

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In re Applications of)
)
TELEMUNDO COMMUNICATIONS)
GROUP, INC.,)
)
Transferor)
)
and) File Nos. BTCCT-20011101ABK, *et seq.*
)
TN ACQUISITION CORP.,)
)
Transferee)
)
For Transfer of Control of Station KSTS (TV))
Facility ID No. 64987)
San Jose, California, *et al.*)

To: The Mass Media Bureau

**OPPOSITION TO PETITION TO DENY
FILED BY PAXSON COMMUNICATIONS CORP.**

Diane Zipursky
National Broadcasting Company, Inc.
1299 Pennsylvania Avenue, NW
11th Floor
Washington, DC 20004

Of Counsel:

Margaret L. Tobey
Morrison & Foerster, LLP
2000 Pennsylvania Avenue, NW
Suite 5500
Washington, DC 20006

Lawrence P. Tu
National Broadcasting Company, Inc.
30 Rockefeller Plaza
New York, NY 10112

December 19, 2001

TABLE OF CONTENTS

SUMMARY	ii
I. INTRODUCTION	3
II. NBC'S INVESTMENT IN PAXSON WAS CAREFULLY STRUCTURED TO COMPLY WITH THE FCC'S ATTRIBUTION AND OWNERSHIP RULES	5
A. NBC's Nonvoting Shareholder Protections Are Consistent with Those Previously Approved by the FCC for Nonattributable Shareholders	8
B. Paxson's Interpretation of the Section 4.1 Proviso is Inconsistent with the Agreements and the Facts and is Unnecessary to Uphold the Lawfulness of NBC's Nonvoting Shareholder Protections	11
III. NBC'S CONDUCT HAS BEEN CONSISTENT WITH ITS STATUS AS A NONATTRIBUTABLE INVESTOR	15
IV. THE RESIGNATION OF NBC'S NOMINEES ADDRESSES PAXSON'S ATTRIBUTION CONCERNS	20
V. CONCLUSION	23

SUMMARY

The Commission should recognize the Petition to Deny filed by Paxson Communications Corp. for what it is: a thinly-disguised attempt by Paxson to use the FCC's processes to create leverage in its attempt to force a renegotiation of its existing contractual arrangements with NBC. The Commission should not be drawn into a private commercial dispute, which is the subject of a pending arbitration commenced by Paxson simultaneously with its filing of the Petition. The FCC issues raised by the Petition are without merit and should be rejected.

In late 1999, NBC and Paxson entered into a series of contractual arrangements that were extensively negotiated and carefully structured to comply with both the now-repealed cross-interest policy and the then-new "equity or debt plus" attribution rules. These rules created a bright-line test for determining the circumstances under which multiple nonattributable relationships, when viewed in the aggregate, should result in attribution. They were intended to encourage investment in the broadcast industry by giving investors clear guidance through well-defined and consistently applied principles.

As Paxson acknowledges repeatedly in the Petition, the contracts voluntarily entered into between Paxson and NBC comply with all applicable rules. In particular, in order to induce NBC to make a substantial financial investment in Paxson (in excess of \$400 million), Paxson willingly granted to NBC certain customary minority-investor rights, including the right to nominate (but not to appoint) directors and to approve certain material corporate actions. These provisions are supported by well-established Commission precedents and do not raise any FCC issues.

The Petition makes several unfounded allegations about NBC exercising undue influence over Paxson. In reality, the facts refute all such allegations and demonstrate beyond

any doubt that Paxson was, and remains, firmly in the control of Paxson's single majority shareholder, Bud Paxson. It is not surprising that the Petition does not cite a single instance in which NBC, or any of the NBC-nominated directors, has blocked or prevented any course of action that Paxson has sought to carry out. No such instance exists.

The allegations regarding the conduct of the NBC-nominated directors are without merit. NBC does not control the votes cast by these directors, and they have conducted themselves appropriately at all times. In the two-year history of the NBC investment, the NBC-nominated directors have never voted against any proposal presented to the board of Paxson. The only instance cited in Paxson's Petition relates to an *abstention* vote by these directors on certain proposed corporate transactions. One of the abstentions related to a transaction in which General Electric (NBC's parent company) or an affiliate was a potential counterparty, thereby creating a potential conflict of interest. As Paxson concedes, these abstention votes had no effect, as the board of directors approved the transactions and the Company is moving forward with them.

The refinancing transaction completed by Paxson in mid-2001, which the Petition attempts unsuccessfully to portray as an instance of excessive influence, proves the exact opposite. Because the refinancing enabled the Company to increase its debt leverage beyond existing levels, NBC in its capacity as an investor expressed its view that the transaction might be inconsistent with a debt covenant contained in the terms of its preferred stock. That covenant was a standard term contained in the Company's other series of outstanding preferred stock and was not unique to NBC's investment. Paxson dismissed NBC's concerns and consummated the refinancing transaction over NBC's objections. If anything, this episode demonstrates the futility of NBC's attempt to raise legitimate issues, and hardly constitutes an example of undue influence.

After NBC announced its agreement to acquire Telemundo, representatives of Paxson made clear that unless NBC re-negotiated the existing Paxson arrangements, Paxson would bring to the attention of the FCC alleged problems with the existing NBC/Paxson arrangements. Over the course of several weeks leading up to the filing of the Petition, NBC repeatedly contacted Paxson in order to address any legitimate FCC concerns Paxson might have. NBC offered to arrange for the resignation of the NBC Nominees on the Paxson board, invited Paxson to identify any contractual provisions that posed potential problems and asked for meetings to discuss these issues. Paxson declined all such requests.*

In hindsight, it is clear that Paxson never intended to discuss and resolve any legitimate FCC concerns with NBC. Indeed, the issues raised by the Petition are wholly without merit. The relief sought by Paxson, particularly its request to delay the processing of the Telemundo application until the commercial arbitration is completed, have no basis in law and fact and should be rejected by the Commission.

* As noted below, as of December 4, 2001, the date on which Paxson commenced its arbitration proceedings and filed its Petition with the FCC, all three NBC-nominated directors had resigned from the Paxson board of directors, and at present there are no NBC-nominated directors on the board.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In re Applications of)
)
TELEMUNDO COMMUNICATIONS)
GROUP, INC.,)
)
Transferor)
) **File Nos. BTCCT-20011101ABK, et seq.**
and)
)
TN ACQUISITION CORP.,)
)
Transferee)
)
For Transfer of Control of Station KSTS (TV))
Facility ID No. 64987)
San Jose, California, *et al.*)

To: The Mass Media Bureau

**OPPOSITION TO PETITION TO DENY
FILED BY PAXSON COMMUNICATIONS CORP.**

National Broadcasting Company, Inc. ("NBC"), by its attorneys and pursuant to Section 73.3584(b) of the Commission's Rules, 47 C.F.R. § 73.3584(b) (2000), hereby opposes the Petition to Deny ("Petition") filed on December 4, 2001, by Paxson Communications Corporation ("Paxson" or the "Company"), in which Paxson asks the Commission to deny the above-referenced applications for consent to the transfer of control of Telemundo Communications Group, Inc. ("Telemundo") from the shareholders of Telemundo to TN Acquisition Corp.¹ or to hold the applications in abeyance pending the outcome of a demand for

¹ TN Acquisition Corp. is a wholly owned subsidiary of General Electric Company ("GE"), which is the parent corporation of NBC. Through the transfer of control, TN Acquisition Corp. will acquire all of the broadcast stations licensed to subsidiaries of Telemundo, as well as the Spanish-language television network owned and operated by Telemundo. Following consummation of the merger, NBC and TN Acquisition Corp., which will be

arbitration filed by Paxson with the American Arbitration Association in connection with certain contractual and commercial disputes between these parties. The Petition incorporates and is based on a Request for Declaratory Ruling filed concurrently by Paxson, in which Paxson asks the FCC to determine whether NBC has an attributable interest in Paxson, based on its conduct as a nonvoting preferred shareholder in Paxson.²

As we show below, the Petition and Request for Declaratory Ruling are wholly lacking in merit. Paxson's request that the FCC hold the Telemundo applications in abeyance pending resolution of the arbitration is an obvious delaying tactic by Paxson to obtain leverage over NBC in an unrelated commercial dispute. The only question that is conceivably within the FCC's jurisdiction is whether NBC has an attributable interest in Paxson, and that issue can be disposed of promptly based on the pleadings submitted. Once that answer has been answered, there is no basis for holding the applications in abeyance pending the outcome of the arbitration proceeding, because the demand for arbitration involves contractual and commercial claims that are outside the scope of the Commission's review. Therefore, the Commission should act expeditiously to address the only issue before it, deny both Paxson pleadings on the merits and promptly grant the applications. NBC has demonstrated in the applications that its merger with Telemundo will serve the public interest by strengthening Telemundo as a competitor in the fast-growing Spanish-language broadcasting sector and providing a high-quality, well-financed alternative to the current dominance of Univision in this market segment.

renamed Telemundo, will be under the common ownership and control of GE. Although TN Acquisition Corp. is the transferee of control in the applications, NBC is referred to as the acquiring party for ease of reference.

² Because the Petition to Deny completely subsumes the Request for Declaratory Ruling, NBC is filing this single consolidated response to both pleadings. Citations in this Opposition to specific page numbers in the form "Petition at ___" refer to the pages of the Request for Declaratory Ruling, which contains the substantive allegations, and citations to Paxson exhibits refer to the exhibits appended to the Request for Declaratory Ruling.

I. INTRODUCTION

On a threshold issue of fundamental importance, Paxson and NBC are in full agreement: the contracts at the heart of the dispute comply fully with the FCC's attribution and ownership rules. This is acknowledged by Paxson throughout the Petition. As the Petition states, the agreements were a matter of public record. Counsel for the parties discussed the agreements with FCC staff, and Paxson's FCC counsel filed the agreements with the FCC as required by Section 73.3613 of the Rules.³ As Paxson acknowledges repeatedly, Paxson and NBC structured the contracts carefully to comply with the FCC's rules so as to avoid NBC having an attributable interest in Paxson.

Having conceded that the contracts between the parties comply fully with all applicable law, Paxson asserts that in the implementation of the agreements NBC has somehow crossed the threshold for nonattributable investors. As support for this assertion, Paxson seeks to portray ordinary commercial behavior as sinister: on one occasion the three NBC-nominated directors on the Paxson board abstained on certain proposed corporate actions; NBC objected to a transaction on the ground that it appeared to be inconsistent with certain protective provisions contained in the terms of the preferred stock which were specifically agreed to by Paxson in 1999; and NBC sought to add an item to the agenda of a board meeting. Not only were these rather ordinary and appropriate exchanges, but Paxson admits that none of these occurrences has compelled or thwarted *any* actions on the part of the Company. It is an undisputed fact that the Company has been able to carry out every action it has desired, notwithstanding any disagreements expressed by NBC. *Indeed, Paxson cannot point to a single instance in which*

³ Petition at 2; *see also* Letter dated Oct. 13, 1999, from John R. Feore, Jr. to Magalie Roman Salas.

any NBC-nominated director voted against any Company proposal at a board meeting, or in which any corporate action was blocked or vetoed by NBC.

Tellingly, Paxson first raised the prospect of an FCC filing to challenge its own agreements with NBC only after NBC announced its agreement to acquire Telemundo. As soon as Paxson made its intentions clear, NBC offered repeatedly to address any FCC-related concerns Paxson might have about the existing contractual arrangements, including, if necessary, having NBC nominees resign their seats on the Paxson board, and asked Paxson to identify any other concerns it may have.⁴ Despite numerous attempts by NBC to discuss and resolve these matters, Paxson refused these requests. Not surprisingly, when Paxson filed its arbitration request, it also filed its Petition with the FCC. This course of conduct makes it clear that Paxson had no interest in resolving its purported FCC concerns. Instead, it is seeking to draw the FCC into what is, at its core, a private contractual dispute between these two parties.

As Paxson has advised the FCC, the Company has initiated an arbitration proceeding against NBC alleging that NBC's proposed acquisition of Telemundo violates certain provisions of NBC's agreements with Paxson. Paxson apparently believes that because the Telemundo merger will make it more difficult for NBC to acquire Paxson, the transaction represents a breach of contract.⁵ NBC is vigorously contesting these claims, which are wholly without merit. The reality is that NBC holds no more than an *option* to acquire control of Paxson, which current FCC ownership rules prohibit NBC from exercising. Moreover, even if these rules change so as to permit NBC to exercise the option, the contracts do not obligate NBC to do so. Indeed, the

⁴ See Paxson Exhibits 22 and 23 (Letter dated Oct. 23, 2001, and Oct. 31, 2001, from Lawrence P. Tu, General Counsel, NBC, to Anthony L. Morrison, Chief Legal Officer, Paxson).

⁵ Petition to Deny at 5.

contracts provide each party with an ability to terminate the agreements if NBC does not exercise its option.

More importantly, regardless of the merits of these contentions, they relate solely to contractual issues that are not before the Commission. In filing the Petition, Paxson has cobbled together a series of meritless claims in a desperate effort to utilize the FCC processes to gain commercial leverage over NBC. This effort is clearly an abuse of the Commission's processes and should not be allowed to succeed.

II. NBC'S INVESTMENT IN PAXSON WAS CAREFULLY STRUCTURED BY BOTH PARTIES TO COMPLY WITH THE FCC'S ATTRIBUTION AND OWNERSHIP RULES

In September 1999, NBC and Paxson entered into agreements providing for NBC to invest \$415 million to acquire a nonvoting interest in Paxson. As Paxson acknowledges, the NBC-Paxson investment agreements "were carefully designed to comply with the multiple ownership rules. They created relationships which individually or as a whole would not result in 'attribution' of NBC's station ownership to PCC or visa [sic] versa, or result in prohibited delegations of licensee control to NBC."⁶ In fact, the NBC/Paxson relationship was carefully structured to comply with both the then-in-force cross-interest policy and the FCC's recently revised rules governing attribution of ownership interests in media companies.⁷ Those rules had just been revised in August 1999 "to improve the precision of the attribution rules, avoid disruption in the flow of capital to broadcasting, afford clarity and certainty to regulatees and markets, and facilitate application processing."⁸ As the Commission explained, "[a] reasonable

⁶ Petition at 1-2.

⁷ *Review of the Commission's Regulations Governing Attribution of Broadcast and Cable/MDS Interests*, Report and Order, 14 FCC Rcd 12559 (1999) [hereinafter, "*Attribution Order*"]. The rules became effective in November 1999, at which time the cross-interest policy was repealed.

⁸ *Id.* at 12560.

and precise definition of what interests should be counted in applying the multiple ownership rules is a critical element in assuring that those rules operate to promote the goals they were designed to achieve.”⁹

One important motivation for the Commission’s actions in the attribution proceeding was the need to adopt clear rules and a bright line test for assessing the impact under the attribution rules of multiple nonattributable relationships between broadcasters. This motivating factor led to the adoption of the “equity or debt plus” (“EDP”) rule and the final elimination of the cross-interest policy and its problematic case-by-case application.¹⁰ As explained by the Commission:

Under this new EDP rule, where the investor is either (1) a “major program supplier,” as defined herein to include all programming entities (including networks and inter-market time brokers) that supply over 15 percent of a station’s total weekly broadcast programming hours, or (2) a same-market media entity subject to the broadcast multiple ownership rules (including broadcasters, cable operators, and newspapers), its interest in a licensee or other media entity in that market will be attributed if that interest, aggregating both debt and equity holdings, exceeds 33 percent of the total asset value (equity plus debt) of the licensee or media entity.¹¹

Adhering to both the threshold established by the old cross-interest policy case law and the new bright line test afforded by the EDP rule, NBC and Paxson structured the NBC investment in Paxson as a *nonvoting stake* that fell well below the EDP benchmark. At the time of the investment, NBC entered into an Investment Agreement through which it acquired 41,500 shares of nonvoting preferred stock of Paxson, which constituted 32 percent of Paxson’s

⁹ *Id.* at 12560-61.

¹⁰ *Id.* at 12581, 12609-10.

¹¹ *Id.* at 12579.

outstanding equity and less than 21 percent of the total asset value of Paxson.¹² In addition, NBC entered into a Stockholder Agreement and also obtained warrants to purchase shares of common stock and a call option to acquire control of the Company, exercisable solely at NBC's discretion.¹³ The parties also entered into joint sales agreements, which the Petition acknowledges do not raise any attribution issues,¹⁴ and entered into various time brokerage agreements, which were never implemented.

FCC counsel for both parties participated throughout the negotiations and concurred fully that the agreements complied with the rules.¹⁵ As we show below, and as Paxson admits, the rights granted to NBC in the Investment Agreement and the Stockholder Agreement are consistent with those previously recognized by the FCC as appropriate to protect the interests of nonvoting shareholders.

Notwithstanding its repeated acknowledgements that the parties' contracts comply with all applicable rules, Paxson makes a number of strained and inconsistent arguments based on a misreading of the Investment Agreement and a misunderstanding of applicable FCC precedents. At bottom, Paxson's arguments pose a bizarre and unsupportable catch-22, namely, that (a) NBC should not have board representation, but (b) without board representation, NBC must be denied the right to exercise certain customary investor rights. These contentions focus on Section 4.1 of

¹² See Paxson Exhibit 1 at 18 (Investment Agreement). NBC's preferred shares constitute 20% of the total asset value of Paxson based on the fair market value of the shares and the fair market value of the Company as a whole; thus, NBC's investment in Paxson is well below the EDP threshold.

¹³ See generally Paxson Exhibit 2 (Stockholder Agreement); Paxson Exhibits 4 and 5 (Warrant Agreements); Paxson Exhibit 3 (Call Agreement).

¹⁴ The joint sales agreement involving the sale of advertising time on the Paxson network is not regulated by the FCC, and the joint sales agreements involving the Paxson stations (which involved only the sale of advertising time, an option to provide a very limited amount of programming, and the provision of certain technical and infrastructure services) were structured to comply with the FCC's concerns.

¹⁵ Paxson Exhibit 22 at 1 (Letter dated Oct. 23, 2001, from Lawrence P. Tu, General Counsel, NBC, to Anthony L. Morrison, Chief Legal Officer, Paxson ("[A]s you know, the closing was conditioned on NBC's receipt

the Investment Agreement, and rest on a flawed analysis of the contract and of FCC law which we address below.

A. NBC's Nonvoting Shareholder Protections Are Consistent with Those Previously Approved by the FCC for Nonattributable Shareholders

Section 4.1 of the Investment Agreement requires Paxson to obtain NBC's approval prior to taking certain fundamental corporate actions.¹⁶ Each of these approval rights has either been specifically recognized by the Commission in prior decisions as an appropriate mechanism to protect the rights of nonvoting and/or minority shareholders or is comparable to such previously approved protection mechanisms. In addition, where appropriate, the approval rights are subject to reasonable materiality thresholds falling well within ranges previously approved by the FCC.

The actions with respect to which NBC has a right to consent include:

- (i) any material amendment of the Company's certificate of incorporation or by-laws;¹⁷
- (ii) any merger in which the Company is not the surviving entity;¹⁸
- (iii) subject to certain enumerated and standard exceptions, the issuance or sale of any capital stock of the Company or any options, warrants or other rights to acquire such capital stock¹⁹ or a split, combination or reclassification of any of the Company's capital stock in a manner adverse to NBC;²⁰

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").

¹⁶ Paxson Exhibit 1 at 40-43 (Investment Agreement).

¹⁷ See *Roy M. Speer*, 11 FCC Rcd 14147, 14155-56, 14158 (1996), *aff'd*, 13 FCC Rcd 19911 (1998) [hereinafter, "*Speer*"]; *Quincy D. Jones*, 11 FCC Rcd 2481, 2482-83, 2487 (1995) [hereinafter, "*Quincy Jones*"]; *BBC License Subsidiary L.P.*, 10 FCC Rcd 7926, 7927, 7933 (1995) [hereinafter, "*BBC*"]; *National Broadcasting Company, Inc.*, 6 FCC Rcd 4882, 4883, n.2 (1991) [hereinafter, "*NBC*"]; *News Int'l, PLC*, 97 FCC 2d 349, 355 (1984) [hereinafter, "*News Int'l*"]; see also *AMFM, Inc.*, 15 FCC Rcd 16062 (2000) (holding that the "requirements for investor consent to such 'fundamental matters' are permissible investor protections that neither restrict a corporation's discretion or rise to the level of attributable influence").

¹⁸ See *Quincy Jones* at 2482-83; *BBC* at 7927; *NBC* at 4883, n.2; *News Int'l* at 355-58.

¹⁹ The exceptions include options issued under the Company's stock option plans, stock issued pursuant to such options, paid-in-kind dividends on existing preferred stock, common stock issued upon conversion of preferred stock and other standard exceptions.

²⁰ See *Quincy Jones* at 2482-83; *BBC* at 7927; *News Int'l* at 355-58.

- (iv) entering into affiliate transactions that are not arms' length or that involve an amount in excess of \$100,000;²¹
- (v) entering into transactions with NBC's affiliate ValueVision International Inc.;²²
- (vi) entering into employment agreements after January 1, 2001, that provide for compensation in excess of \$400,000 per year or have a term in excess of three years (except that consent is not required for the Company to enter into an agreement with Lowell Paxson on terms not materially different from the terms in existence when the agreements were executed);²³
- (vii) an increase in the size of the Company's board of directors other than an increase resulting from the rights of existing preferred shareholders;²⁴
- (viii) the filing of a voluntary bankruptcy petition or other voluntary winding up of the Company;²⁵
- (ix) the sale or other disposition of Company assets with a fair market value greater than 20% of the book value of the Company's consolidated assets;²⁶
- (x) the sale or other disposition of the primary operating assets (including the FCC license) of one of the Company's television stations or more than 50% of the stock of a Company subsidiary holding such assets or FCC license, but only if the affected station is located in one of the 20 largest DMAs served by the Company or the proposed disposition would result in the Company's network national coverage;²⁷
- (xi) an acquisition of assets that requires the payment of consideration in a single transaction in excess of 5% of the book value of the Company's consolidated assets or in excess of 10% of such book value when combined with other acquisitions in any 12-month period;²⁸

²¹ See *Speer* at 14155-56.

²² See *id.*

²³ See, e.g., *Flathead Valley Broadcasters*, 5 *Rad. Reg. 2d (P&F) 74 (Rev. Bd. 1965)*.

²⁴ See *Speer* at 14158; *BBC* at 2482-83.

²⁵ See *Quincy Jones* at 2482-83; *NBC* at 4883, n.2.

²⁶ See *Speer* at 14155-56 (10% threshold approved); *Quincy Jones* at 2482-3 ("material portion of assets"); *News Int'l* at 356 ("selling or leasing its assets").

²⁷ See *id.*

²⁸ See *Speer* at 14155-56.

- (xii) entering into joint sales, time brokerage, local marketing and similar agreements that are not terminable on six months' notice and involve stations representing 20% or more of the Company's national coverage;²⁹ and
- (xiii) transactions or agreements providing for the use of the Company's digital broadcast spectrum on a national or regional basis, but excluding all individual station uses of the digital spectrum.³⁰

In addition, Section 4.1 gave NBC certain additional, circumscribed rights with respect to those Paxson stations defined in the Investment Agreement as "Same Market Stations" and with respect to certain aspects of the operation of the Paxson Network. The Same Market Stations are stations in which NBC could own an attributable interest in full compliance with the local television ownership rules and which would not increase NBC's national audience reach because NBC already owned or operated a station in the relevant market.³¹ Concerning this limited class of stations and the Paxson Network, the Investment Agreement grants NBC rights of approval, which may not be unreasonably withheld, with respect to the annual operating budget and material deviations therefrom and amendments thereto. If NBC fails to approve the budget for a particular year, however, the budget from the prior year remains in effect.³² Section 4.1 also gave NBC the right to approve certain programming acquisitions and series development – again, limited to the Paxson Network or the Same Market Stations – which are not included in the annual operating budget.

²⁹ This provision is analogous to the provisions requiring nonvoting shareholder consent to the sale or encumbrance of material assets of the company.

³⁰ This provision is also analogous to the provisions requiring nonvoting shareholder consent to the sale or encumbrance of material assets of the company. Although most of the cases cited above in which the Commission approved the various shareholder protections were decided prior to the adoption of the EDP attribution rule, the Commission has reaffirmed, since the adoption of the EDP rule, that contractual provisions such as these are appropriate means to protect the rights of nonvoting and minority shareholders and creditors. *See AMFM, Inc.*, 15 FCC Rcd 16062, 16078 (2000).

³¹ Paxson Exhibit 1 at 15 (Investment Agreement).

³² *Id.* at 3. The Investment Agreement further provides that if NBC failed to approve the budget for the first full year of the effectiveness of the parties' agreements, the budget in the business plan provided to NBC by Paxson would remain in effect. *Id.*

These limited programming and budgeting rights comport with established FCC precedents, since they do not apply to stations in which NBC could not have an attributable interest under existing law. The Petition incorrectly describes this limited budget approval right as if this right applied to the entire Company.³³ The parties carefully distinguished between the Same Market Stations and the Paxson Network on the one hand and the remaining Paxson stations on the other. These narrowly tailored approval rights do not raise any FCC issues.

B. Paxson's Interpretation of the Section 4.1 Proviso is Inconsistent with the Agreements and the Facts and is Unnecessary to Uphold the Lawfulness of NBC's Nonvoting Shareholder Protections

Paxson acknowledges, as it must, that the investor consent rights in Section 4.1 of the Investment Agreement are consistent with FCC precedent. Because there is no basis for directly challenging these provisions, Paxson seeks to indirectly undermine them based on a strained argument that the lawfulness of Section 4.1 depends entirely on the "insulating director consent mechanism" proviso found at the end of this section. According to this novel thesis, for which Paxson cites no FCC precedent, NBC must have board representation in order for Section 4.1 to survive (and, by virtue of the other prong of Paxson's catch-22, since Paxson believes that NBC should not have any board seats, it follows (in their view) that all of Section 4.1 should be invalidated). This is a *post hoc* rationalization that flies in the face of the language and structure of the Investment Agreement and is not supported by the facts or applicable law. Simply put,

³³ Petition at iii, 7. In contrast, Paxson acknowledges that NBC's approval rights with respect to program acquisitions and series development relate only to the Same Market Stations and the Paxson Network (which is not an entity subject to the FCC's multiple ownership rules in any event). *Id.*

NBC's nonvoting shareholder protections comply with FCC precedent and policy without the presence of any "insulating" mechanism.

The proviso at the end of Section 4.1 states:

If any member of the Board of Directors, who was a NBC Nominee, votes in such capacity to approve any matter set forth in Section 4.1 that requires the consent of [NBC], [NBC] shall be deemed to have consented to such matter for the purposes of this Section 4.1. ***Notwithstanding the foregoing, the parties agree that there is no expressed or implied agreement to elect any NBC Nominee to the Board of Directors of the Company.***³⁴

Under this provision, assuming that NBC Nominees are elected to the board of directors, NBC may exercise its Section 4.1 rights if such Nominees voted against a proposal or abstained, but could not exercise its Section 4.1 rights if any such Nominee voted in favor of the proposal. On the other hand, if no NBC Nominee is elected to the board, a scenario explicitly contemplated by the very clause itself and by other provisions of the contractual arrangements, this proviso by its own terms does not apply and the Section 4.1 rights continue to apply.

Paxson's assertion that this proviso was a necessary "savings clause" without which Section 4.1 would create attribution issues under FCC rules is fatally flawed as a matter of contract interpretation and FCC law. To read Section 4.1 as applicable only when NBC Nominees are elected to the board is to ignore the plain meaning of the provision. What Paxson fails to acknowledge is that NBC was not obligated to nominate directors, and, more importantly, unless and until the FCC's ownership rules changed, neither Bud Paxson nor any other shareholder was obligated to elect the NBC Nominees. Accordingly, there was no assurance that NBC would in fact have nominees on the Paxson board.

The Investment and Stockholder Agreements contemplate two possible avenues for NBC to be represented on the Paxson board, reflecting the important regulatory distinction between

³⁴ Paxson Exhibit 1 at 43 (Investment Agreement) (emphasis added).

nomination rights and appointment rights. One scenario involved a nomination right under Section 5.7 of the Investment Agreement, which states that NBC “intends to nominate three directors”³⁵ These three directors are the “NBC Nominees,” defined in the Stockholder Agreement as: “any individual nominated by [NBC] for election to the [Paxson] Board of directors, which individual shall not have an attributable interest in [NBC] or any entity having an attributable interest in a broadcast license for purposes of the FCC.”³⁶ The definition further provides that “*the parties agree that there is no express or implied agreement that any NBC Nominee shall be elected to the [Paxson] Board of Directors.*”³⁷ The definition of “NBC Nominee” thus incorporates the important distinction recognized by the FCC between the right to nominate versus the right to appoint or designate a director to serve on the board of a broadcast entity.³⁸

The second scenario – giving NBC something close to an appointment right – applies only when *NBC has determined that the FCC rules would allow it to have such appointment rights* (i.e., only in the event that attribution of the Paxson stations to NBC would comply with the ownership rules). Section 2.1(b) of the Stockholder Agreement provides as follows:

³⁵ *Id.* at 46.

³⁶ Paxson Exhibit 2 at 5 (Stockholder Agreement).

³⁷ *Id.* (emphasis added).

³⁸ See Paxson Exhibit 21 (Letter dated Oct. 5, 2001, from John R. Feore, Jr. to Lowell W. Paxson) (“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.”); see also *News Int’l. PLC*, at 357-58 (“ . . . Warner . . . will have a minority position on BHC’s Board. Yet Warner’s membership on the Board will always be confronted, in this very closely held company, by Chris-Craft’s superior voting power and Board membership”); Letter dated Apr. 24, 1998, from Roy J. Stewart, Chief, Mass Media Bureau, FCC, to Richard R. Zaragoza, DA 98-784 (Apr. 24, 1998) (citing with approval *The O.T.R.H., Inc.*, FCC 87I-097 (rel. Sept. 8, 1987) (“Where the Commission found no control or attributable interest even though a lender, in addition to financing construction and operation, also supplied programming, nominated certain Board members, took a stock pledge and held a purchase option”), *Univision Holdings, Inc.*, 7 FCC Rcd 6672, 6681 (1992) (the ability of a minority voting shareholder to designate a director in a corporation controlled by a single majority shareholder does not result in an attributable interest)).

If, at any time, in [NBC's] reasonable determination, the Communications Act and the rules and regulations promulgated by the FCC permit [NBC] to have board *appointment* or similar rights, at the request of [NBC], (i) the *Company* [*i.e.*, Paxson, not NBC] shall have the right to nominate NBC Nominees for election or appointment to the Board of Directors as part of the management slate that is included in the proxy statement . . . and shall provide the same support for the election of each such NBC Nominee as it provides to other persons standing for election . . . as part of the Company's management slate, [and] (ii) the Paxson Stockholders will vote their shares . . . to elect the NBC Nominees to the Board of Directors"³⁹

Because the term "Paxson Stockholders" includes Bud Paxson, the Company's single majority shareholder, Section 2.1(b) – once invoked – ensures that the NBC Nominees will be elected to serve on the board. Only in this Section 2.1(b) scenario is NBC provided some assurance that its nominees will be elected to the board.

Section 2.1(b) has never in fact been invoked by NBC. The necessary factual predicate – the ability to have appointment rights resulting in the attribution of the Paxson stations to NBC – has not occurred. Accordingly, the three employees who until recently served as directors of Paxson did so only because the Paxson Stockholders (and Bud Paxson in particular), in their discretion, elected them to the board. They were not obligated to do so, and NBC had no ability to compel that result.

In sum, Section 4.1 by its plain language operates whether or not NBC is represented on the board. Because there was no assurance that NBC would be represented on the Paxson board, Paxson could not have relied on the presence of NBC Nominees to limit the operation of Section 4.1.

Ultimately, it is not necessary for the Commission to determine the parties' intent in agreeing to the proviso or to settle these matters. As we have demonstrated above, NBC's

³⁹ Paxson Exhibit 2 at 9 (Stockholder Agreement) (emphasis added).

nonvoting shareholder protections comply with FCC precedent and policy — with or without the proviso.

III. NBC'S CONDUCT HAS BEEN CONSISTENT WITH ITS STATUS AS A NONATTRIBUTABLE INVESTOR

Paxson claims that although all of the agreements between the parties comply with the attribution and ownership rules, NBC's conduct in the relationship warrants attribution to NBC of all the Paxson-owned stations. The facts offered by Paxson simply do not provide any basis for this assertion. The Petition itself shows that Bud Paxson — as the single majority shareholder — tightly controls the Company and has not been thwarted or deterred in pursuing his plans for the Company by any action of NBC or the NBC-nominated directors. The Petition strives mightily to portray randomly-selected, ordinary commercial behavior as evidence of undue influence. In fact, the examples cited in the Petition illustrate that the conduct of the NBC-nominated directors was appropriate and fully within NBC's rights as a nonattributable investor with board representation,⁴⁰ and that NBC was fully within its rights when it raised issues in its capacity as an investor with customary minority shareholder rights. In a recent moment of candor, Paxson's Executive Vice President and Chief Strategic Officer, Seth Grossman, revealed the Company's real complaint with NBC: "We would welcome their input on improving our operations, our programming, our financing. NBC is a savvy investor. There were a number of ways that we contemplated [NBC] would help us out, *but it didn't do anything.*"⁴¹ It seems that, despite its protests to the Commission, what Paxson really wants

⁴⁰ Because NBC's investment in Paxson (and thus the rights conferred on NBC by the investment agreements) are governed by the EDP rule, Paxson's reliance on the standards for establishing insulating trusts and the criteria for ensuring the nonattributability of limited partnership interests is misplaced. See Petition at 15-16. These standards and criteria do not apply to investments in nonvoting preferred stock governed by the EDP rule.

⁴¹ See Beatrice E. Garcia, *Paxson Attempts to Block NBC Deal*, THE MIAMI HERALD, Dec. 6, 2001, at 1C (emphasis added).

from NBC is greater – not less – involvement in the operations of the Company and a more substantial financial investment.

Paxson charges that “NBC has nominated its own executive employees to the PCC board of directors and has used those directors in attempts to force PCC to act in accordance with NBC’s wishes.”⁴² These allegations are without any basis in fact. As explained above, NBC’s nomination of its employees for seats on the Paxson board was contemplated and authorized by the very agreements that Paxson asserts are consistent with the Commission’s rules. In reaffirming the EDP rule, the Commission explicitly recognized that “an agreement entered into in conjunction with preferred stock might grant the holder the right to select the persons who will run for the board of directors.”⁴³ The Commission did not suggest that such an agreement was improper or that the right to nominate directors required the attribution of the company’s stations to the preferred shareholder. To the contrary, the discussion simply explained why the EDP rule, with its 33 percent threshold, was an appropriate bright-line test for determining when preferred stock interests (whether or not accompanied by such nomination rights) would be deemed attributable.⁴⁴

The employees nominated by NBC for seats on the Paxson board are neither NBC officers nor directors⁴⁵ and therefore do not have attributable positional interests in NBC or cognizable ownership interests in the NBC stations under the FCC’s rules.⁴⁶ Accordingly, these individuals could sit on the Paxson board without triggering attribution of the Paxson stations to

⁴² Petition to Deny at 3.

⁴³ See *Review of the Commission’s Regulations Governing Attribution of Broadcast and Cable/MDS Interests*, Memorandum Opinion and Order on Reconsideration, 16 FCC Rcd 1097, 1104 (2001).

⁴⁴ See *id.*

⁴⁵ One of these employees, Brandon Burgess, became an officer of NBC on December 13, 2001. Mr. Burgess, however, resigned from the Paxson board on November 2, 2001.

⁴⁶ See *Attribution Order* at 12609-10.

NBC. The status of these nominees as NBC employees was well known to Bud Paxson at the time they were elected to the board. Moreover, the Proxy Statement filed with the Securities and Exchange Commission in connection with the annual meeting at which they stood for election included biographical information on each NBC Nominee that specifically identified him as an NBC employee.⁴⁷ If Paxson did not believe that the NBC nominees were appropriate for the Paxson board, there was no obligation on the part of Bud Paxson – the single majority shareholder – or any other shareholder to elect these nominees.⁴⁸ Moreover, Paxson has never asked NBC to replace any of its board nominees. In fact, when NBC offered to suggest to the directors that they vacate their board seats, Paxson requested NBC not to do so.⁴⁹

It is telling that notwithstanding a two-year history, the Petition does not cite a single instance in which the NBC-nominated directors voted against any matter presented to the board or in any way prevented Paxson from obtaining board approval of any proposal. At all times, Paxson has remained firmly within the control of its controlling shareholder.

Paxson's various attempts to portray NBC's exercise of legitimate investor rights as "proof" that NBC has exceeded an attribution threshold do not provide any conceivable basis for FCC review and must be rejected. Specifically, Paxson points to NBC's request to add items to the board's agenda and its request to amend the meeting minutes to more accurately reflect what was reported to have been said at the board meeting. Contrary to Paxson's assertions, this hardly constitutes evidence of an attributable level of influence or control. It was entirely appropriate

⁴⁷ Relevant excerpts are attached hereto as Exhibit 1.

⁴⁸ See Paxson Exhibit 15 at 3 (Letter dated Aug. 2, 2001, from Jeffrey Sagansky, Paxson, to Mark Begor, NBC), ("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"). In view of this history, Paxson's unsupported assertion that the parties understood that NBC would not nominate "NBC-loyal directors" until the ownership rules changed is specious. See Petition at 8.

⁴⁹ See Petition at 14.

for NBC to raise legitimate investor issues in its capacity as a preferred shareholder with specific rights to approve the material refinancing transactions. Nor is there anything surprising or problematic with NBC proposing amendments to the minutes. It is routine and indeed expected that the minutes of corporate board meetings will be circulated for review and correction prior to the next board meeting. In any event, Bud Paxson's firm control over the Company is amply evidenced by his rejection of NBC's proposed amendments to the minutes.⁵⁰

Paxson's allegation that the NBC-nominated directors interfered with the Company's attempt to obtain refinancing is contrary to the facts and without merit. Indeed, the Petition makes clear that Paxson was ultimately able to enter into a financing arrangement over NBC's objection that the transaction may be inconsistent with the terms of NBC's preferred stock. The facts proffered by Paxson reveal that in October 2000, Paxson approached NBC as an existing investor and asked it to increase its financial commitment to the Company by \$100 million (above and beyond the \$415 million already invested).⁵¹ Brandon Burgess, NBC's Senior Vice President and Chief Financial Officer of Corporate Development and New Media and the person most familiar with Paxson's operations, was tasked with the responsibility of reviewing the Paxson request. Mr. Burgess also served at that time as an NBC Nominee on the Paxson board. As NBC considered the Paxson proposal, the parties discussed possible amendments to their existing agreements, including changes to the structure, timing and prices of NBC's rights under the Warrant and Call Agreements. These discussions were entirely appropriate in view of Paxson's request for an additional investment by NBC of \$100 million.

⁵⁰ See *id.* at 13.

⁵¹ See *id.* at 10; Paxson Exhibit 13 (Letter dated October 13, 2000, from Brandon Burgess, NBC, to Lowell Paxson, Paxson).

After several months of discussion, however, NBC and Paxson were unable to reach agreement on the terms under which NBC would substantially increase its investment in Paxson. As a result, Paxson undertook a \$200 million public debt offering to refinance one of the classes of preferred stock.⁵² The offering was approved by the board at its June 24, 2001 meeting, and the only NBC Nominee present at that meeting voted in favor of the transaction. Subsequently, NBC in its capacity as an investor questioned whether the increase in Paxson's indebtedness was consistent with the debt covenants contained in the certificate of designation of NBC's Series B preferred stock and sought to negotiate restrictions on the use of the incremental debt.⁵³ Paxson disagreed with NBC's position and completed the refinancing over these objections. As the sole holder of the Series B stock, NBC was the only party with the right to waive compliance with the Series B debt covenant.⁵⁴ It could have asserted that the new debt financing was void, but it has elected not to do so.⁵⁵

Shortly thereafter, Paxson proposed to refinance another series of preferred stock and to dispose of the Company's tower assets through a sale-leaseback transaction.⁵⁶ Once again, Paxson approached NBC and its corporate parent GE about participating as an investor in the refinancing, even though the parties had disagreed over whether the earlier refinancing complied with the terms of NBC's preferred stock. The board minutes reflect that at the September 7, 2001 board meeting, the NBC-nominated directors abstained from voting on the refinancing

⁵² Paxson Exhibit 14 at 1 (Letter dated July 30, 2001, from Mark W. Begor, NBC, to Jeff Sagansky, Paxson).

⁵³ *Id.*

⁵⁴ *See id.* The covenant was a standard term contained in the Company's other series of outstanding preferred stock and was not unique to NBC's investment.

⁵⁵ *Id.*

⁵⁶ The broadcast towers are material assets of the Company (particularly in view of how difficult it would be to replace them); thus, the sale of the towers was subject to NBC's approval rights in Section 4.1 of the Investment Agreement.

“because NBC [or an affiliate] may be a party to the proposed transaction.”⁵⁷ The NBC-nominated directors also abstained from voting on the sale/leaseback transaction.⁵⁸ These abstentions did not prevent the Paxson board from approving both transactions, and the Company is moving forward with them. Indeed, at a subsequent board meeting on September 25, 2001, one of the NBC Nominees (Mr. Burgess) was invited to join a subcommittee of the board to assist the Company in implementing the refinancing plan.⁵⁹

In short, despite all the rhetoric in the Petition, neither NBC nor any of the NBC-nominated directors has ever voted against a single proposal presented by Paxson to the board, exercised the budget approval or other rights granted to NBC under Section 4.1 or blocked a single corporate action (even when entitled to do so under approval rights recognized by the FCC as appropriate to protect minority shareholders). Moreover, even in the aftermath of the parties’ disagreements over the June 2001 refinancing and the conduct of the June 2001 board meeting, Paxson returned to NBC and sought more help, more involvement and more money. It was only after the announcement of the Telemundo transaction that Paxson conveniently recast ordinary commercial disagreements into FCC issues.

IV. THE RESIGNATION OF NBC’S NOMINEES ADDRESSES PAXSON’S ATTRIBUTION CONCERNS

As discussed above, NBC agrees with Paxson that the agreements between the two companies were carefully crafted to comply with the FCC’s attribution and ownership rules as revised by the pertinent 1999 decisions. Nevertheless, when Paxson reacted to the NBC’s announced plans to acquire Telemundo by vowing to challenge NBC’s implementation of the

⁵⁷ Paxson Exhibit 16 at 13 (Extracts from Minutes of PCC’s Sept. 7, 2001, Board Meeting).

⁵⁸ *Id.* at 10-11.

⁵⁹ See Resolution A adopted at Sept. 25, 2001 Board Meeting (attached hereto as Exhibit 2).

agreements, NBC repeatedly offered to work with Paxson to resolve its concerns. This offer specifically included an offer by NBC's General Counsel to modify the agreements and have the NBC Nominees resign from the board:

Although we strongly believe that the current arrangements comply with the 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.⁶⁰

These requests were repeated in a subsequent letter and in numerous telephone calls, to no avail. Paxson did not appear interested in resolving any legitimate FCC issues through direct discussions with NBC.

In fact, with respect to the director issue, Paxson has taken a position that seems irreconcilable with its allegation that the NBC-nominated directors have violated their fiduciary duty to the Company: it insisted that these same directors could not resign because their presence was necessary to trigger the so-called "savings clause" described above.⁶¹ But as we have shown, Paxson's strained interpretation of the concluding sentence of Section 4.1 of the Investment Agreement as an "insulating mechanism" is flawed. It is illogical, ignores the plain language of the agreement and finds no support in FCC precedents. As we have also shown, the Section 4.1 covenants are consistent with the attribution rules. In any event, in light of the

⁶⁰ Paxson Exhibit 22 at 2 (Letter dated Oct. 23, 2001, from Lawrence Tu, NBC, to Anthony L. Morrison, Paxson). Mr. Tu's offer to request the resignation of the NBC Nominees and to modify the agreements to alleviate Paxson's concerns was reiterated in a letter to Mr. Morrison dated Oct. 31, 2001; Paxson Exhibit 23 (Letter dated Oct. 31, 2001, from Lawrence Tu, NBC, to Anthony L. Morrison, Paxson).

⁶¹ Petition at 14.

litigious posture in which NBC finds itself with Paxson, the NBC-nominated directors have all resigned from the Paxson board.⁶²

NBC believes that the resignation of the NBC employees from the Paxson board resolves any potential attribution concerns raised by Paxson.⁶³ Accordingly, we respectfully submit that the Commission should reject Paxson's request that the FCC require that the covenants in Article IV of the Investment Agreement be stricken. Furthermore, Paxson has offered no factual or legal basis for a conclusion that NBC's conduct as an investor in Paxson has exceeded the threshold for a passive investor to such an extent that divestiture is required.

⁶² See Letter dated Nov. 2, 2001, from Brandon Burgess, NBC, to Lowell W. Paxson; Letter dated Dec. 4, 2001, from Royce E. Wilson, NBC, to Lowell W. Paxson, Paxson; Letter dated Dec. 4, 2001, from Keith G. Turner, NBC, to Lowell W. Paxson, Paxson (attached hereto as Exhibit 3).

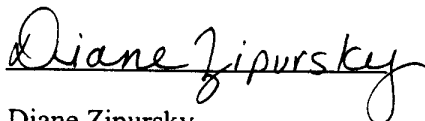
⁶³ Even if NBC were to exercise its nomination rights, any NBC nominees would have to be elected to the Paxson board by Bud Paxson in his discretion, an outcome which appears highly unlikely in the current environment.

V. CONCLUSION

As the foregoing demonstrates, NBC's investment in Paxson complies with the FCC's attribution rules, as a matter of contractual right and based on the conduct of NBC. Accordingly, Paxson's attempt to delay NBC's acquisition of Telemundo – to advance Paxson's own financial interests – must be rejected. NBC respectfully submits that the Petition should be dismissed or denied forthwith and NBC's application to acquire Telemundo be granted.

Respectfully submitted,

NATIONAL BROADCASTING COMPANY, INC.

By: 

Diane Zipursky
National Broadcasting Company, Inc.
1299 Pennsylvania Avenue, NW
11th Floor
Washington, DC 20004
202-637-4535

Of Counsel:

Margaret L. Tobey
Morrison & Foerster, LLP
2000 Pennsylvania Avenue, NW
Suite 5500
Washington, DC 20006
202-887-6935

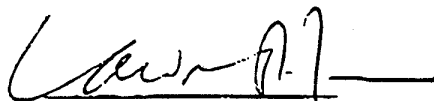
Lawrence P. Tu
National Broadcasting Company, Inc.
30 Rockefeller Plaza
New York, NY 10112
212-664-7024

Its Attorneys

December 19, 2001

DECLARATION

I, Lawrence P. Tu, Executive Vice President and General Counsel, National Broadcasting Company, Inc., hereby declare under penalty of perjury that I have read the foregoing "Opposition to Petition to Deny filed by Paxson Communications Corp." ("Opposition") and that the facts contained in the Opposition are true and correct to the best of my knowledge and belief.

A handwritten signature in black ink, appearing to read "Lawrence P. Tu", with a horizontal line extending to the right from the end of the signature.

Lawrence P. Tu

Dated: December 19, 2001

EXHIBIT 1

<SEC-DOCUMENT>0000950144-00-004736-index.html : 20000410
 <SEC-HEADER>0000950144-00-004736.hdr.sgml : 20000410
 ACCESSION NUMBER: 0000950144-00-004736
 CONFORMED SUBMISSION TYPE: DEF 14A
 PUBLIC DOCUMENT COUNT: 1
 CONFORMED PERIOD OF REPORT: 20000501
 FILED AS OF DATE: 20000407

FILER:

COMPANY DATA:

COMPANY CONFORMED NAME:	PAXSON COMMUNICATIONS CORP
CENTRAL INDEX KEY:	0000923877
STANDARD INDUSTRIAL CLASSIFICATION:	RADIO BROADCASTING STATIONS
IRS NUMBER:	593212788
STATE OF INCORPORATION:	DE
FISCAL YEAR END:	1231

FILING VALUES:

FORM TYPE:	DEF 14A
SEC ACT:	
SEC FILE NUMBER:	001-13452
FILM NUMBER:	596259

BUSINESS ADDRESS:

STREET 1:	601 CLEARWATER PK RD
CITY:	WEST PALM BEACH
STATE:	FL
ZIP:	33401
BUSINESS PHONE:	5616594122

MAIL ADDRESS:

STREET 1:	18401 US HWY 19 NORTH
CITY:	CLEARWATER
STATE:	FL
ZIP:	34624

</SEC-HEADER>
 <DOCUMENT>
 <TYPE>DEF 14A
 <SEQUENCE>1
 <DESCRIPTION>PAXSON COMMUNICATIONS NOTICE & PROXY STATEMENT
 <TEXT>
 <PAGE> 1

SCHEDULE 14A
 (RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
 SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
 EXCHANGE ACT OF 1934

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

<TABLE>

<S>

Preliminary Proxy Statement

<C>

- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

</TABLE>

PAXSON COMMUNICATIONS CORPORATION

(Name of Registrant as Specified In Its Charter)

PAXSON COMMUNICATIONS CORPORATION

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

<PAGE> 2

(LOGO)

(PAXSON COMMUNICATION CORPORATION LOGO)

April 5, 2000

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Paxson Communications Corporation (the "Company"), which will be held at The Ritz-Carlton Amelia Island, 4750 Amelia Island Parkway, Amelia Island, Florida 32034, on May 1, 2000, at 11:00 a.m., local time.

Please note that attendance at the Annual Meeting will be limited to stockholders as of the record date (or their authorized representatives) and to our invited guests. If your shares are registered in your name and you plan to attend the Annual Meeting, please mark the appropriate box on the enclosed proxy card and you will be pre-registered for the meeting (if your shares are held of record by a broker, bank or other nominee and you plan to attend the meeting, you must also pre-register by returning the registration card forwarded to you by your bank or broker). Stockholders who are not pre-registered will only be admitted to the Annual Meeting upon verification of stock ownership.

The notice of the meeting and proxy statement on the following pages contain information concerning the business to be considered at the meeting. Please give these proxy materials your careful attention. It is important that your shares be represented and voted at the Annual Meeting regardless of the size of your holdings. Accordingly, whether or not you plan to attend the Annual Meeting, please complete, sign, and return the accompanying proxy card in the enclosed envelope in order to make sure your shares will be represented at the Annual Meeting. Stockholders who attend the Annual Meeting will have the opportunity to vote in person.

Sincerely,

/s/ Lowell W. Paxson
LOWELL W. PAXSON
Chairman of the Board

<PAGE> 3

PAXSON COMMUNICATIONS CORPORATION
601 CLEARWATER PARK ROAD
WEST PALM BEACH, FLORIDA 33401-6233

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
MAY 1, 2000

The Annual Meeting of Stockholders of Paxson Communications Corporation will be held at The Ritz-Carlton Amelia Island, 4750 Amelia Island Parkway, Amelia Island, Florida 32034, on May 1, 2000, at 11:00 a.m., local time, for the following purposes:

1. To approve an amendment to our Certificate of Incorporation to adopt a classified board of directors so that only one-third of the directors would be elected annually;
2. To elect nine directors to serve for terms of one to three years as set forth in Proposal 1, or if Proposal 1 is not approved, until the next annual meeting of stockholders, and until their successors have been duly elected and qualified;

3. To approve the issuance of shares of our Class A Common Stock upon conversion of shares of our 8 $\frac{1}{2}$ % Series B Convertible Exchangeable Preferred Stock and certain warrants issued to subsidiaries of National Broadcasting Company, Inc., pursuant to the terms of such instruments;
4. To approve an amendment to our Certificate of Incorporation to increase the total number of authorized shares of Common Stock from 197,500,000 shares to 327,500,000 shares, the number of authorized shares of Class A Common Stock from 150,000,000 shares to 215,000,000 shares, and the number of authorized shares of Class C Non-Voting Common Stock from 12,500,000 shares to 77,500,000 shares;
5. To ratify the appointment of PricewaterhouseCoopers LLP as our independent certified public accountants for 2000; and
6. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on March 29, 2000, as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting.

Stockholders are requested to vote, date, sign and promptly return the enclosed proxy in the envelope provided for that purpose, WHETHER OR NOT THEY INTEND TO BE PRESENT AT THE MEETING.

By Order of the Board of Directors

/s/ ANTHONY L. MORRISON
Anthony L. Morrison, Secretary

West Palm Beach, Florida
April 5, 2000
<PAGE> 4

PAXSON COMMUNICATIONS CORPORATION
601 CLEARWATER PARK ROAD
WEST PALM BEACH, FLORIDA 33401-6233

PROXY STATEMENT

This proxy statement is first being sent to stockholders on or about April 5, 2000, in connection with the solicitation of proxies by the Board of Directors of Paxson Communications Corporation (the "Company"), to be voted at the Annual Meeting of Stockholders to be held on May 1, 2000, and at any adjournment thereof (the "Meeting"). The Board of Directors has fixed the close of business on March 29, 2000, as the record date of the determination of stockholders entitled to notice of and to vote at the Meeting. At the close of business on the record date, we had outstanding (i) 54,793,652 shares of \$0.001 par value Class A Common Stock ("Class A Common Stock"), entitled to one vote per share, (ii) 8,311,639 shares of \$0.001 par value Class B Common Stock ("Class B Common Stock," and with the Class A Common Stock, collectively, the "Common Stock"), entitled to ten votes per share, and (iii) 8,714 shares of 9 $\frac{3}{4}$ % Series A Convertible Preferred Stock ("Series A Convertible Preferred Stock"), entitled to 625 votes per share.

VOTING

Shares represented by duly executed proxies in the accompanying form received by us prior to the Meeting will be voted at the Meeting in accordance with the directions given. If a proxy card is signed and returned without specifying a vote or an abstention on any proposal, it will be voted according to the recommendation of the Board of Directors on that proposal. The Board of Directors recommends a vote FOR the election of directors, the amendments to our

In order to be adopted, this proposal must receive the affirmative vote of at least a majority of the outstanding shares entitled to vote, present in person or represented by proxy. Mr. Paxson and his affiliates, who own a majority in total voting power of our outstanding voting stock, have agreed with NBC to vote their shares in favor of this proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THIS PROPOSAL TO AMEND THE COMPANY'S CERTIFICATE OF INCORPORATION TO PROVIDE FOR A CLASSIFIED BOARD OF DIRECTORS.

PROPOSAL 2 -- ELECTION OF DIRECTORS

At the Annual Meeting, nine directors are to be elected. If Proposal 1 is approved, nine directors will be elected for the staggered terms set forth below. If Proposal 1 is not approved, nine directors will be elected to hold office until the next Annual Meeting of Stockholders or until their successors have been elected and

4

<PAGE> 8

qualified. The nine nominees for election as directors are Lowell W. Paxson, Jeffrey Sagansky, William E. Simon, Jr., Bruce L. Burnham, James L. Greenwald, Brandon Burgess, Keith G. Turner, Harold Brook and John E. Oxendine, all of whom are currently members of the Board of Directors. Messrs. Burgess, Turner and Brook are employees of NBC and are proposed for election as Class III directors for three year terms expiring at the 2003 Annual Meeting. Messrs. Burnham, Greenwald and Oxendine are proposed for election as Class II directors for two year terms expiring at the 2002 Annual Meeting. Messrs. Paxson, The persons named in the enclosed proxy card have advised that, unless otherwise directed on the proxy card, they intend to vote FOR the election of the designated nominees, and that should any nominee become unable or unwilling to accept nomination or election for any reason, votes will be cast for a substitute nominee designated by the Board of Directors, which has no reason to believe the nominees named will be unable or unwilling to serve if elected.

NOMINEES FOR DIRECTOR

<TABLE>
<CAPTION>

NOMINEE	AGE	POSITION, PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE A
-----	---	-----
<S>	<C>	<C>
CLASS I DIRECTORS (TERM EXPIRING AT ANNUAL MEETING IN 2001)		
Lowell W. Paxson.....	65	Chairman of the Board since 1991 and Chief Executive Company from 1991 to 1998. President, Home Shopping N from 1985 to 1990.
William E. Simon, Jr.....	48	Vice Chairman of the Company since 1998. Executive Di E. Simon & Sons, LLC, a private investment firm and m from 1988 to present. Director and Chairman, GeoLogis Corporation.
Jeffrey Sagansky.....	48	President and Chief Executive Officer of the Company Co-President, Sony Pictures Entertainment, a producer video programming, from 1996 to 1997. Executive Vice Corporation of America, from 1994 to 1996.
CLASS II DIRECTORS (TERM EXPIRING AT ANNUAL MEETING IN 2002)		
Bruce L. Burnham.....	66	President of The Burnham Group since 1993, a firm pro consulting and marketing services to the retail indus Forcenergy, Inc., and J.B. Rudolph, Inc.
James L. Greenwald.....	73	Chairman and Chief Executive Officer from 1975 to 199 Communications, Inc., a broadcast advertising represe

John E. Oxendine..... 57 firm; Chairman Emeritus since 1994. Director, Granite Company and Source Media, Inc. President and Chief Executive Officer since 1998 of B Chairman and Chief Executive Officer since 1999 of Br Inc.; Chairman from 1994 to 1998 of Blackstar LLC; Ch Executive Officer 1987 to 1998 of Blackstar Communica of such entities are owners and operators of, or inve broadcast television stations.

</TABLE>

5

<PAGE> 9

<TABLE>

<CAPTION>

NOMINEE	AGE	POSITION, PRINCIPAL OCCUPATION, BUSINESS EXPERIENCE A
-----	-----	-----
<S>	<C>	<C>
CLASS III DIRECTORS (TERM EXPIRING AT ANNUAL MEETING IN 2003)		
R. Brandon Burgess.....	32	Vice President and Chief Financial Officer, Business New Media, of NBC since 2000; Vice President and CFO, Network, of NBC from 1999 to 2000; Director of Busine and International Business of NBC from 1998 to 1999; Corporate Strategy and Mergers and Acquisitions of Pe beverage company, from 1995 to 1998.
Keith G. Turner.....	46	President, Television Network Sales of NBC since 1998 President, Sports Sales and Television Network Sales to 1998.
Harold N. Brook.....	43	Executive Vice President, NBC Entertainment and NBC S Affairs since 1997; Senior Vice President, Business A from 1993 to 1997.

</TABLE>

OTHER EXECUTIVE OFFICERS

Dean M. Goodman, 52, has been the President of the Company's PAX TV network television operations since 1998. Mr. Goodman was president of the Company's inTV and Network-Affiliated Television divisions from 1995 to 1997. From 1993 to 1995, Mr. Goodman was general manager of the Company's Miami, Florida radio station group.

Anthony L. Morrison, 38, is the Company's Executive Vice President, Secretary and Chief Legal Officer, serving in these capacities since 1995. Prior to that time he was an attorney in private practice with the O'Melveny & Meyers law firm, concentrating his practice on complex commercial financings.

Seth A. Grossman, 34, was named Chief Financial Officer of the Company in December 1999. Mr. Grossman has also served as Senior Vice President, Corporate Development since 1997. From 1995 to 1997, he was the Company's Director of Finance.

Kenneth M. Gamache, 37, is a Senior Vice President of the Company, and has served as the Company's Controller and principal accounting officer since 1993.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

During 1999, the Board of Directors held seven meetings. Each incumbent director attended at least 75% of the total number of Board meetings and meetings of committees of which he is a member. In addition, the Board of Directors took action 18 times during 1999 by unanimous written consent in lieu of a meeting, as permitted by applicable state law.

The Compensation Committee consists of James L. Greenwald and Bruce L.

EXHIBIT 2

Resolution A

Approval of Refinancing of 12½% Cumulative Exchangeable Preferred Stock and Appointment of Pricing Committee

WHEREAS, Paxson Communications Corporation's (the "Company") 12½% Cumulative Exchangeable Preferred Stock (the "12½% Preferred Stock") pay dividends in (a) additional shares of 12½% Preferred Stock through October 31, 2002, and (b) cash thereafter; and

WHEREAS, the US capital markets are expected to become 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 12½% Preferred Stock;

NOW, THEREFORE, BE IT

RESOLVED, that the Board of Directors hereby approves the refinancing of the Company's 12½% Preferred Stock by the offering, issuance and private sale of one or more new series of preferred stock and/or debentures (the "New Securities"), in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), subject to certain terms and conditions to be more definitively established in connection with such offering by the Pricing Committee to be established pursuant to the resolutions set forth below (the foregoing transactions are collectively referred to hereinafter as the "Offering");

Pricing Committee; Authority

RESOLVED, that pursuant to the Company's bylaws and applicable law, the Board of Directors hereby authorizes and approves the creation of a committee of the Board of Directors (the "Pricing Committee") for the purpose of taking any and all actions which may be necessary or desirable in the interests of the Company in connection with the refinancing of the Company's 12½% Preferred Stock, and that the Pricing

Committee shall have the following rights, powers and authority, and be subject to the following limitations:

1. **Membership.** The initial members of the Pricing Committee shall be Jeffery Sagansky, R. Brandon Burgess and Henry Brandon. Mr. Sagansky shall serve as Chairman of the Pricing Committee.

2. **Authority.** The Pricing Committee, when the Board of Directors or the Executive Committee of the Board of Directors is not in session, shall have and may exercise all of the rights, powers and authority of the Board of Directors, except as may be expressly limited by the Company's Certificate of Incorporation, Bylaws, or the General Corporation Law of the State of Delaware (the "DGCL"). The Pricing Committee shall have the right, power and authority to adopt resolutions on behalf of the Board of Directors exercising the Board's powers under subsections 151(a) and 151(g) of the DGCL, to the fullest extent permitted by subsection 141(c) of the DGCL, as amended from time to time.

3. **Tenure.** Each member of the Pricing Committee shall hold office until his resignation, removal or replacement as a director of the Company, or until his resignation from the Pricing Committee or removal or replacement from membership on the Pricing Committee by action of the Board of Directors.

4. **Governance.** With respect to meetings, the taking of action and all other governance matters, the Pricing Committee shall be governed by the resolutions previously adopted by the Board with respect to the Executive Committee.

5. **Termination.** The Pricing Committee shall be constituted and its members shall serve as such only for a period of time ending 30 days after completion of the refinancing, at which time the Pricing Committee shall be dissolved and shall cease to have or exercise any of the rights, powers or authority granted pursuant to these resolutions.

RESOLVED, that the Pricing Committee is hereby authorized and directed to fix the designations, preferences and rights of the New Securities relating to dividends, redemption, dissolution, any distribution of assets of the Company and, if

applicable, the conversion of such shares into, or the exchange of such shares for, debentures or shares of any other class or classes or any other series of the same or any other class or classes of stock, to fix the total number of shares of New Securities to be authorized and the number of such shares to be issued in the Offering, and to authorize the increase or decrease of the total number of authorized shares of New Securities and all other matters relating thereto;

RESOLVED, that, if the New Securities are exchangeable, the Pricing Committee is authorized and directed to fix and determine the amount of debentures to be exchanged for New Securities, the terms and form of the debentures (including interest rate, conversion price, redemption premiums and sinking fund provisions, if any), the terms of the indenture and all other matters relating thereto;

RESOLVED, that the Pricing Committee is authorized and empowered in the name and on behalf of the Board of Directors to take any such further action which it deems necessary, appropriate or convenient to effectuate the purpose and intent of the foregoing resolutions;

General Authorizations

RESOLVED, that all actions taken by the officers and directors of the Company, or any of them, in connection with the foregoing resolutions through the date hereof, are hereby ratified, confirmed and approved as the duly authorized acts of the Company; and

RESOLVED, that the officers of the Company be, and each of them hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to take such further action (including, without limitation, the payment of all expenses and fees), and to execute and deliver any and all agreements, instruments, certificates, applications, consents and other documents, and to make all filings, which any of such officers deems necessary, appropriate or convenient to effectuate the purpose and intent of the foregoing resolutions, the authority for the taking of such action, the execution and delivery of such agreements, instruments, certificates, applications, consents and other documents and the making of such filings to be conclusively evidenced thereby.

EXHIBIT 3

National Broadcasting
Company, Inc.

30 Rockefeller Plaza
New York, NY 10112
212 664-3822
212 664-3745 Fax
brandon.burgess@nbc.com

Roy Brandon Burgess
Senior Vice President and Chief Financial Officer
Corporate Development and New Media



November 2, 2001

Via telecopier and overnight courier

Mr. Lowell W. Paxson
Chairman of the Board
Paxson Communications Corporation
601 Clearwater Park Road
West Palm Beach, Florida 33401

Dear Mr. Chairman:

I hereby resign my position as a member of the Board of Directors of Paxson Communications Corporation effective immediately.

Very truly yours,

A handwritten signature in black ink, appearing to read "Brandon Burgess".

Brandon Burgess

cc: Jeff Sagansky
Anthony L. Morrison, Esq.

30 Rockefeller Plaza
New York, NY 10112
212 664-2061
212 664-7208 Fax
keith.turner@nbc.com

A Division of
National Broadcasting
Company, Inc.

Keith G. Turner
President
Sales and Marketing



December 4, 2001

Via telecopier and overnight courier
Mr. Lowell W. Paxson
Chairman of the Board
Paxson Communications Corporation
601 Clearwater Park Road
West Palm Beach, Florida 33401

Dear Mr. Chairman:

I hereby resign my position as a member of the Board of Directors of Paxson Communications Corporation effective immediately.

Very truly yours,


Keith G. Turner
President, Sales & Marketing

cc: Jeff Sagansky
Anthony L. Morrison, Esq.

National Broadcasting
Company, Inc.

3500 West Olive Avenue
15th Floor
Burbank, CA 91505
818 526-7301
818 526-7300 Fax

Ed Wilson
President
NBC Enterprises and Syndication



December 4, 2001

Via telecopier and overnight courier

Mr. Lowell W. Paxson
Chairman of the Board
Paxson Communications Corporation
601 Clearwater Park Road
West Palm Beach, Florida 33401

Dear Mr. Chairman:

I hereby resign my position as a member of the Board of Directors of Paxson Communications Corporation effective immediately.

Very truly yours,

A handwritten signature in black ink, appearing to read "Royce E. Wilson", is written over a horizontal line.

Royce E. Wilson
President, NBC Enterprises & Syndication

cc: Jeff Sagansky
Anthony L. Morrison, Esq.

CERTIFICATE OF SERVICE

I, Lilly A. Whitney, a secretary in the law offices of Morrison & Foerster LLP, do hereby certify that I have, on this 19th day of December, 2001, had copies of the foregoing "OPPOSITION TO PETITION TO DENY FILED BY PAXSON COMMUNICATIONS CORP." sent via U.S. mail, postage prepaid, to the following:

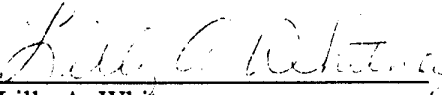
Barbara A. Kreisman, Chief *
Video Services Division
Mass Media Bureau
Federal Communications Commission
445 12th Street, S.W., Room 2-A666
Washington, D.C. 20554

Shaun A. Maher, Esquire *
Video Services Division
Mass Media Bureau
Federal Communications Commission
445 12th Street, S.W., Room 2-A820
Washington, D.C. 20554

Juan A. Figueroa, President & General Counsel
Jenny Rivera, Esquire
Puerto Rican Legal Defense and Education Fund, Inc.
99 Hudson Street, 14th Floor
New York, New York 10013-2815

Harry C. Martin, Esquire
Fletcher, Heald & Hildreth, P.L.C
1300 North 17th Street, 11th Floor
Arlington, Virginia 22209-3801

Meredith S. Senter, Jr., Esquire
Leventhal, Senter & Lerman, P.L.L.C.
2000 K Street, N.W., Suite 600
Washington, D.C. 20006-1809


Lilly A. Whitney

* Hand Delivered