these resignations to take effect immediately. I asked you to let us know by today whether we should proceed with this course or whether Paxson would prefer that the board composition continues to include three NBC employees.

In addition, during our conversation I reiterated to you my offer (also contained in my October 23 letter) to address any FCC-related concerns you might have about our existing contractual arrangements. In particular, you have indicated that certain provisions of the Investment Agreement might need to be revisited if the board did not include any NBC nominees. I said to you that we would work with you and your FCC counsel in a constructive manner to resolve any such legal concerns, and asked you to identify to us the specific provisions that you believe would pose FCC concerns.

We look forward to your prompt response, and to working with you to resolve these issues.

Sincerely yours,



Lawrence P. Tu

cc: Robert Wright  
Andy Lack

**Harry Martin**

---

**From:** "LeBeau, F. William" <FWLeBeau@HHLAW.com>  
**To:** "Harry Martin" <martin@fhhlaw.com>  
**Sent:** Tuesday, November 06, 2001 5:13 PM  
**Subject:** RE: Any word re: KCNL's proposed reallocation proceeding ( Fremont /Sunn

Thanks for the update. Your approach makes excellent strategic sense -- it's always easier for the FCC to grant if it is sui generis. It also may be helpful to note three items (especially number 3):

1) In past cases, the only stated limitation placed on the use of the Woodstock exception has been that it can only be used in situations where no competing applications are able to be filed (like this one).

See, e.g., Notice of Proposed Rule Making, Amendment of Section 73.202(b), Table of Allotments, FM Broadcast Stations. (Bald Knob and Clarendon, Arkansas), 6 FCC Rcd 267 (1991) (para. 4) (noting that "In Woodstock and Broadway, VA, 3 FCC Rcd 6398 (1988), the Commission set forth a limited exception to its allotment policy of predicting city-grade coverage based upon the assumption of uniform terrain rather than an analysis of the terrain characteristics of specific radials. This exception applies only where the new allotment will not be available for competing applications. Petitioner's request falls within this exception and thus warrants further exploration.") See also Woodstock, Virginia, 3 FCC Rcd 6398 (1988) (distinguishing only between proposals that are subject to competing applications and those that are not for purposes of the Woodstock exception).

2. The FCC has not limited Woodstock to mere "upgrade" cases, but has applied it to other circumstances in which no competing proposals are permitted. For example, the FCC relied on Woodstock to approve a channel swap -- whereby community A would get community B's allotment and vice-versa -- of TV stations. See Report and Order, Amendment of Section 73.606(b), Table of Allotments, Television Broadcast Stations (Clermont and Cocoa, Florida), 4 FCC Rcd 8320 (1989). (The reconsideration proceeding did not address this issue.) See also Notice of Proposed Rule Making, Amendment of Section 73.606(b), Table of Allotments, Television Broadcast Stations (Clermont and Cocoa, Florida), 4 FCC Rcd 2515 (Allocations, 1989), which expressly cites Woodstock at paragraph 6 to set up its discussion of this very matter. As this channel swap was clearly not an upgrade case, it underscores that Woodstock is not limited to proposals to upgrade an existing station at its existing community of license, but applies to any rulemaking proposal that is not subject to competing applications. As the Fremont proposal is not subject to such competing applications, the Woodstock exception should apply.

3. The FCC itself stated that you could use Woodstock in this matter in its July 19, 2000 letter rejecting your first attempt. Fundamental fairness (collateral estoppel, etc.) obliges it not to change its mind after the licensee underwent the lengthy process of getting FAA approval and reasonable site assurance.

This third point I think particularly telling. Thank you for keeping me abreast of this matter, and I hope these materials may be helpful in helping the FCC resolve this matter correctly.

-----Original Message-----

From: Harry Martin [mailto:martin@fhhlaw.com]  
Sent: Tuesday, November 06, 2001 3:12 PM  
To: LeBeau, F. William  
Subject: Re: Any word re: KCNL's proposed reallocation proceeding ( Fremont/Sunnyvale)?

Bill--

The issue to be decided is whether our Sunnyvale proposal is entitled to a "Woodstock" exception to the requirement that we provide city-grade service to the community using the circular, as opposed to the HAAT, method of calculating 70 dBu service. Bart Gorman says the FCC has never previously applied Woodstock in a city-of-license change case.

Bart is hoping to meet with John Karousas this week on our case. I know the staff is reluctant to open up new opportunities for city of license changes, but our case can be "purple cow." I pointed out to Bart that Figure 2 of our engineering shows that at Fremont KNCL is now short spaced by over 23 or more km to 5 different stations. I said the Commission could let KNCL go forward on the basis of relieving that problem without doing any damage to its Woodstock precedent.

I'll keep you advised of further developments.

---Harry

----- Original Message -----

From: "LeBeau, F. William" <FWLeBeau@HHLAW.com>  
To: <martin@fhhlaw.com>  
Sent: Tuesday, November 06, 2001 11:38 AM  
Subject: Any word re: KCNL's proposed reallocation proceeding ( Fremont/Sunnyvale)?

> I am interested to know if the technical issue that Bart spoke of with you  
> has been resolved.  
>  
> Thanks -- hope all is well.  
>  
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> privileged. The information is intended to be for the use of the

11/6/2001

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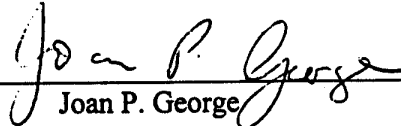
**CERTIFICATE OF SERVICE**

I, Joan P. George, a secretary in the law firm of Fletcher, Heald & Hildreth, do hereby certify that a true copy of *the Request for Declaratory Ruling* was sent this 4<sup>th</sup> day of December 2001, by hand where indicated and by first-class mail postage prepaid to the following:

Shaun A. Maher, Esquire \*  
Chief, Video Services Division  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, SW, Room 2-A666  
Washington, D.C. 20554

Diane Zipursky, Esquire  
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1299 Pennsylvania Avenue, NW, 11<sup>th</sup> Floor  
Washington, DC 20004  
Counsel for National Broadcasting Co., Inc.

Elizabeth A. McGeary, Esquire  
Dow Lohnes & Albertson, PLLC  
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Suite 800  
Washington, DC 20036-6802  
Counsel for Telemundo Communications Group, Inc.

  
Joan P. George

\* By hand