

## **Post-Consummation Capitalization of ION Media Networks, Inc.**

In response to an inquiry from the Commission's staff made prior to June 18, 2007, this exhibit and attachments set forth additional information on the capitalization of ION Media Networks, Inc. ("ION") following consummation of the proposed transfer of control of ION from Paxson Management Corporation and Lowell W. Paxson to CIG Media LLC ("CIG"). In preparing this exhibit, as requested by the Commission's staff, we have assumed that all persons or entities with the right to exchange or tender securities will have done so.<sup>1</sup>

### **Capitalization of ION**

After the consummation of the proposed transfer, ION will have two classes of voting stock. All of that stock will be held by CIG, which will have 100 percent of the voting rights in ION. The value placed on those shares in the attached chart (Ownership of ION Media Capital Stock Post-Consummation) is based on the price paid for the shares in the tender offer for the publicly held shares and the price to be paid by CIG for the shares held by Mr. Paxson and entities under his control.

In addition to the voting stock, as set forth in the attached chart, ION will have six classes of non-voting securities. The holders of the existing 14.25% Cumulative Junior Exchangeable Preferred shares will receive new 12% Convertible Preferred shares (and debt securities), as will the holders of the existing 9.75% Series A Convertible Preferred shares. NBC Universal, Inc. or its affiliates (collectively "NBCU") will hold 8% Convertible shares and 0% Convertible shares. CIG will also hold 8% Convertible shares and 0% Convertible shares. The values for the various classes of preferred shares shown in the attached chart are based on their aggregate liquidation preferences.

The value of these equity holdings, both voting and non-voting, will total \$841,659,607. In addition, ION will have debt in various classes totaling \$1,710,304,353. ION's total capital (debt plus equity) will be \$2,551,963,960.

### **Compliance With FCC Ownership Rules**

As set forth in Transferee's Exhibit 14, all of the persons or entities who will have voting control of ION (CIG and the entities and individuals that control it) are U.S. citizens or entities owned by U.S. citizens. ION thus fully complies with the voting prong of the Commission's foreign ownership analysis. *See BBC License Subsidiary L.P.*, 10 FCC Rcd 10968, 10974 (1995).

ION will also comply with the equity prong of the Commission's foreign ownership test. As shown in the attached organization chart (CIG Media LLC Ownership), the beneficial

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<sup>1</sup> We have not taken into account transactions, such as a reverse stock split, that will occur after the consummation of the transfer of control to CIG. Those transactions, however, will not affect the beneficial ownership of CIG.

ownership of CIG is divided among two funds, both insulated from control over CIG's media activities. One fund is Bermuda-based and owns 21 percent of CIG. The other beneficial owner is a U.S.-based fund. In calculating the foreign ownership of CIG set forth in the attached chart, CIG's equity interest was therefore deemed to be 21 percent foreign. Since CIG will hold 43 percent of the equity of ION, that would result in foreign ownership of nine percent.<sup>2</sup> See *BBC License Subsidiary*, 10 FCC Rcd at 10973.

Surveys conducted of the shareholders of General Electric, NBCU's parent entity, show that less than ten percent of the stock is held by foreigners. NBCU's foreign ownership in the attached chart was deemed, therefore, to be ten percent. As NBCU will hold 48.25 percent of the equity of ION, that would result in additional foreign ownership of 4.825 percent.

The remaining equity in ION will be held by current holders of ION's 14.25% and 9.75% preferred stock. As ION demonstrates in a contemporaneously-filed amendment to the Transferor's portion of these applications, the available data concerning the holders of those securities shows that non-U.S. entities likely own approximately ten percent of those shares. To be extremely conservative, however, and consistent with ION's assumptions, the calculations of foreign ownership in the attached chart assume that 50 percent of the new 12% Convertible shares will be held by foreign individuals or entities. The holders of the two classes of existing publicly held preferred stock will have 8.75 percent of ION's post-consummation equity, resulting in additional foreign ownership of 4.375 percent.

Collectively, the total foreign ownership of ION will be 18.23 percent, well under the 25 percent limit in Section 310(b)(4) of the Communications Act. Indeed, even if all current holders of the 14.25% and 9.75% preferred stock, and thus the post-consummation holders of the 12% Convertible shares, were foreign, ION's foreign ownership would be 22.6 percent, again well under the statutory limit. Thus, under any circumstances, the ownership of ION after the proposed transaction will be within the Commission's foreign ownership limits.

The attached chart also analyzes whether ownership of ION would be attributed to any entity under the equity/debt plus rule set forth in Note 2(i) to Section 73.3555 of the Commission's Rules. As illustrated there, no individual or entity, including CIG and NBCU, will hold 33 percent or more of ION's total capital; therefore, the equity/debt plus rule does not result in anyone other than CIG and its controlling entities and individuals becoming attributable owners of ION.

Finally, the attached verified Statement of Matthew B. Hinerfeld confirms that neither CIG, nor the individuals or entities that control it, have an attributable interest in any other media property.

The post-transaction ownership structure of ION, therefore, will be in full compliance with the Commission's ownership rules.

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<sup>2</sup> A survey of the larger owners of Citadel Wellington LLC, the U.S. fund holding 79 percent of the beneficial ownership of CIG, revealed that a very small number reported limited foreign investment. Even if this limited foreign investment would result in foreign ownership of CIG as high as 25 percent, the total foreign ownership of ION post-consummation would be 20 percent.

## Ownership of ION Media Capital Stock Post-Consummation

### Assumptions:

*All exchanges completed*

Foreign ownership of 14.25% and 9.75% preferred 50%

Foreign ownership of CIG Media 21%

Foreign Ownership of NBCU 10%

Total Debt \$1,710,304,353

**Total capital (equity plus debt): \$2,551,963,960**

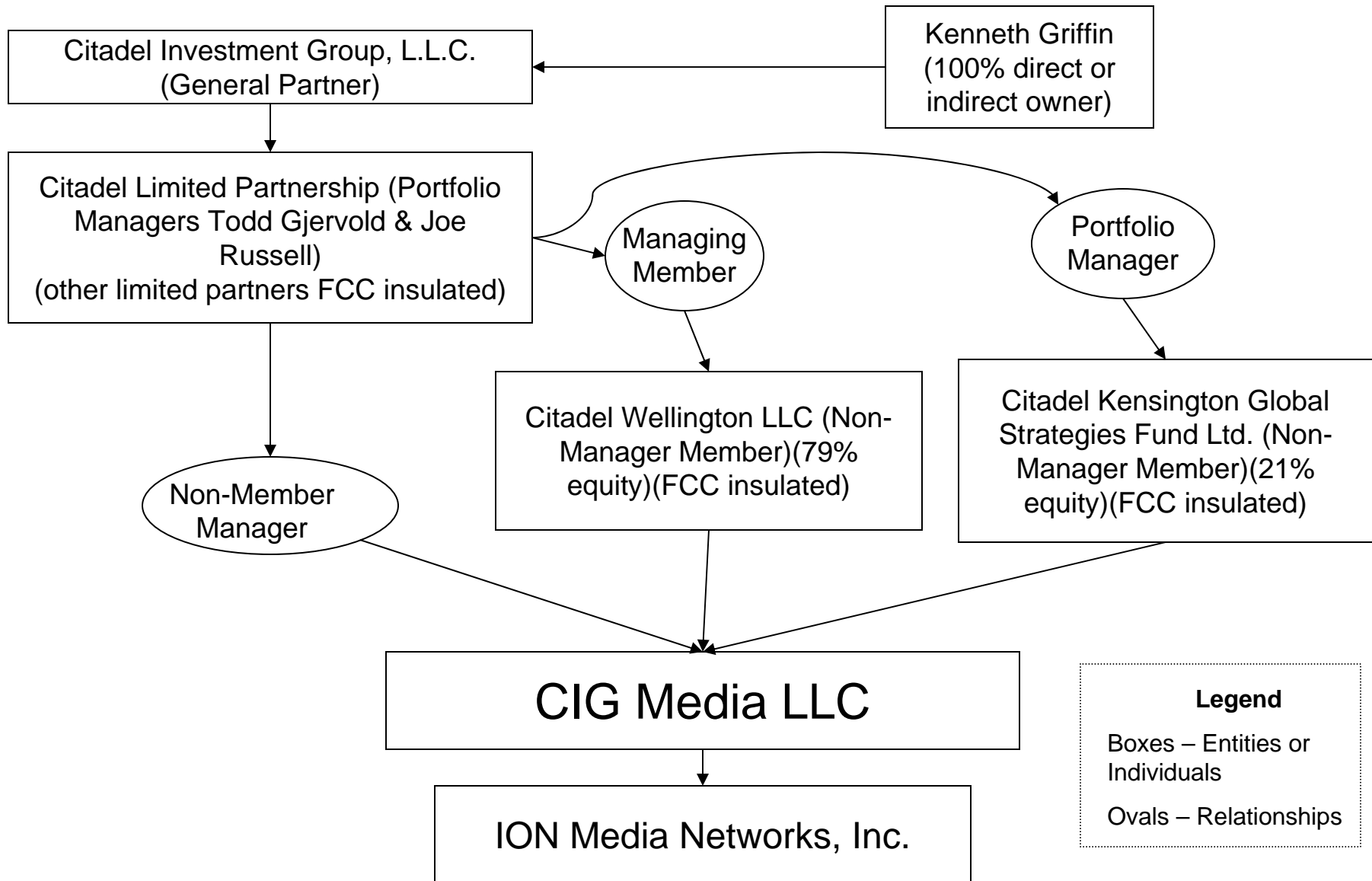
Loans	Convertible Sub Debt			
Various Holders	CIG 11% Convertible	14.25% Jr. Preferred 11% Convertible	9.75% Preferred 11% Convertible	CIG 11% Convertible
\$1,130,000,000	\$66,754,625	\$332,815,152	\$65,734,575	\$115,000,000

Voting Stock	Non-Voting Preferred					
Classes A&B CIG Media	14.25% Jr. Preferred 12% Convertible	9.75% Preferred 12% Convertible	CIG 8% Convertible	NBCU 8% Convertible	NBCU 0% Convertible	CIG 0% Convertible
\$66,347,447	\$56,931,491	\$16,695,980	\$95,584,689	\$375,000,000	\$31,100,000	\$200,000,000

Equity Ownership				
Entity	Amount	% of Total	Foreign Ownership (\$)	Equity/Debt Plus %
CIG Media	\$361,932,136	43.00%	\$76,005,749	21.30%
NBCU	\$406,100,000	48.25%	\$40,610,000	15.91%
Public Preferred	\$73,627,471	8.75%	\$36,813,736	18.50%

Total Preferred	Total Equity	Foreign Ownership	Foreign Ownership %
\$775,312,160	\$841,659,607	\$153,429,484	18.23%

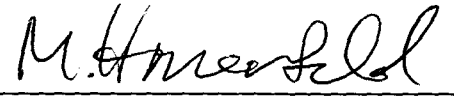
# CIG Media LLC Ownership



## **STATEMENT OF MATTHEW B. HINERFELD**

I, Matthew B. Hinerfeld, am Managing Director and Deputy General Counsel of Citadel Investment Group, L.L.C. I do state and declare under penalty of perjury as follows:

1. The entities and individuals who have an attributable interest in CIG Media LLC are: Citadel Investment Group, L.L.C., Citadel Limited Partnership, Kenneth Griffin, Todd Gjervold, and Joseph Russell.
2. Each of those entities and individuals has certified that they do not hold an attributable interest in any other media property or in any other entity that holds an attributable interest in any media property.

A handwritten signature in black ink, appearing to read "M. Hinerfeld", written over a horizontal line.

Matthew B. Hinerfeld

June 19, 2007