

Third Amendment

ION Media Networks, Inc. (“ION”), Scripps Media, Inc. (“Scripps”), and INYO Broadcast Holdings, LLC (“INYO”), hereby file this third amendment to pending applications seeking Commission consent to the transfer of control of certain licenses from ION to Scripps and the assignment of certain other licenses from ION to INYO. The instant amendment provides the following information and certifications:

Option Agreement

The instant amendment provides the Form of Option Agreement, which is Exhibit E to the Divestiture Agreement, as well as the Divestitures Term Sheet and Schedule 4(a)-2 and Schedule A of the Amendment to Divestiture Agreement, each of which is referenced in the Comprehensive Exhibit.

In connection with the closing of the Divestiture, Scripps and INYO will create and enter into station-specific versions of the Form of Option Agreement for each Divestiture Station.

INYO and Scripps have negotiated the exercise price (“Exercise Price”) that will apply to each station-specific Option Agreement. The Exercise Price for most of the stations is provided in Schedule 4(a) of the Form of Option Agreement and the Divestitures Term Sheet, except that the Exercise Price for each of stations WPPX-TV (Wilmington, DE), KKPX-TV (San Jose, CA) and KPXM-TV (St. Cloud, MN) is provided in Schedule 4(a)-2 and Schedule A of the Amendment to Divestiture Agreement. Each of the aforementioned documents is referenced in the Comprehensive Exhibit. Redacted versions of the Form of Option Agreement, Divestitures Term Sheet, and Schedule 4(a)-2 and Schedule A of the Amendment are being submitted with the instant amendment, and un-redacted versions of each are being provided to the Commission with a request for confidential treatment. As reflected in the un-redacted versions, the Exercise Price for each Divestiture Station is equal to the purchase price INYO will pay under the Divestiture Agreement as allocated to each particular station plus a premium which increases over the term of the Option Agreement.

The Option Agreement is an arm’s length agreement between Scripps and INYO. In particular, the purchase price for the Divestiture Stations, and in turn the Exercise Price under the Option Agreement, were heavily negotiated by Scripps and INYO, with Morgan Stanley, as Scripps’ financial advisor, assisting in the valuation of the Divestiture Stations’ assets and leading the purchase price negotiations for Scripps. As the Exercise Price under the Option Agreement will be greater than the amount INYO will pay to acquire each Divestiture Station, the value of the station assets controlled by INYO will be equal to at least 100 percent of the total asset value of the stations.

Scrrips Is Not Involved in INYO's Acquisition Financing

Scrrips and INYO hereby certify that Scrrips is not providing financing and is not guaranteeing INYO's financing in connection with INYO's acquisition of the Divestiture Stations. INYO is financing the acquisition of the Divestiture Stations completely independent of Scrrips.

Affiliation Agreement

As described in the Comprehensive Exhibit, the affiliation agreement (the "Affiliation") between Scrrips and INYO is an arm's length agreement that will create significant benefits for both parties. The Affiliation complies with the Commission's rules and is consistent with both ION's existing affiliation agreements with its forty (40) station group partners (covering 124 affiliated stations) and broadcast industry affiliation practices generally.

The Form of Affiliation Agreement, which is Exhibit F to the Divestiture Agreement, is complete and un-redacted as previously submitted with the applications. As with the Form of Option Agreement, Scrrips and INYO will create and enter into station-specific versions of the Form of Affiliation Agreement for each Divestiture Station in connection with the Divestiture closing.

Exhibit 6 of the Form of Affiliation Agreement provides that ION will pay the INYO Divestiture Stations a monthly fee based on an agreed-upon estimate of the number of households in each station's market. The network fee for each Divestiture Station is provided, as applicable, in the Divestitures Term Sheet, except that the network fee for each of stations WPPX-TV (Wilmington, DE), KKPX-TV (San Jose, CA) and KPXM-TV (St. Cloud, MN) is provided in Schedule A of the Amendment to Divestiture Agreement. As noted above, redacted versions of the Divestitures Term Sheet and Schedule A of the Amendment to Divestiture Agreement are being submitted with the instant amendment, and un-redacted versions of each are being provided to the Commission with a request for confidential treatment.

The Affiliation is consistent with the Commission's rules governing the appropriate relationship between networks and their affiliates¹ and maintains INYO's control over all aspects of station operations, including programming. In accordance with Commission precedent, the Affiliation respects INYO's independence and control over the stations in all relevant respects:

- Section 3(i) gives INYO the unfettered right to reject any programming that it deems unsatisfactory or unsuitable and the right to substitute programming INYO deems to be of greater local or national importance to its viewers;
- Exhibit 9, Sections 1 and 2 explicitly preserve licensee control and authority over each of INYO's ION-affiliated stations, including, specifically, control and authority over the station's operations, finances, personnel, and programming;

¹ See 47 C.F.R. §73.658; see also Network Affiliated Stations Alliance (NASA) Petition for Inquiry into Network Practices and Motion for Declaratory Ruling, *Declaratory Ruling*, FCC 08-192 (rel. Sept. 3, 2008).

- Section 3(j) provides INYO with reasonable pre-emption rights that are consistent with the preemption practices of the Big Four networks (and in addition to INYO's right to reject under Section 3(i));
- Section 3(k) reserves INYO's right to schedule local, non-infomercial programming for 18 hours per week on its ION-affiliated program streams;
- Exhibit 9, Sections 3.2 and 4.1, confirms that INYO will retain control over all INYO station employees and that there will be no shared employees among the two companies;
- Section 3(c) provides INYO with the right to sell substantial amounts of advertising during both ION network and any locally originated programming, and INYO will determine its own rates and terms for such advertising;
- Section 17 preserves INYO's control over retransmission of the stations by in-DMA multichannel video programming distributors;
- Upon expiration of the initial term of the Affiliation, renewal is entirely at INYO's discretion; and
- Neither the Affiliation nor any other agreement includes any joint advertising sales component.

These features of the Affiliation ensure that INYO will remain in control of the Divestiture Stations while both INYO and Scripps reap the mutual benefits of the Affiliation. Provisions of the Affiliation governing issues like program delivery, station sales, warranties, and indemnities are common to other types of affiliation agreements and do not in any way interfere with INYO's control of the stations.

As noted above, the Affiliation requires the ION network to pay its INYO affiliates a monthly fee based on the projected number of television households in each station's Nielsen DMA. ION has concluded similar arrangements with 40 other station groups, including some of the largest broadcast station group owners. ION's affiliate model allows the ION Network to increase its over-the-air signal reach and thereby increase the value of ION programming to advertisers. This type of "payment-for-distribution" model is common among satellite-delivered cable networks and minor broadcast/diginet networks, and has been highly successful for ION. Scripps, though its affiliate Katz Networks, also uses a similar economic model with affiliates of its Bounce, Laff, Grit, Court TV, and Court TV Mystery television networks. This is in contrast to the "reverse compensation" model that has become commonplace in Big Four affiliation agreements, which involves a very different economic arrangement in which retransmission consent fees from MVPDs play an important role. As noted in the Comprehensive Exhibit, ION affiliates generally do not receive, or expect to receive, retransmission consent payments from MVPDs, making compensation from the network important to any affiliate (including INYO).

The Affiliation also features a limited services agreement specifying certain services that will be provided by the ION network to each INYO station. These are disclosed publicly in Exhibit 9 to the Form of Affiliation Agreement. There will be no shared services or joint sales involving INYO's station and any Scripps station. The services specified in the Affiliation are largely technical in nature (*e.g.*, master control, traffic, station websites) and primarily concerned with the technical receipt of programming and other content from ION. INYO will pay a reasonable fee to ION for these services, pursuant to the terms of the Affiliation Agreement.

Scripps and INYO also have discussed a potential arrangement for technical and monitoring services, which would be provided for INYO's stations from ION's existing data and technical support center in Florida. This arrangement would include monitoring temperature, signal, and equipment operating integrity and related services, with the goal of supporting station operations and network integrity. The parties have not, however, finalized terms of such an arrangement.

The limited services to be provided to INYO represent a variation on the current typical affiliation agreement between ION network and other affiliates, under which the ION network and the affiliate split the cost of equipment necessary to receive and broadcast ION network programming but the local affiliate is responsible for the technical services called for under the Affiliation. Here, INYO has determined that it can acquire these technical services from the ION network more efficiently and economically compared to the cost of INYO building out the infrastructure necessary to perform its obligations as an ION affiliate.

The Affiliation also calls for the ION network to provide a limited suite of transition services to the INYO stations for a short period of time after closing, including information technology, accounting management, and engineering support. These services are described in Schedule A to Exhibit 9 of the Form Affiliation Agreement, which has been filed publicly. The transition services will last no more than six (6) months (with the exception of certain engineering, maintenance, and support services, which may be extended for an addition 6 months at INYO's option) and will be provided by the ION network at cost during that period.²

No Other Agreements

Scripps and INYO hereby certify that there are no other agreements between Scripps and INYO relating to the Divestiture Stations, including joint sales agreements, time brokerage/local marketing agreements, shared services agreements, loan agreements, or side letters, other than

² Scripps and INYO also will work cooperatively to separate the receive-only C-Band earth station registrations associated with the ION television stations that Scripps will own from those associated with the Divestiture Stations. All these earth stations are currently registered under a single call sign, E190712. Scripps and INYO will work with the International Bureau to ensure that these registrations are correctly associated with Scripps' and INYO's respective stations. If this process is not completed before closing, Scripps will permit INYO to continue using the earth stations associated with the Divestiture Stations until the reauthorization of the earth stations is completed.

those submitted with the applications or otherwise referenced in the Comprehensive Exhibit, the instant amendment, or other documents submitted with the applications.

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