UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
ION MEDIA NETWORKS, INC., *et al*.,	)	Case No. 09-13125 (JMP)
Debtors.	)	Jointly Administered

DISCLOSURE STATEMENT FOR THE DEBTORS' JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

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THE DEBTORS HEREBY ADOPT AND INCORPORATE EACH EXHIBIT ATTACHED TO THIS DISCLOSURE STATEMENT BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN.

I. EXECUTIVE SUMMARY

ION Media Networks, Inc. ("***ION***"), together with its debtor affiliates (collectively, the "***Debtors***"),[1] which own and operate the largest broadcast television station group in the United States as measured by the number of television households in the markets the stations serve, submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to Holders of Claims in connection with the solicitation of acceptances of the *Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code*, dated August 19, 2009 (the "***Plan***"). A copy of the Plan is attached hereto as **Exhibit A**. The Plan constitutes a separate chapter 11 plan for ION and each of its Debtor affiliates. Except for unclassified Claims, all Claims against a particular Debtor are placed in Classes for each of the Debtors (as designated by Exhibit A to the Plan for each of the 117 Debtors).

The Plan, among other things, contemplates the following:

- upon consummation, the Debtors' $150 million debtor-in-possession financing facility will convert into 62.5% of the New Common Stock of Reorganized ION ("***Reorganized ION***");[2]

- the Holders of ION's First Lien Debt Claims will receive their *pro rata* share of 37.5% of the New Common Stock of Reorganized ION;

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[1] The Debtors in these chapter 11 cases are: ION Media Networks, Inc.; America 51, L.P.; ION Media Akron License, Inc.; ION Media Albany License, Inc.; ION Media Atlanta License, Inc.; ION Media Battle Creek License, Inc.; ION Media Boston License, Inc.; ION Media Brunswick License, Inc.; ION Media Buffalo License, Inc.; ION Media Charleston License, Inc.; ION Media Chicago License, Inc.; ION Media Dallas License, Inc.; ION Media Denver License, Inc.; ION Media Des Moines License, Inc.; ION Media Entertainment, Inc.; ION Media Greensboro License, Inc.; ION Media Greenville License, Inc.; ION Media Hartford License, Inc.; ION Media Hawaii License, Inc.; ION Media Hits, Inc.; ION Media Holdings, Inc.; ION Media Houston License, Inc.; ION Media Indianapolis License, Inc.; ION Media Jacksonville License, Inc.; ION Media Kansas City License, Inc.; ION Media Knoxville License, Inc.; ION Media Lexington License, Inc.; ION Media License Company, LLC; ION Media Los Angeles License, Inc.; ION Media LPTV, Inc.; ION Media Management Company.; ION Media Martinsburg License, Inc.; ION Media Memphis License, Inc.; ION Media Milwaukee License, Inc.; ION Media Minneapolis License, Inc.; ION Media New Orleans License, Inc.; ION Media of Akron, Inc.; ION Media of Albany, Inc.; ION Media of Atlanta, Inc.; ION Media of Battle Creek, Inc.; ION Media of Birmingham, Inc.; ION Media of Boston, Inc.; ION Media of Brunswick, Inc.; ION Media of Buffalo, Inc.; ION Media of Cedar Rapids, Inc.; ION Media of Charleston, Inc.; ION Media of Chicago, Inc.; ION Media of Dallas, Inc.; ION Media of Denver, Inc.; ION Media of Des Moines, Inc.; ION Media of Detroit, Inc.; ION Media of Fayetteville, Inc.; ION Media of Greensboro, Inc.; ION Media of Greenville, Inc.; ION Media of Hartford, Inc.; ION Media of Honolulu, Inc.; ION Media of Houston, Inc.; ION Media of Indianapolis, Inc.; ION Media of Jacksonville, Inc.; ION Media of Kansas City, Inc.; ION Media of Knoxville, Inc.; ION Media of Lexington, Inc.; ION Media of Los Angeles, Inc.; ION Media of Louisville, Inc.; ION Media of Martinsburg, Inc.; ION Media of Memphis, Inc.; ION Media of Miami, Inc.; ION Media of Milwaukee, Inc.; ION Media of Minneapolis, Inc.; ION Media of Nashville, Inc.; ION Media of New Orleans, Inc.; ION Media of New York, Inc.; ION Media of Norfolk, Inc.; ION Media of Oklahoma City, Inc.; ION Media of Orlando, Inc.; ION Media of Philadelphia, Inc.; ION Media of Phoenix, Inc.; ION Media of Portland, Inc.; ION Media of Providence, Inc.; ION Media of Raleigh, Inc.; ION Media of Roanoke, Inc.; ION Media of Sacramento, Inc.; ION Media of Salt Lake City, Inc.; ION Media of San Antonio, Inc.; ION Media of San Jose, Inc.; ION Media of Scranton, Inc.; ION Media of Seattle, Inc.; ION Media of Spokane, Inc.; ION Media of Syracuse, Inc.; ION Media of Tampa, Inc.; ION Media of Tulsa, Inc.; ION Media of Washington, Inc.; ION Media of Wausau, Inc.; ION Media of West Palm Beach, Inc.; ION Media Oklahoma City License, Inc.; ION Media Orlando License, Inc.; ION Media Philadelphia License, Inc.; ION Media Portland License, Inc.; ION Media Publishing, Inc.; ION Media Raleigh License, Inc.; ION Media Sacramento License, Inc.; ION Media Salt Lake City License, Inc.; ION Media San Antonio License, Inc.; ION Media San Jose License, Inc.; ION Media Scranton License, Inc.; ION Media Songs, Inc.; ION Media Spokane License, Inc.; ION Media Syracuse License, Inc.; ION Media Television, Inc.; ION Media Tulsa License, Inc.; ION Media Washington License, Inc.; ION Media Wausau License, Inc.; ION Media West Palm Beach Holdings, Inc.; ION Media West Palm Beach License, Inc.; ION Television Net, Inc.; Ocean State Television, L.L.C.; and Open Mobile Ventures Corporation.

[2] All terms not otherwise defined herein shall have the meaning given to them in the Plan.

- the Holders of ION's Second Priority Notes Claims will receive, on a *pro rata* basis, warrants to purchase 5% of the New Common Stock at an equity value of $1 billion;

- the Holders of General Unsecured Claims will receive, on a *pro rata* basis, warrants to purchase 5% of the New Common Stock at an equity value of $1.5 billion; and

- all outstanding ION Equity Interests, including common stock, preferred stock and any options, warrants or rights to acquire any Equity Interests, will be cancelled and extinguished and Holders thereof will not receive a distribution.

The Debtors are very pleased that after extensive, good faith negotiations, the Plan is supported by the DIP Lenders and, to the Debtors' knowledge, over 70% of the Holders of First Lien Debt Claims. The Debtors submit that the compromise contemplated under the Plan is fair and equitable, will maximize the value of these estates and provides the best recovery to creditors.

The following table provides a summary of the classification and treatment of Claims and Equity Interests and the potential distributions to Holders of Allowed Claims under the Plan.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.[3]

[3] The recoveries set forth below may change based upon changes in the amount of Claims that are "Allowed" as well as other factors related to the Debtors' business operations and general economic conditions. "Allowed" means with respect to Claims: (a) any Claim proof of which is timely filed with the Bankruptcy Court (excluding Claims not required to be filed with the Bankruptcy Court); (b) any Claim that is listed in the schedules of assets and liabilities, schedules of executory contracts and unexpired leases, and statements of financial affairs filed by the Debtors pursuant to section 521 of the Bankruptcy Code (the "***Schedules***") as not contingent, not unliquidated, and not disputed, and for which no proof of claim has been timely filed with the Bankruptcy Court; or (c) any Claim that is Allowed pursuant to the Plan. A Claim is not an "Allowed Claim" if an objection to the allowance of the Claim has been made within the time period fixed for Claims objections by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or if an objection has been made against the Claim and the Claim is Allowed for voting purposes only by a final order of the Bankruptcy Court. Any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated or disputed, and for which no proof of claim is or has been timely filed with the Bankruptcy Court, is not considered Allowed and will be expunged without further action by the Debtors and without further notice to any party or action, approval, or order of the Bankruptcy Court.

SUMMARY OF EXPECTED RECOVERIES			
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Recovery Under the Plan**
1	Other Secured Claims	On or as soon as practicable after the Effective Date, Holders of Allowed Claims in Class 1 for each of the Debtors, in full and final satisfaction of their Claims secured by valid Liens on the Debtors' property, shall receive one of the following treatments at the option of the applicable Debtor: (i) payment of the Allowed Class 1 Claim in full in Cash on the later of the Distribution Date or as soon as practicable after a particular Claim becomes Allowed; (ii) such other treatment as may be agreed to by the applicable Debtor and the Holder; or (iii) the Holder shall retain its Lien on such property and be reinstated pursuant to section 1129 of the Bankruptcy Code.	100%
2	DIP Facility Claims	Subject to the terms of the DIP Credit Agreement, including Schedules 2.01 and 2.05 thereto, Holders of DIP Facility Claims will receive on or as soon as practicable after the Effective Date (subject to the following proviso), in full and final satisfaction of the DIP Facility Claims, their Pro Rata share of the Conversion Equity, subject to (i) adjustments as contemplated under the DIP Credit Agreement with respect to the Post-Effective Date Commitment and (ii) dilution on account of the Equity Incentive Program and the Warrants.	As set forth in the DIP Credit Agreement
3	First Lien Debt Claims	Holders of First Lien Debt Claims will receive, on or as soon as practicable after the Effective Date, in full and final satisfaction of the First Lien Debt Claims, their Pro Rata share of 37.5% of the New Common Stock to be issued on the Effective Date, subject to dilution on account of the Equity Incentive Program and the Warrants.	16.6%
4	Second Priority Notes Claims	Holders of Second Priority Notes Claims will receive, on or as soon as practicable after the Effective Date, in full and final satisfaction of the Second Priority Notes Claims, their Pro Rata share of the Second Lien Warrants; *provided*, *however*, if Class 4 votes to reject the Plan, no distribution shall be made to Holders of Second Priority Notes Claims under the Plan.	N/A
5	General Unsecured Claims	Holders of Allowed General Unsecured Claims will receive, on or as soon as practicable after the Effective Date, in full and final satisfaction of the General Unsecured Claims, their Pro Rata share of the Unsecured Debt Warrants; *provided*, *however*, if Class 5 votes to reject the Plan, no distribution shall be made to Holders of General Unsecured Claims under the Plan.	N/A
6	Intercompany Interests	Intercompany Interests shall be retained and the legal, equitable and contractual rights to which Holders of such Allowed Intercompany Interests are entitled shall remain unaltered.	N/A
7	Section 510(b) Claims	Any Holder of a Claim against any of the Debtors that is described in section 510(b) of the Bankruptcy Code shall not receive a distribution under the Plan and such section 510(b) Claims shall be extinguished.	N/A
8	ION Equity Interests	On the Effective Date, all Equity Interests in ION, including common stock, preferred stock and any options, warrants or rights to acquire any Equity Interests, shall be cancelled and extinguished and the Holders thereof shall not receive a distribution on account of such Equity Interests under the Plan.	N/A

As explained in detail in this Disclosure Statement, ION's business is subject to significant regulation by the Federal Communications Commission ('***FCC***"). A television station may not operate in the United States without the authorization of the FCC. Approval of the FCC is required for the issuance, renewal, transfer and assignment of station operating licenses. Consummation of the Plan will be subject in all respects to obtaining the requisite approvals from the FCC.

Moreover, there are very specific FCC-related ownership restrictions and requirements for Holders of common stock in any FCC regulated business. Thus, the proposed Holders of New Common Stock under the Plan and proposed transferees of the New Common Stock will be required to certify compliance with these requirements and restrictions before being afforded rights as a Holder of New Common Stock. If the proposed Holders do not deliver such a certification, they will receive Special Warrants in lieu of New Common Stock. In addition to reviewing the information contained in this Disclosure Statement, potential Holders of the New Common Stock are advised to consult an attorney to further discuss these matters. Moreover, because the Plan proposes to change the ultimate control of the FCC licenses held by the Debtors, consent will be required from the FCC to consummate the Plan.

Long Form Applications (as defined and described herein) will be filed seeking FCC approval to place control of Reorganized ION in its new stockholders. Concurrently with the filing of the Long Form Applications, the Short Form Applications (as defined and described herein) will be filed with the FCC asking it to grant consent for a court-approved pro forma involuntary assignment of the Debtors' FCC Licenses to the Reorganized Debtors and the pro forma transfer of the New Common Stock to the FCC Trust. Upon FCC approval of the Short Form Application, all of the New Common Stock would be transferred to the FCC Trust, subject to the order of the Bankruptcy Court and the approval of the FCC, concurrently with the emergence of the Debtors from bankruptcy, pending receipt of approval of the Long Form Applications by the FCC. If approved by the Bankruptcy Court and by the FCC, this approach could allow Reorganized ION to emerge from bankruptcy subject to the control of the FCC Trust prior to the date that the FCC grants the Long Form Applications.

The FCC Trust, which would be subject to the continuing jurisdiction and oversight of the Bankruptcy Court, would control the New Common Stock as a temporary step pending FCC action on the Long Form Applications. A majority of the FCC Trustees would be members of the current board of directors of ION, and the FCC Trustees would serve as directors of Reorganized ION during the period that the FCC Trust holds the New Common Stock. As discussed in more detail in sections IV.A(i) and XIII.D below, beneficial interests in the FCC Trust will be granted to holders that can make the Ownership Certification and Special Warrants will be granted to holders that do not make the Ownership Certification. Both the beneficial interests in the Liquidating Trust and the Special Warrants will be freely transferable subject to the terms of the FCC Trust Agreement and the terms of the Special Warrants, provided, however, any transferee of the beneficial interests must provide the appropriate Ownership Certification, failing which the beneficial interests to be transferred will be redeemed by the FCC Trust and such transferee will receive Special Warrants in lieu of the applicable beneficial interests.

II. IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

This Disclosure Statement provides information regarding the chapter 11 plan of reorganization that the Debtors are seeking to have confirmed by the Bankruptcy Court. The Debtors believe that the Plan is in the best interests of all creditors. The Debtors urge all Holders of Claims entitled to vote on the Plan to vote in favor of the Plan.

All capitalized terms used but not defined herein shall have the meanings provided to them in the Plan. The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between the summary herein and the Plan, the Plan shall govern.

Unless the context requires otherwise, the words "we," "our," and "us" refer to the Debtors.

The Confirmation of the Plan and effectiveness of the Plan are subject to certain material conditions precedent described herein. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied will be satisfied or waived.

You are encouraged to read this Disclosure Statement in its entirety, including without limitation, the Plan, which is annexed as **Exhibit A** hereto, and the section entitled "Risk Factors," before submitting your ballot to vote on the Plan.

The Bankruptcy Court's approval of this Disclosure Statement does not constitute a guarantee of the accuracy or completeness of the information contained herein or an endorsement of the merits of the Plan by the Bankruptcy Court.

Summaries of the Plan and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan, the exhibits and schedules attached to the Plan and this Disclosure Statement and the Plan Supplement. The statements contained in this Disclosure Statement are made only as of the date of this Disclosure Statement, and there is no assurance that the statements contained herein will be correct at any time after such date. Except as otherwise provided in the Plan or in accordance with applicable law, the Debtors are under no duty to update or supplement this Disclosure Statement.

The information contained in this Disclosure Statement is included for purposes of soliciting acceptances to, and confirmation of, the Plan and may not be relied on for any other purpose. The Debtors believe that the summary of certain provisions of the Plan and certain other documents and financial information contained or referenced in this Disclosure Statement is fair and accurate. The summaries of the financial information and the documents annexed to this Disclosure Statement, including, but not limited to, the Plan, or otherwise incorporated herein by reference, are qualified in their entirety by reference to those documents.

No representations concerning the Debtors or the value of the Debtors' property have been authorized by the Debtors other than as set forth in this Disclosure Statement. Any information, representations or inducements made to obtain acceptance of the Plan, which are other than or inconsistent with the information contained in this Disclosure Statement and in the Plan, should not be relied on by any Claim Holder entitled to vote on the Plan.

This Disclosure Statement has not been approved or disapproved by the United States Securities and Exchange Commission (the "***SEC***") or any similar federal, state, local or foreign regulatory agency, nor has the SEC or any other such agency passed upon the accuracy or adequacy of the statements contained in this Disclosure Statement. Moreover, the FCC has not yet approved the assignment of the Debtors' FCC Licenses to the Reorganized Debtors or the ownership changes that would result if the Plan is ultimately confirmed.

The Debtors have sought to ensure the accuracy of the financial information provided in this Disclosure Statement, but the financial information contained in, or incorporated by reference into, this Disclosure Statement has not been and will not be audited or reviewed by the Debtors' independent auditors unless explicitly stated otherwise herein.

The Debtors make statements in this Disclosure Statement that are considered forward-looking statements under the federal securities laws. The Debtors consider all statements regarding anticipated or future matters, including the following, to be forward-looking statements:

- any future effects as a result of the pendency of the Chapter 11 Cases;
- the Debtors' expected future financial position, liquidity, results of operations, profitability and cash flows;
- projected dividends;
- financing plans;
- competitive position;
- business strategy;
- budgets;
- projected cost reductions;
- projected and estimated liability costs;
- results of litigation;
- disruption of operations;
- plans and objectives of management for future operations;
- contractual obligations;
- off-balance sheet arrangements;
- growth opportunities for existing services;
- projected price increases;
- projected general market conditions;
- benefits from new technology; and
- effect of changes in accounting due to recently issued accounting standards.

Statements concerning these and other matters are not guarantees of the Debtors' future performance. Such statements represent the Debtors' estimates and assumptions only as of the date such statements were made. There are risks, uncertainties and other important factors that could cause the Debtors' actual performance or achievements to be materially different from those they may project and the Debtors undertake no obligation to update any such statement. These risks, uncertainties and factors include:

- the Debtors' ability to develop, confirm and consummate the Plan;
- the Debtors' ability to reduce their overall financial leverage;
- the potential adverse impact of the Chapter 11 Cases on the Debtors' operations, management and employees, and the risks associated with operating businesses in the Chapter 11 Cases;
- the applicable Debtor's ability to comply with the terms of the debtor-in-possession credit facility;
- customer response to the Chapter 11 Cases;
- inability to have claims discharged/settled during the chapter 11 proceedings;
- general economic, business and market conditions, including the recent volatility and disruption in the capital and credit markets and the significant downturn in the overall economy;
- interest rate fluctuations;
- exposure to litigation;
- the audience ratings of the Debtors' television programming;
- further declines in the infomercial advertising market;
- dependence upon key personnel;
- ability to implement cost reduction initiatives in a timely manner;
- efficacy of new technology and facilities;
- financial conditions of the Debtors' customers;
- adverse tax changes;
- limited access to capital resources;
- changes in laws and regulations;
- natural disasters;
- inability to implement business plan; and
- the effects of governmental regulation, including FCC rules, on the Debtors' business.

III. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND THE PLAN

A. WHAT IS CHAPTER 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 of the Bankruptcy Code promotes equality of treatment for similarly situated creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the bankruptcy commencement date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the Debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court, in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for the treatment of the debtor's debt in accordance with the terms of the confirmed plan.

B. WHY ARE THE DEBTORS SENDING ME THIS DISCLOSURE STATEMENT?

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors to prepare a Disclosure Statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan. This Disclosure Statement is being submitted in accordance with such requirements.

C. AM I ENTITLED TO VOTE ON THE PLAN? WHAT WILL I RECEIVE FROM THE DEBTORS IF THE PLAN IS CONSUMMATED?

Your ability to vote and your distribution under the Plan, if any, depend on what kind of Claim or Interest you hold. A summary of the Classes of Claims and Interests (each, a category of Holders of Claims or Interests as set forth in Section XI of this Disclosure Statement and Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, which we refer to as a "***Class***") and their respective voting statuses is set forth below.

You should refer to this entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Allowed Claims against and Interests in each of the Debtors.

Class	Claim	Status	Voting Rights
1	Other Secured Claims	Unimpaired	Deemed to Accept
2	DIP Facility Claims	Impaired	Entitled to Vote
3	First Lien Debt Claims	Impaired	Entitled to Vote
4	Second Priority Notes Claims	Impaired	Entitled to Vote
5	General Unsecured Claims	Impaired	Entitled to Vote
6	Intercompany Interests	Unimpaired	Deemed to Accept
7	Section 510(b) Claims	Impaired	Deemed to Reject
8	ION Equity Interests	Impaired	Deemed to Reject

For more information about the treatment of Claims and Interests see "Treatment of Claims and Interests**," which begins on page 44.**

D. WHAT HAPPENS TO MY RECOVERY IF THE PLAN IS NOT CONFIRMED, OR DOES NOT GO EFFECTIVE?

In the event that the Plan is not confirmed, there is no assurance that the Debtors will be able to reorganize their business. If the Plan is not confirmed in a timely manner, it is unclear whether the transactions contemplated thereby could be implemented and what Holders of Claims would ultimately receive in respect of their Claims. It is possible that any alternative may provide Holders of Claims with less than they would have received pursuant to the Plan. Moreover, non-Confirmation of the Plan may result in an extended chapter 11 proceeding. For a more detailed description of the consequences of this or of a liquidation scenario, see "Confirmation Of The Plan - Best Interests of Creditors/Liquidation Analysis" beginning on page 84 and the Liquidation Analysis attached as **Exhibit E** to this Disclosure Statement.

E. IF THE PLAN PROVIDES THAT I GET A DISTRIBUTION, DO I GET IT UPON CONFIRMATION OR WHEN THE PLAN GOES EFFECTIVE, AND WHAT DO YOU MEAN WHEN YOU REFER TO "CONFIRMATION," "EFFECTIVE DATE" AND "CONSUMMATION?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. "Confirmation" of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can be consummated and go effective. References to the "Effective Date" mean the date that all conditions to the Plan have been satisfied or waived and the Plan has been fully consummated. Distributions will only be made on the Effective Date or as soon as practicable thereafter. See "Confirmation Of The Plan," which begins on page 82, for a discussion of the conditions to consummation.

F. WHERE IS THE CASH REQUIRED TO FUND THE PLAN COMING FROM?

As explained below, the Plan contemplates the conversion of the outstanding indebtedness under the DIP Facility into 62.5% of the New Common Stock of Reorganized ION. As a result, all cash on hand and the funds

borrowed under the DIP Credit Agreement (*i.e.*, approximately $100 million as well as $50 million to be contributed to Reorganized ION on the terms and conditions contemplated under the DIP Facility) will be available to make any cash distributions contemplated under the Plan and otherwise fund the Reorganized Debtors' operations. In addition, up to $10 million will be available to Reorganized ION in the form of the Exit Facility to be issued pursuant to the Exit Facility Agreement.

G. ARE THERE RISKS TO OWNING AN INTEREST IN ION UPON EMERGENCE FROM BANKRUPTCY?

Yes. Please see "Risk Factors," which begins on page 71. In addition, there are FCC specific ownership requirements and restrictions that must be satisfied before a Holder can hold New Common Stock, beneficial interests in the FCC Trust and before a holder can exercise the Special Warrants or the Warrants. See Section XIII.D of this Disclosure Statement for more information about risks related to FCC regulation**.**

H. IS THERE POTENTIAL LITIGATION RELATED TO THE PLAN?

Yes. In the event it becomes necessary to confirm the Plan over the objection of certain Classes, the Debtors may seek Confirmation of the Plan notwithstanding the dissent of certain Classes of Claims. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class of Claims if it determines that the Plan satisfies section 1129(b) of the Bankruptcy Code. Moreover, ION is aware of the possibility of Cyrus Select Opportunities Master Fund Ltd. ("***Cyrus***"), a Holder of Second Priority Notes Claims, objecting to this Disclosure Statement and the Plan based upon arguments previously raised in connection with Cyrus' objection to the Interim Proposed DIP Facility. See "Risk Factors — The Debtors May Not Be Able to Obtain Confirmation of the Plan."

I. WHAT ARE THE CONTENTS OF THE SOLICITATION PACKAGES TO BE SENT TO CREDITORS WHO ARE ELIGIBLE TO VOTE ON THE PLAN?

All parties in interest will receive the notice of the hearing on the Confirmation of the Plan. Additionally, creditors who are eligible to vote on the Plan will receive appropriate solicitation materials including ballots.

The notices sent to parties in interest will indicate that this Disclosure Statement, the Plan and all of the exhibits thereto are (and, in the future, the Plan Supplement will be) available for viewing by any party at: www.kccllc.net/ion.

J. WHAT RIGHTS WILL REORGANIZED ION'S NEW STOCKHOLDERS HAVE?

The Plan contemplates the conversion of the DIP Facility and all existing First Lien Debt Claims (as defined in the Plan), upon receipt of FCC Approval, into the New Common Stock of Reorganized ION. As contemplated under the DIP Facility, a New Shareholders Agreement and a Registration Rights Agreement will be included in the Plan Supplement. *See* DIP Credit Agreement § 2.05.

K. WILL THERE BE RELEASES GRANTED TO PARTIES IN INTEREST AS PART OF THE PLAN?

Yes. The Plan proposes to release each of: (a) the DIP Agent and the DIP Lenders, each in their capacity as such; (b) the Creditors' Committee and the members thereof in their capacity as such; (c) the Consenting First Lien Lenders in their capacity as such; (d) the Prepetition Agents, each in their capacity as such; (e) the FCC Trustees, in their capacity as such, (f) Avenue Capital, Black Diamond, Canyon and Trilogy; (g) in each case in their capacity as such, with respect to each of the foregoing Entities in clauses (a) through (f), such Entities' subsidiaries, affiliates, managed accounts or funds, officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other Professionals; and (h) in each case in their capacity as such and only if serving in such capacity, the Debtors' and the Reorganized Debtors' officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other Professionals; provided, however, that with respect to

officers and directors of the Debtors, only the current directors and officers of the Debtors, any additional officers and directors serving as of the Effective Date and the Citadel Directors shall be deemed "Released Parties." For more information, see Section XI.H of this Disclosure Statement.

L. WHAT IS THE DEADLINE TO VOTE ON THE PLAN?

[TIME] (prevailing Eastern Time) on **[DATE]**, 2009.

M. HOW DO I VOTE FOR OR AGAINST THE PLAN?

This Disclosure Statement, accompanied by a ballot or ballots to be used for voting on the Plan, is being distributed to the Holders of Claims entitled to vote on the Plan. If you are a Holder of Claims in the following Classes, you may vote for or against the Plan by completing the ballot and returning it in the envelope provided:

- **Class 2 (DIP Facility Claims)**
- **Class 3 (First Lien Debt Claims)**
- **Class 4 (Second Priority Notes Claims)**
- **Class 5 (General Unsecured Claims)**

The Debtors, with the approval of the Bankruptcy Court, have engaged Financial Balloting Group, LLC to serve as the voting agent for Claims in respect of debt securities (the "***Securities Voting Agent***"), and Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, CA 90245, to serve as the voting agent for all other claims and generally oversee the voting process (the "***Voting Agent***"). The Voting Agent will also process and tabulate ballots for each Class entitled to vote to accept or reject the Plan.

The deadline to vote on the Plan is **[TIME]**, (prevailing Eastern Time), on **[DATE]**, 2009.

BALLOTS
Ballots and Master Ballots must be actually received by the Voting Agent by the voting deadline of **[TIME]** (prevailing Eastern Time) on **[DATE]**, 2009 at the following address: **ION Balloting Center** **c/o Kurtzman Carson Consultants LLC** **2335 Alaska Avenue** **El Segundo, CA 90245** If you received an envelope addressed to your Nominee, please allow enough time when you return your ballot for your Nominee to cast your vote on a Master Ballot before the voting deadline. If you have any questions on the procedure for voting on the Plan, please call the voting agent at the following telephone number: **1-866-967-0678**

More detailed instructions regarding how to vote on the Plan are contained on the ballots distributed to Holders of Claims that are entitled to vote on the Plan. For your vote to be counted, your ballot must be completed, signed and received by **[TIME]** (prevailing Eastern Time), on **[DATE]**, 2009.

Any ballot that is properly executed by the Holder of a Claim, but which does not clearly indicate an acceptance or rejection of the Plan or which indicates both an acceptance and a rejection of the Plan, shall not be counted.

Each Holder of a Claim may cast only one ballot per each Claim held. By signing and returning a ballot, each Holder of a Claim in Classes 2, 3, 4 and 5 will certify to the Bankruptcy Court and the Debtors that no other ballots with respect to such Claim and/or Equity Interest have been cast or, if any other ballots have been cast with respect to such Class of Claims, such earlier ballots are thereby superseded and revoked.

All ballots are accompanied by return envelopes. It is important to follow the specific instructions provided on each ballot. For information regarding voting by Nominees, see "Solicitation And Voting Procedures - Nominees," which begins on page81.

N. WHY IS THE BANKRUPTCY COURT HOLDING A CONFIRMATION HEARING?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan.

O. WHEN IS THE CONFIRMATION HEARING SET TO OCCUR?

The Bankruptcy Court has scheduled the Confirmation Hearing for **[DATE]**, 2009 to take place at **[TIME]** (prevailing Eastern Time) before the Honorable James M. Peck, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of New York, located at Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

Objections to Confirmation of the Plan must be filed and served on the Debtors, and certain other parties, by no later than **[DATE]**, 2009 at **[TIME]** (prevailing Eastern Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement. Unless objections to Confirmation of the Plan are timely served and filed in compliance with the Disclosure Statement Order, which is attached to this Disclosure Statement as **Exhibit B**, they may not be considered by the Bankruptcy Court.

The Debtors will publish the notice of the Confirmation Hearing, which will contain the deadline for objections to the Plan and the date and time of the Confirmation Hearing, in the national edition of *The Wall Street Journal* and *USA Today* to provide notification to those persons who may not receive notice by mail.

P. WHAT IS THE PURPOSE OF THE CONFIRMATION HEARING?

The consummation of a plan of reorganization is the principal objective of a chapter 11 case. The confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under the plan of reorganization, any person acquiring property under the plan of reorganization, any creditor or equity interest holder of a debtor and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan of reorganization discharges a debtor from any debt that arose before the confirmation of the plan of reorganization and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

Q. WHAT ROLE DOES THE BANKRUPTCY COURT PLAY AFTER THE CONFIRMATION HEARING?

After the Plan is confirmed, the Bankruptcy Court will still have exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases and the Plan. In addition, the Bankruptcy Court will have exclusive jurisdiction to ensure that distributions to Holders of Claims are accomplished pursuant to the Plan.

In connection with FCC related issues, the Bankruptcy Court will retain jurisdiction, during the period that the FCC Trust is in place, to enter and implement such orders as are necessary or appropriate to sell, dispose of, liquidate or abandon any assets or properties of the Debtors, the Reorganized Debtors or the FCC Trust, including, without limitation, the New Common Stock. For the avoidance of doubt, the FCC Trustees shall be required to obtain, and the Bankruptcy Court retains jurisdiction to adjudicate and implement, orders, pursuant to section 363 and 365 of the Bankruptcy Code or otherwise, for the sale or other disposition of the New Common Stock or all or a portion of the FCC-related assets including, without limitation, the Debtors' FCC licenses and the Debtors' broadcast television stations. Moreover, the Bankruptcy Court shall retain jurisdiction to enter and implement such orders as may be necessary regarding the actions of the FCC Trust pursuant to the terms of the Plan and the FCC Trust Agreement including, but not limited to, orders regarding the FCC Trustees' operating decisions and exercise of control over the New Common Stock and the FCC-related assets, including the Debtors' FCC licenses and broadcast television stations. See "Retention of Jurisdiction" which begins on page 66 for a further description of the matters over which the Bankruptcy Court will retain jurisdiction following the Confirmation of the Plan.

R. WHAT IS THE EFFECT OF THE PLAN ON THE DEBTORS' ONGOING BUSINESS?

The Debtors are reorganizing pursuant to chapter 11 of the Bankruptcy Code. As a result, the Confirmation of the Plan means that the Debtors will not be liquidated or forced to go out of business. The Debtors will continue to operate their business going forward using cash from operations and conversion of the DIP Financing (including $50 million to be contributed post-Effective Date) into equity that will be utilized to implement the Reorganized Debtors' business plan.

S. WILL ANY PARTY HAVE SIGNIFICANT INFLUENCE OVER THE CORPORATE GOVERNANCE AND OPERATIONS OF THE REORGANIZED DEBTORS?

The Plan contemplates the conversion of the DIP Facility into 62.5% of the New Common Stock of Reorganized ION. The Plan further contemplates that all outstanding First Lien Debt Claims will be converted into 37.5% of the New Common Stock of Reorganized ION. It is the current intention of the Initial Consenting First Lien Lenders, which will receive New Common Stock pursuant to the DIP Facility and the First Lien Debt Claims, to form an entity to hold all of the New Common Stock to be issued to such lenders pursuant to the terms of the Plan. It is anticipated that this entity will hold in excess of 70% of the outstanding New Common Stock after the Transfer of Control. The Long Form Application is being filed on this basis. As a result, it is currently expected that Reorganized ION will be controlled by the Initial Consenting First Lien Lenders after FCC approval of the Transfer of Control.

T. DOES THE COMPANY RECOMMEND VOTING IN FAVOR OF THE PLAN?

Yes. In the opinion of the Debtors, the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative. The Debtors believe the Plan, which contemplates a complete deleveraging and conversion to equity of ION's indebtedness, is in the best interest of all creditors and parties in interest. Any other alternative, including a sale of substantially all of the Debtors' assets or liquidation under chapter 7 of the Bankruptcy Code, would realize or recognize a lesser value than the value achieved under the Plan. Thus, the Debtors recommend that Holders of Claims who are entitled to vote on the Plan vote to accept the Plan.

IV. INFORMATION REGARDING FCC REGULATION

ION's television operations are subject to significant regulation by the FCC under chapter 5 of title 47 of the United States Code, 47 U.S.C. § 151 et seq., (as amended, the "***Communications Act***"). A television station

may not operate in the United States without the authorization of the FCC. Approval of the FCC is required for the issuance, renewal, transfer, assignment or modification of station operating licenses. In particular, ION's business depends upon the Debtors' ability to continue to hold television broadcasting licenses issued by the FCC, which generally have a term of eight years. In connection with the Debtors' emergence from chapter 11 FCC Approval must be obtained.

The following is important information concerning the FCC approval process and the ownership requirements and restrictions that must be met in order for parties to hold Reorganized ION's New Common Stock. **THE FOLLOWING SUMMARY OF CERTAIN FCC RULES AND POLICIES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN ADVISORS AS TO FCC OWNERSHIP ISSUES AND OTHER CONSEQUENCES OF THE PLAN.**

A. WHAT ROLE WILL THE FEDERAL COMMUNICATIONS COMMISSION PLAY IN THE CONSUMMATION OF THE PLAN?

ION's principal business is television broadcasting. The ownership, operation, assignment, and transfer of control of television broadcast stations and related licensed non-broadcast ancillary facilities, including those licensed to the Debtors, are subject to the jurisdiction of the FCC, which acts under authority granted by the Communications Act. No person, including the Debtors, may lawfully operate a television broadcast station in the United States except pursuant to a valid station license issued by the FCC. Among other things, the FCC issues, renews and modifies station licenses; determines whether to approve changes in ownership or control of station licenses; adopts and implements regulations and policies that directly or indirectly affect the ownership and operation of stations; and has the power to impose penalties, including license revocations, for violations of its rules or the Communications Act.

(i) Required FCC Consents.

Both the entry of the Debtors into chapter 11 and the emergence of the Reorganized Debtors from chapter 11 bankruptcy require consent of the FCC. The FCC previously granted consent for the assignment of the Debtors' FCC licenses from the Debtors to the Debtors as "debtors-in-possession" under chapter 11. For Reorganized ION to continue the operation of the Debtors' television broadcast stations, the Debtors expect that they will be required to file applications with the FCC (the "***Long Form Applications***") to obtain approval of the Transfer of Control. In order to expedite the emergence of the Debtors from bankruptcy, the Plan contemplates that the Debtors may emerge from bankruptcy upon assignment of the FCC Licenses from the Debtors to the Reorganized Debtors and the transfer of the New Common Stock to the FCC Trust subject to the continuing jurisdiction and oversight of the Bankruptcy Court pending the FCC's grant of the Long Form Applications. The FCC's consent also would be required for the FCC Trust to act as an interim holder of the New Common Stock, but the FCC could use abbreviated procedures to approve the applications seeking this pro forma involuntary ownership change (the "***Short Form Applications***").

Under the Plan and the FCC Trust Agreement, the DIP Lenders and Holders of First Lien Debt Claims who are able to make the Ownership Certification would receive beneficial interests in the FCC Trust, as opposed to directly holding the New Common Stock (subject to the ownership rules and regulations set forth below). Upon FCC approval of the Long Form Applications, the FCC Trust will be liquidated and holders of beneficial interests that make the Ownership Certification will receive their Pro Rata share of the New Common Stock. Those DIP Lenders and Holders of First Lien Debt Claims who are unable to make the Ownership Certification either upon the creation or liquidation of the FCC Trust would receive Special Warrants. For a complete description of the FCC application approval process, see Risk Factors, Section XIII.D.

(ii) Information Required from Prospective Stockholders of Reorganized ION.

Because consummation of the transactions proposed in the Plan requires the FCC Approval, the FCC's favorable action on the Debtors' Short Form Applications and/or the Long Form Applications will affect when those transactions may be consummated. In processing applications for consent to the transfer of control of FCC

broadcast licenses or assignment of FCC broadcast licenses, the FCC considers, among other things, whether the prospective licensee and those considered to be "parties" to the application possess the legal, character, and other qualifications to hold an interest in a broadcast station. For the Debtors, the Reorganized Debtors, FCC Trustees and certain of the DIP Lenders and certain Holders of First Lien Debt Claims to file the Short Form Applications and the Long Form Applications (collectively, the "***FCC Applications***") and for the FCC to process and grant them, the Debtors will need to obtain and include information about Reorganized ION and about the "parties" to the application – including certain of the proposed stockholders of Reorganized ION – sufficient for the FCC to grant its consent to the transaction.

Under the Plan, Special Warrants would be issued that, after approval of the Long Form Application, could be exercised for shares of New Common Stock of Reorganized ION for nominal consideration, subject to certain conditions, including the provision of an Ownership Certification. A condition to the exercise of the Special Warrants or the receipt of New Common Stock will be the holder's submission of a satisfactory certified response to a questionnaire providing information on the prospective stockholder to establish that issuance of the New Common Stock to that holder would not result in a violation of law, impair the qualifications of the Reorganized Debtors to hold FCC broadcast licenses, or impede the grant of any FCC applications on behalf of the Reorganized Debtors. In general, this information would establish that prospective "parties" to the FCC Applications or other FCC applications (1) have the requisite "character" qualifications (principally, the absence of adverse or unresolved qualifications issues at the FCC and the absence of adverse final judgments in matters such as felonies, fraud on governmental agencies, communications-related antitrust, and employment discrimination), and (2) do not hold media interests that, together with their prospective interest in Reorganized ION, would create an unlawful media combination under the FCC's rules. All prospective stockholders and prospective holders of beneficial interests in the FCC Trust, whether or not they would be "parties" to the FCC Applications, would need to provide information on the extent of their direct and indirect ownership or control by non-U.S. persons to establish that Reorganized ION would comply with limitations under the Communications Act relating to the ownership and control of broadcast licenses by non-U.S. persons. Prospective stockholders and prospective holders of beneficial interests in the FCC Trust with direct or indirect ownership or control by non-U.S. persons in excess of the levels permissible for persons or entities controlling broadcast licensees would not be permitted to exercise the Special Warrants for New Common Stock or hold such beneficial interests in the FCC Trust, as the case may be. In such situations, prospective holders of New Common Stock or beneficial interests in the FCC Trust would be issued Special Warrants. The Special Warrants would be permitted to be sold or assigned.

(iii) Attributable Interests in Media Under the FCC's Rules.

A prospective stockholder in Reorganized ION would be considered a "party" to the Long Form Applications if the prospective stockholder would be deemed to hold an "attributable" interest in the Reorganized ION under Section 73.3555 of the FCC's rules, 47 C.F.R. § 73.3555. The FCC's "multiple ownership" and "cross ownership" rules prohibit common ownership of "attributable interests" of certain combinations of broadcast and other media properties. "Attributable interests" generally include the following interests in a media company: general partnership interests, non-insulated limited liability company or limited partnership interests, a position as an officer or director (or the right to appoint officers or directors), or a 5% or greater direct or indirect interest in voting stock. The FCC treats all partnership interests as attributable, except for those limited partnership interests that are "insulated" by the terms of the limited partnership agreement from "material involvement" in the media-related activities of the partnership. The FCC applies the same attribution and insulation standards to limited liability companies and other new business forms.

Attribution traces through chains of ownership. In general, a person or entity that has an attributable interest in another entity also will be deemed to hold each of that entity's attributable media interests except for indirect stock interests that are attenuated below the attribution threshold in the ownership chain.

In December 2000, the FCC eliminated its longstanding rule which provided that a minority stock interest in a corporation would not be deemed attributable if there were a single holder of more than 50% of the outstanding voting power of the corporation. The United States Court of Appeals for the District of Columbia Circuit subsequently reversed a similar rule change that the FCC had adopted with respect to the ownership of cable systems. The FCC then suspended elimination of the exemption as it applies to the ownership of broadcast stations and commenced a rulemaking to evaluate further whether to retain the exemption. In February 2008, the FCC

tentatively concluded that it should reinstate the single majority stockholder exemption to its broadcast attribution rules and sought further public comment. Thus, absent a change in present law, if Reorganized ION will have a single majority stockholder, no other stockholder would be deemed to hold an attributable interest in Reorganized ION solely based on its ownership of voting stock.

Combinations of direct and indirect equity and debt interests exceeding 33% of the total asset value (equity plus debt) of a media outlet also may be deemed attributable if the holder has another attributable media interest in the same market or provides more than 15% of a broadcast station's programming. Also, a person or entity that provides more than 15% of the weekly programming for a television station and also has an attributable interest in another television station in the same market is deemed to hold an attributable interest in the programmed station.

The FCC regards an entity with an attributable interest in a media outlet as an "owner" of that media outlet for purposes of applying its multiple ownership and cross-ownership rules. Thus, to exercise the Special Warrants or the Warrants for New Common Stock, prospective stockholders in Reorganized ION will need to assess (1) what attributable interests they may hold in daily newspapers of general circulation or other radio or television licensees and (2) whether the attributable media interests that they hold would conflict with their holding an attributable interest in the broadcast licensees of Reorganized ION. This assessment would not be necessary for those warrant holders that would not have an attributable interest in ION upon exercise of their Special Warrants or Warrants.

As explained in more detail below, the permissibility of particular media combinations may depend upon market size and other market characteristics. Generally, the FCC's media ownership rules place limits on (1) nationwide television ownership; (2) local television ownership; (3) local radio ownership; (4) ownership of the four major national television networks; and (5) same-market ownership of television, radio, and daily newspapers. ION does not currently own or operate radio broadcast stations. The FCC has pending proceedings to revise some of these rules and to adopt new rules, and the FCC's broadcast media ownership rules are being challenged in the courts. These rules are addressed in further detail below.

B. FCC FOREIGN OWNERSHIP RESTRICTIONS FOR ENTITIES CONTROLLING BROADCAST LICENSES

Section 310(b) of the Communications Act restricts foreign ownership or control of any entity licensed to provide broadcast and certain other services. Among other prohibitions, foreign entities may not have direct or indirect ownership or voting rights of more than 25% in a corporation controlling the licensee of a television broadcast station if the FCC finds that the public interest will be served by the refusal or revocation of such a license due to such foreign ownership or voting rights. The FCC has interpreted this provision to mean that it must make an affirmative public interest finding before a broadcast license may be granted or transferred to a corporation which is controlled by another corporation more than 25 percent owned or controlled, directly or indirectly, by foreigners. With few exceptions, the FCC does not make such an affirmative finding in the broadcast field.

In calculating the 25 percent ceiling on foreign ownership and voting rights in an entity controlling a broadcast licensee, the limits on stock ownership and voting rights are both aggregate limits, measuring the rights or investments of all foreigners in the relevant entity. The FCC calculates the voting rights separately from the ownership percentage, and both tests must be met. Warrants and other future interests typically are not counted by the FCC toward the foreign ownership ceiling. In some specific circumstances, however, the FCC has treated non-stock interests in a corporation as the equivalent of equity ownership and has assessed foreign ownership based on contributions to capital. Foreign ownership limitations also apply to partnerships. The FCC historically has treated partnerships with foreign partners as foreign controlled if there are any general partners who are foreign, or if any foreign limited partners are not adequately insulated (using FCC criteria) from material involvement in the partnership's media activities and business. In a few specific circumstances, the FCC has treated certain economic interests in a company other than direct equity interests as "ownership" for purposes of its foreign ownership determination. In cases of indirect ownership, when there are, for example, various layers of corporate investment short of control between the company to be acquired and the licensee, the FCC uses a "multiplier" to determine the ownership interest of each entity in the chain of ownership.

Because direct and indirect ownership of Reorganized ION's stockholders by non-U.S. persons will proportionally affect the level of deemed foreign ownership and control rights in Reorganized ION, prospective stockholders of Reorganized ION and prospective holders of beneficial interests in the FCC Trust, whether or not

they would hold an attributable interest in ION, will be required to provide information to ION on their own foreign ownership and control for ION to assess whether permitting such party's holding of such interests could impair the qualifications of Reorganized ION to hold FCC broadcast licenses.

C. MEDIA OWNERSHIP RESTRICTIONS

The FCC generally applies its ownership limits to "attributable" media interests held by an individual, corporation, partnership, limited liability company or other association, as addressed above. The FCC's rules on media ownership, in turn, limit the number of media properties in which one entity can have an attributable ownership interest. Those rules that could give rise to a prohibited combination for a prospective stockholder of Reorganized ION are described below.

(i) Local Television Ownership (Duopoly Rule)

Under the current local television ownership rule (often called the "duopoly rule"), a single entity may own or have attributable interests in two television stations in the same market (defined in terms of a "Designated Market Area" or "DMA" as determined by the Nielsen television ratings service) if (1) the two stations do not have overlapping service areas, or (2) after the combination there are at least eight independently owned and operating full-power television stations serving the DMA and at least one of the combining stations is not ranked among the top four stations in the DMA. In addition, if any entity with an attributable interest in a television station provides more than 15% of the programming of another station in the same market pursuant to a time brokerage or local marketing agreement, then the entity will be deemed to hold an attributable interest in the programmed station for the purposes of applying this rule.

In addition, the FCC has initiated proceedings to determine whether to treat television joint sales agreements as attributable interests under its ownership rules, if those agreements cover 15% or more of the brokered television station's weekly commercial time. The FCC's duopoly rules and policies regarding ownership of television stations in the same market apply only to full-power television stations and not to low power television stations and television translator stations.

(ii) Radio/Television Cross-Ownership Rule

The FCC's radio/television cross-ownership rule permits the common attributable ownership or control of more than one full-power AM and/or FM radio station and up to two television stations in the same market. The total number of radio stations permitted to be under common attributable ownership is dependent on the number of independently owned media voices in the local market as follows:

- In markets with at least 20 independently owned media voices, a single entity may hold attributable interests in up to two television stations and six radio stations. Alternatively, such an entity is permitted to hold an attributable interest in one television station and seven radio stations in the same market.

- In a market that includes at least 10 independently owned media voices, a single entity may hold attributable interests in up to two televisions station if permitted under FCC rules dealing with local television ownership and up to four radio stations.

- Regardless of the number of independently owned media voices in a market, a single entity may hold an attributable interest in up to two television stations where the FCC's rules permit common ownership of the two television stations and one radio station in any market.

(iii) Newspaper/Broadcast Cross-Ownership Rule

The FCC presumptively allows the ownership of attributable interests in a broadcast station and an English-language daily newspaper of general circulation that is published in the market served by the broadcast station only when:

- the market at issue is one of the 20 largest DMAs;

- the combination involves only one daily newspaper and only one radio or television station; and

- if the transaction involves a television station, (i) at least eight independently owned and operating major newspapers and/or full-power television stations would remain in the DMA following the transaction and (ii) the television station is not among the top four ranked stations in the DMA.

The FCC may also permit cross-ownership if either the newspaper or the broadcast station is deemed "failed" or "failing" under FCC standards or if the proposed transaction would result in a new source of at least seven hours per week of local television news. All other newspaper/broadcast combinations are presumed not to be in the public interest – a presumption that can be overcome if the parties can demonstrate that post-merger, the merged entity will increase the diversity of independent news outlets and increase competition among independent news sources in the relevant market. The FCC's newspaper/broadcast cross-ownership rule has been appealed to a federal appellate court and the appeal remains pending.

(iv) Television National Ownership Rule

By statute, one party may hold attributable interests in television stations that reach, in the aggregate, no more than 39% of all U.S. television households. The corresponding FCC rule on national television ownership limits provides that, when calculating a television station's nationwide aggregate audience, all UHF stations are considered to serve only 50% of the households in their DMA and all VHF stations are considered to serve all households in their DMA, including households that cannot naturally receive such a VHF station over the air. The FCC currently is considering whether to initiate a proceeding to modify or abolish this so-called UHF discount in light of the changes resulting from the transition to digital television broadcasting. If a broadcast licensee has an attributable interest in a second television station in a market, whether by virtue of ownership, a time brokerage agreement or a parent-satellite operation, the audience for that market will not be counted twice for purposes of determining compliance with the national cap. When coverage is calculated using the UHF discount, ION's stations currently reach approximately 32% of all U.S. television households. If the UHF discount were abolished and ION were not grandfathered such that the UHF discount continued to apply to ION, ION could be required to divest a substantial number of television stations.

V. THE DEBTORS' CORPORATE HISTORY, STRUCTURE AND BUSINESS OVERVIEW

A. CORPORATE HISTORY

ION's corporate history dates back to 1991 when Lowell W. Paxson, who co-founded the Home Shopping Network, established Paxson Communications Corporation ("***Paxson***") in Clearwater, Florida. During the early 1990s, Paxson rapidly expanded through acquisitions of local Florida radio stations, going public and purchasing its first television station in West Palm Beach, Florida in 1994. In 1995, Paxson moved its corporate headquarters to ION's current location in West Palm Beach, and in 1997 Paxson sold its radio stations to Clear Channel Communications for approximately $693 million, solidifying Paxson's focus on the television market.

In 1998 Paxson launched "PaxTV," its nationwide television network. In 1999 Paxson entered into an investment agreement with NBC under which NBC invested approximately $415 million in Paxson in return for shares of Paxson's Series B convertible preferred stock and warrants to purchase shares of Paxson common stock. In connection with NBC's investment, a wholly-owned subsidiary of NBC entered into an agreement with Mr. Paxson, Paxson's controlling stockholder, under which it was granted the right to purchase all, but not less than all, of the shares of common stock beneficially owned by Mr. Paxson.

In 2005, Paxson adopted a restructuring plan whereby it terminated its joint sales agreements and exited its network sales agreement with NBC. In November 2005, Paxson and NBC restructured NBC's investment in Paxson. NBC received additional preferred stock in consideration of accrued and unpaid dividends, and Mr. Paxson granted NBC a new option to purchase the controlling block of common stock beneficially owned by him. In connection with this transaction, Mr. Paxson resigned as Chairman of the Board and Chief Executive Officer of Paxson and R. Brandon Burgess became the Chief Executive Officer of Paxson.

In December 2005, Paxson refinanced all of its senior and subordinated debt in a transaction in which it issued an aggregate of $1.13 billion of floating rate first and second priority senior secured debt. In February 2006, Paxson entered into interest rate swap arrangements that effectively fixed the interest rates on this debt.

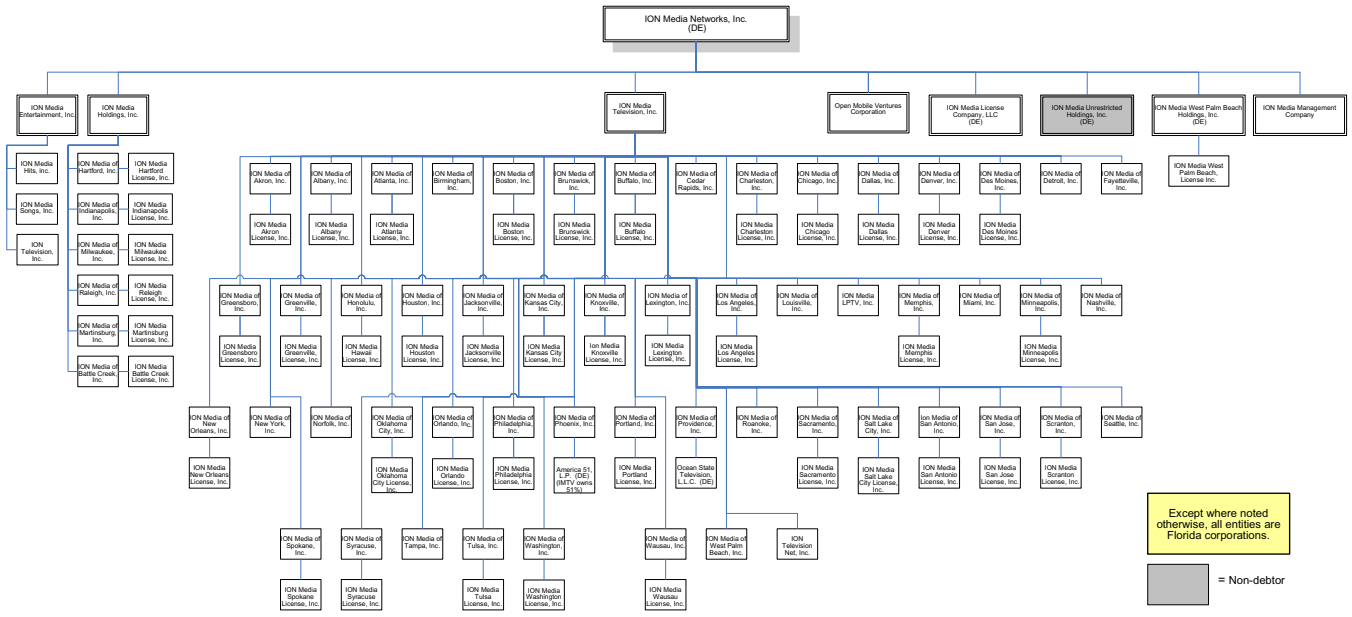
As part of a strategic plan to re-brand and reposition its business, in February 2006, Paxson commenced doing business under the name "ION Media Networks" and on June 26, 2006, following approval of ION's stockholders, ION changed its corporate name from "Paxson Communications Corporation" to "ION Media Networks, Inc."

As a result of their significant funded debt obligations and need for capital, in 2007, the Debtors entered into a master transaction agreement with CIG Media LLC ("***CIG***"), an affiliate of Citadel Investment Group L.L.C. ("***Citadel***"), and NBC Universal, Inc. ("***NBCU***"), whereby CIG acquired and immediately exercised the NBCU subsidiaries' options to purchase the common stock of ION beneficially owned by Mr. Paxson. CIG invested $115 million in ION through the issuance of new subordinated debt and conducted a tender offer for the balance of ION's outstanding Class A common stock. Following the receipt of FCC approval, CIG completed the acquisition of the shares beneficially owned by Mr. Paxson in January 2008.

CIG currently is the sole owner of all of ION's outstanding voting stock. In addition, one of ION's five directors is an employee of Citadel, and CIG has the right to designate four additional directors, should it choose to do so.

B. ION'S ORGANIZATIONAL STRUCTURE

The Debtors primarily conduct their business under the name of their ultimate parent, ION Media Networks, Inc. The 116 subsidiaries that have commenced Chapter 11 Cases concurrently herewith have done so in large part because the Debtors' senior secured credit facilities, described in more detail below, are secured by liens on substantially all of the assets of ION's subsidiary entities. The following chart generally depicts ION's prepetition organizational structure:



C. COMPANY OVERVIEW

The Debtors own and operate the largest broadcast television station group in the United States (the "***U.S.***"), as measured by the number of television households in the markets the stations serve. The Debtors own and operate 59 broadcast television stations, including stations reaching all of the top 20 U.S. markets and 38 of the top 50 U.S. markets (collectively, the "***Stations***"). ION supplies each of the Stations with a central programming

feed that includes its "ION Television" network programming. "ION Television" principally consists of a mix of popular television series, theatrical and made for television movies, specials and sports that the Debtors' license the right to air across the U.S. from various content providers.

The table below provides information about the Stations, including their respective market rank and approximate households reached:

Market Name	Market Rank(1)	Station Call Letters	Broadcast Channel	Total Market TV Households(1)
New York	1	WPXN	31	7,433,820
Los Angeles	2	KPXN	38	5,654,260
Chicago	3	WCPX	43	3,492,850
Philadelphia	4	WPPX	31	2,950,220
Dallas	5	KPXD	42	2,489,970
San Francisco	6	KKPX	41	2,476,450
Boston (Manchester)	7	WBPX	32	2,409,080
Boston	7	WDPX	40	2,409,080
Boston	7	WPXG	33	2,409,080
Atlanta	8	WPXA	51	2,369,780
Washington D.C	9	WPXW	34	2,321,610
Washington D.C	9	WWPX	12	2,321,610
Houston	10	KPXB	32	2,106,210
Detroit	11	WPXD	31	1,926,970
Phoenix	12	KPPX	51	1,855,930
Tampa	13	WXPX	42	1,822,160
Seattle	14	KWPX	33	1,819,970
Minneapolis	15	KPXM	40	1,730,530
Miami	16	WPXM	35	1,546,920
Cleveland	17	WVPX	23	1,524,930
Denver	18	KPXC	43	1,524,210
Orlando	19	WOPX	48	1,466,420
Sacramento	20	KSPX	48	1,399,520
Portland, OR	22	KPXG	22	1,175,100
Indianapolis	25	WIPX	27	1,114,970
Raleigh-Durham	27	WFPX	36	1,080,680
Raleigh-Durham	27	WRPX	15	1,080,680
Nashville	29	WNPX	36	1,016,290
Hartford	30	WHPX	26	1,014,990
Kansas City	31	KPXE	51	937,970
Salt Lake City	33	KUPX	29	919,390
Milwaukee	35	WPXE	40	905,350
San Antonio	37	KPXL	26	818,560
West Palm Beach	38	WPXP	36	779,430
Grand Rapids	39	WZPX	44	741,420
Birmingham	40	WPXH	45	739,750
Norfolk	43	WPXV	46	718,020
Oklahoma City	45	KOPX	50	687,300
Greensboro	46	WGPX	14	685,110
Jacksonville	47	WPXC	24	674,860
Memphis	48	WPXX	51	673,770
Buffalo	51	WPXJ	23	631,120
Providence	52	WPXQ	17	622,580
New Orleans	53	WPXL	50	602,740
Wilkes Barre	54	WQPX	32	594,570
Albany	57	WYPX	50	556,750
Knoxville	59	WPXK	23	547,930
Tulsa	61	KTPX	28	529,540
Lexington	63	WUPX	21	503,260
Charleston, WV	65	WLPX	39	479,750
Roanoke	67	WPXR	36	461,420
Des Moines	71	KFPX	39	432,410
Honolulu	72	KPXO	41	429,940
Spokane	75	KGPX	34	416,630
Syracuse	81	WSPX	15	388,000
Cedar Rapids	88	KPXR	47	346,330
Greenville-N. Bern	103	WEPX	51	289,050
Greenville-N. Bern	103	WPXU	34	289,050
Wausau	135	WTPX	46	184,220

Market Name	Market Rank(1)	Station Call Letters	Broadcast Channel	Total Market TV Households(1)

(1) Market rank is based on the number of television households in the television market, as estimated by Nielsen, effective as of September 2008.

ION owns a satellite up-link facility in Clearwater, Florida, through which ION supplies its central programming feed to the Stations. Each Station has a transmission tower or transmitter site facility through which the Station receives the central programming feed and then retransmits it in the local market. Each Station also has an office, studio and related broadcasting equipment. The Debtors generally lease broadcast transmission towers and studio and office space occupied by the Stations. ION owns substantially all of the equipment used in its broadcasting operations.

As of the Petition Date, ION had 549 hourly and salaried employees; 485 were full-time employees and 64 were part-time employees. None of ION's employees are represented by labor unions and there are no collective bargaining agreements in place. ION considers its relationship with its employees to be good.

ION's corporate headquarters are located at 601 Clearwater Park Road, West Palm Beach, Florida 33401.[4] The corporate office is responsible for coordinating and overseeing overall operations, including establishing company-wide policies and procedures. The corporate office performs certain financial and administrative functions on a centralized basis such as accounting, cash management, taxes, billing, finance, human resources, risk management, telephone, payroll, legal, governmental relations, purchasing, marketing, communications, and oversight and coordination of external auditors, law firms and consultants.

D. BUSINESS OVERVIEW

Over the last several years ION has been transitioning its business strategy from a network focused on family-friendly and religious content to a network that appeals to a broader audience. Since the shift from ION's religious and family-focused platform, ION's strategic vision has been to reinvent its unique broadcast station and network asset base and evolve from a single revenue stream, single product business to a business with multiple revenue streams and brands. ION's management believes that this approach will augment the underlying asset value of ION's Stations as well as that of ION's broadcast content networks.

The business strategy in pursuit of this vision has three principal elements: (i) to use ION's unique and wholly-owned national network of Stations to establish a general entertainment broadcast channel serving consumers nationwide ("***broadcasting***"); (ii) to use ION's national digital television infrastructure to launch new digital TV multicast networks ("***multicasting***"); and (iii) to use the digital terrestrial spectrum of each of ION's stations to diversify into datacast technology ("***datacasting***"), allowing mobile delivery of video and data. Each of these three elements corresponds to expanding the Debtors' presence in three distribution channels — broadcasting, multicasting and datacasting.

(i) Broadcasting.

Broadcasting is ION's primary means of distributing its programming. ION broadcasts programming seven days per week, 24 hours per day, and reaches approximately 95 million homes, representing 83% of prime time television households in the U.S., through ION's broadcast television station group and pursuant to distribution arrangements with cable and satellite distribution systems. Of ION's 24 hours of programming per day, approximately seven hours of programming per day consist of "ION Television" entertainment programming, which airs in the late afternoon and "prime time" hours and consists of hit TV programs licensed to ION by leading content

[4] In addition to its office in West Palm Beach, ION maintains offices in Clearwater (Florida), Chicago, New York, Los Angeles and Washington, D.C.

suppliers, including Warner Brothers, Sony Pictures Television and CBS Television.[5] The remaining 17 hours of programming per day are comprised of "non-entertainment" paid programming, including infomercials and "time-buy" programming (programming that a third party has paid ION for the right to air during specific time periods). Broadening appeal of its entertainment programming is a key to ION's ability to increase revenues generated from "spot" advertising, which is sold based on audience size and demographics.

(ii) Multicasting.

Digital spectrum multicasting (also called "over-the-air digital broadcasting") capability has enabled ION to expand its network programming to include additional digital over-the-air broadcast TV networks. Unlike ION's main network, "ION Television," which is broad in its audience appeal in order to maximize audience potential, the brands chosen for ION's new multicast networks are demographically targeted. ION intends to build these networks, which are still in the "roll-out" phase, into fully distributed national television networks over time.[6]

(iii) Datacasting.

In February 2007, ION launched a business unit focused on the research and development of technology to use the over-the-air digital television spectrum to deliver television content to mobile devices.

(iv) Distribution.

ION distributes its programming through its Stations, cable television systems in various markets not served by ION Stations, satellite television providers, and a limited number of independently owned television stations that are affiliated with the ION network. ION centralizes many of the functions of its Stations, including promotions, advertising, research, engineering, finance and sales traffic. ION's Stations average fewer than 10 employees compared to an average of 90 employees at network-affiliated stations, and an average of 65 employees at independent stations in markets of similar size to ION's. ION employs a centralized programming strategy, which ION believes enables it to keep its programming costs per station significantly lower than those of comparable stations.

(v) Regulation.

ION's television operations are subject to significant regulation by the FCC under the Communications Act. A television station may not operate in the United States without the authorization of the FCC. Approval of the FCC is required for the issuance, renewal, transfer or assignment of station operating licenses. The Communications Act also empowers the FCC to regulate other aspects of ION's business in addition to imposing licensing requirements. For example, the FCC has the authority to: (i) determine the frequencies, location and power of ION's broadcast stations; (ii) regulate the equipment used by ION's stations; (iii) adopt and implement regulations and policies concerning the ownership and operation of ION's television stations; and (iv) impose penalties on ION for violations of the Communications Act or FCC regulations.

(vi) Competition

ION competes for television audience and advertisers and ION's television stations are located in highly competitive markets and face strong competition on all levels. Television stations compete for audience share principally on the basis of program popularity. ION's network programming competes for audience share in all of

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5 The Debtors offer entertainment programming on their ION Television network from 4:00 p.m. to 11:00 p.m. Eastern time on Monday through Friday and 6:00 p.m. to 11:00 p.m. Eastern time on Saturday and Sunday.

6 ION has limited the distribution of its new multicast networks for two reasons; (i) to deliver a "special interest" consumer proposition that is consistent with ION's regulatory FCC mandate to serve "underserved" communities; and (ii) to keep these digital brands cost effective during the roll out phase.

ION's markets with the programming offered by other broadcast networks, local and national cable networks and non network affiliated television stations. ION's stations also compete for audience share with other forms of entertainment programming, including home entertainment systems and direct broadcasting satellite video distribution services which transmit programming directly to homes equipped with special receiving antennas and tuners.

ION's network competes for advertising revenues principally with other broadcast and cable television networks and to some degree with other nationally distributed advertising media, such as print publications. ION's television stations also compete for advertising revenues with other television stations in their respective markets, as well as with other advertising media, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail and local cable systems.

E. REVENUES

ION derives revenues from the sale of advertising and paid programming on its nationwide network and local market Stations. Specifically, the Debtors' programming is aired primarily on an advertising supported basis, which means the Debtors rely on sales of "long form" paid programming (consisting primarily of infomercials) and "spot" advertising (*i.e.*, commercials). For the year ended December 31, 2008, ION's total revenues were approximately $191 million.

(i) Network Long Form Paid Programming.

ION sells airtime for long form paid programming, consisting primarily of infomercials, that airs on ION's nationwide network during broadcasting hours when entertainment programming or local public interest programming is not otherwise airing. Infomercials that offer products for sale to consumers are priced at negotiated rates based upon the volume of transactions generated by the infomercial, rather than audience ratings. ION's network long form paid programming represented approximately 48.7%, 42.7%, 46.3% and 48.6% of ION's net revenue during the periods ended December 31, 2008, January 7, 2008, December 31, 2007 and December 31, 2006, respectively.

(ii) Network Spot Advertising.

ION sells commercial airtime to advertisers who want to reach ION's entire nationwide viewing audience with a single advertisement. ION's network spot advertising revenue represented approximately 27.1%, 31.0%, 23.5% and 18.8% of ION's net revenue during the periods ended December 31, 2008, January 7, 2008, December 31, 2007 and December 31, 2006, respectively. ION's network advertising revenue includes direct response advertising, which consists of short form advertisements that are priced based upon consumer call volume generation rather than audience ratings.

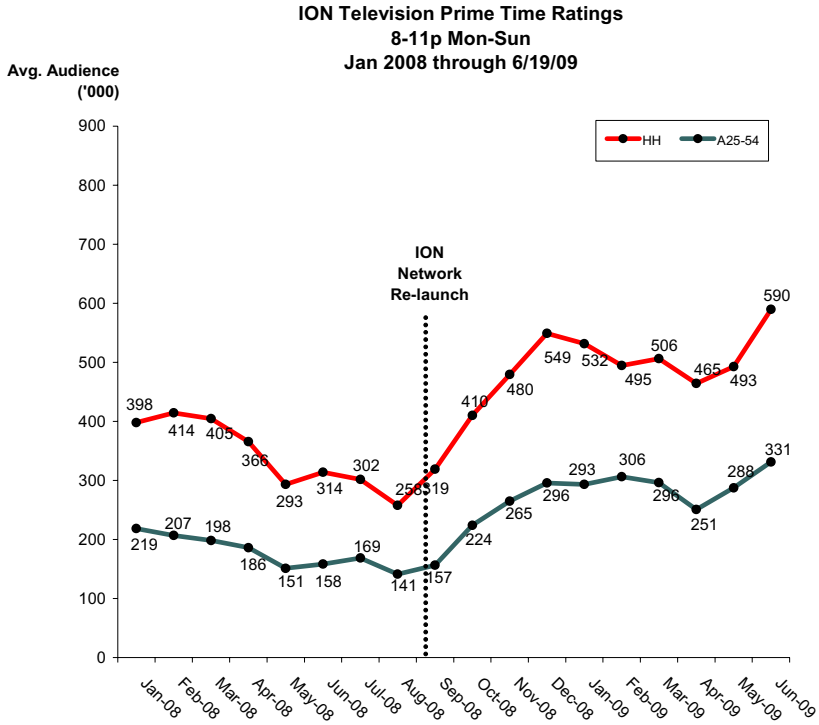
(iii) Station Advertising and Long Form Paid Programming.

ION sells airtime to advertisers who want to reach the viewing audience in specific geographic markets in which ION owns and operates its television stations. These advertisers may be local businesses or regional or national advertisers who want to target their advertising in these markets. ION's station advertising sales represented approximately 24.2%, 26.3%, 30.2% and 32.6% of ION's net revenue during the periods ended December 31, 2008, January 7, 2008, December 31, 2007 and December 31, 2006, respectively, most of which was derived from national and local long form paid programming.

F. PROGRAMMING STRATEGY AND BUSINESS PLAN IMPLEMENTATION

Over the last several years (and well in advance of the Petition Date), ION changed its programming approach from family-focused and religious content to content that appeals to broader audiences. Although ION's ability to procure sufficient popular content was hampered by liquidity constraints arising from the substantial debt load accumulated under prior management, ION's new programming strategy has begun to yield positive results. Since the relaunch of ION's main television network in September 2008, ION Television has nearly doubled its

primetime viewership through a more popular programming lineup of contemporary shows and feature films. The network's ratings improvements since re-launch and repositioning are illustrated below.



Source: Nielsen NTI

Indeed, industry experts have noted that ION Television has led all broadcast networks in year-over-year ratings growth, as indicated in the recent Kagan industry update. The Kagan report also noted ION's need to procure additional quality content:

> Despite the improvements by ION . . . in April broadcast ratings, the channels and their affiliates are still unable to draft deals for top tier exclusive content such as popular concert or sports programming. These networks may continue to post future ratings gains, but without such content, they will be unable to reach the next level.

Adam Swanson, Kagan Industry Update, "ION leads in 24-hour gains, while prime time is mixed bag," May 22, 2009.

Despite severely constrained programming resources relative to its peers, which were exacerbated by its overly burdensome debt load, ION's performance data shows real progress. Even though ION's prepetition re-launch of its network did not have the benefit of industry standard programming and marketing depth, the network has shown steady growth in its audience rankings even against established cable networks. This performance is all the more notable in that it occurred in the face of a challenging economic situation.

Historically, ION tried to manage balance sheet pressures through cost cutting and relied on "infomercials" for the bulk of its revenues.[7] Today, ION's main revenue source remains infomercials, which average up to 17

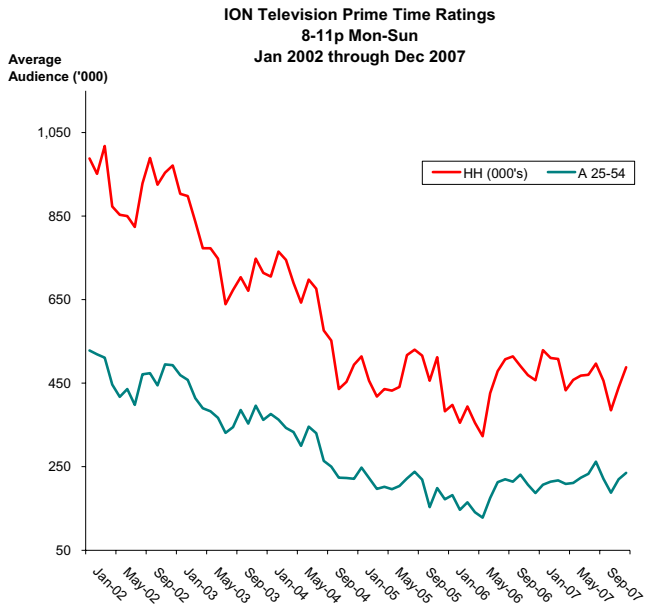
[7] Infomercials are typically 30-minute programs produced by TV retailers who buy network airtime to generate direct-to-consumer sales through call-in numbers.

hours per day of ION's programming. During the remaining network hours, ION generates revenue by airing entertainment programming and selling 30-second advertising spots that are priced based on the audience ratings achieved. For most broadcasters and cable networks, infomercials account for a modest fraction of each day's programming hours and a small portion of overall advertising revenue. In ION's case, however, infomercials accounted for over 70% of total advertising revenues during its most recent fiscal year.

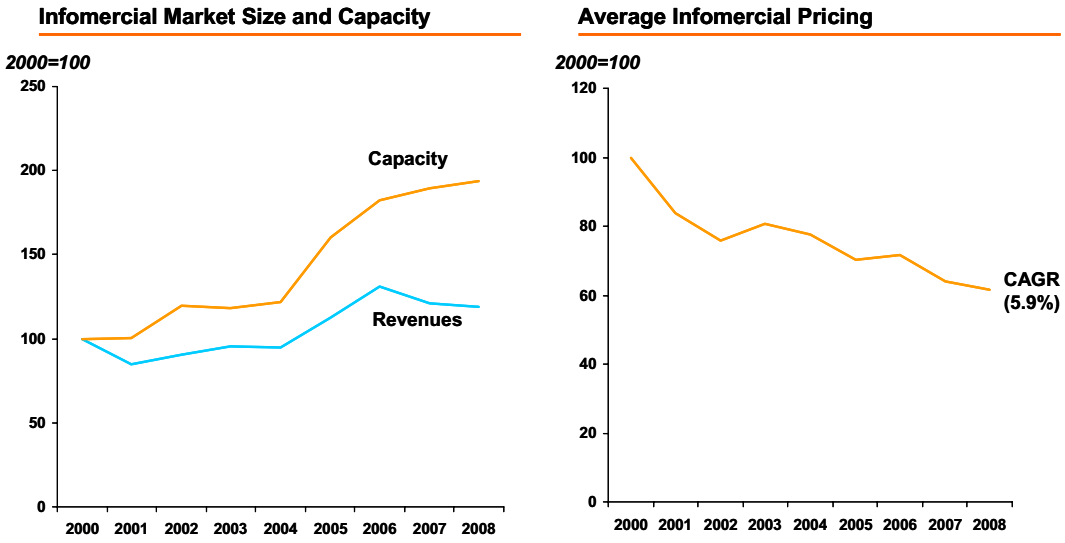
ION's excessive reliance on infomercials resulted from its legacy capital structure and liquidity concerns, which prior management responded to by all but eliminating content investment and marketing, in favor of a focus on cost cutting and downsizing. For example, in 2005, prior management responded to balance sheet pressures by scheduling infomercials up to 19 hours per day, running old TV show repeats for 5 hours per day, and eliminating all programming and marketing activity.

While new management has since rebalanced this mix to some extent (infomercial reductions of 10.5% in 2008 and 9.0% in 2009), ION's ratio of infomercial hours to entertainment hours remains much higher than that of the rest of the cable and broadcast industry. ION's current management team determined that this approach was jeopardizing ION's viability for the following reasons:

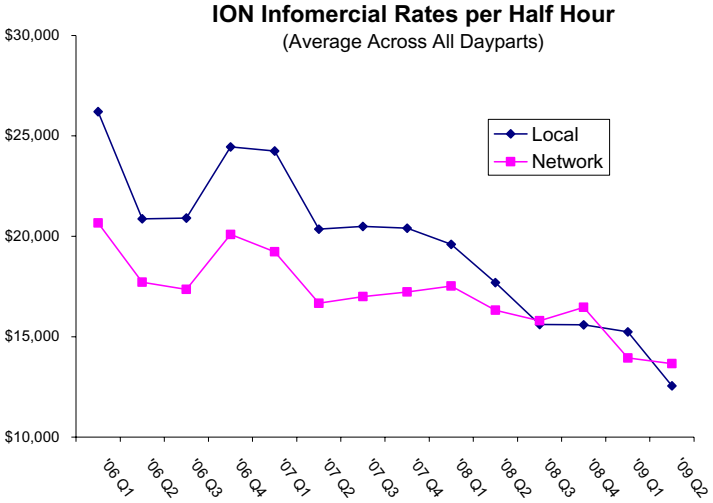
- the value of the network to consumers had been almost entirely eroded, bringing ratings to all time lows in 2006, as shown in the following chart;



- the infomercial revenue category is experiencing sustained, multi-year declines in pricing to a point where reliance on it is insufficient to cover ION's operating overhead in the short and long term; and



- as shown below, infomercial prices at the local level, which historically enjoyed a premium over network rates, have fallen even more dramatically, creating even higher pressure on ION.



$ / Half Hour	'06 Q1	'06 Q2	'06 Q3	'06 Q4	'07 Q1	'07 Q2	'07 Q3	'07 Q4	'08 Q1	'08 Q2	'08 Q3	'08 Q4	'09 Q1	'09 Q2
Local	26,209	20,867	20,910	24,451	24,249	20,350	20,489	20,401	19,595	17,695	15,605	15,594	15,239	12,554
Network	20,668	17,712	17,359	20,088	19,224	16,670	16,993	17,225	17,517	16,315	15,795	16,460	13,940	13,662
All-In	23,208	19,205	18,937	22,019	21,450	18,298	18,539	18,631	18,453	16,940	15,686	16,054	14,538	13,152

In response to these market forces, ION began implementing a revised business strategy prepetition, designed to increase network entertainment programming hours and network spot advertising sales, with a corresponding reduction in infomercials. The following chart shows ION's migration plan away from infomercials towards entertainment programming:

Transformation to Content

Over the projection horizon, ION plans to reduce infomercial hours from 80% of total weekly hour capacity to 42%

		2008A	2009E	2010E	2011E	2012E	2013E	2014E
Early Morning	6-7A	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial
Early Morning	7-8A	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial
Early Morning	8-9A	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial
Daytime AM	9-10A	Infomercial	Infomercial	Sat	Sat	Sat	Sat	Sat
Daytime AM	10-11A	Infomercial	Infomercial	Sat	Sat	Sat	Sat	Sat
Daytime AM	11-12P	Infomercial	Infomercial	Sat	Sat	Sat	Sat	Sat
Daytime AM	12-1P	Infomercial	Infomercial	Sat/Sun	Sat/Sun	Sat/Sun	Sat/Sun	Sat/Sun
Daytime PM	1-2P	Infomercial	Infomercial	Sat/Sun	Sat/Sun	Sat/Sun	Sat/Sun	Mon-Sun
Daytime PM	2-3P	Infomercial	Infomercial	Sat/Sun	Sat/Sun	Mon-Sun	Mon-Sun	Mon-Sun
Daytime PM	3-4P	Infomercial	Wed-Fri	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun
Early Fringe	4-5P	Infomercial	Mon-Fri	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun
Early Fringe	5-6P	Infomercial	Mon-Fri	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun
Access	6-7P	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun
Access	7-8P	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun
Prime	8-9P	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun
Prime	9-10P	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun
Prime	10-11P	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun
Late Fringe	11-12A	Infomercial	Infomercial	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun	Mon-Sun
Late Night	12-1A	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Mon-Sun	Mon-Sun
Overnight	1-2A	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Mon-Sun
Overnight	2-3A	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial
Overnight	3-4A	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial
Overnight	4-5A	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial
Overnight	5-6A	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial	Infomercial
Infomercial Hours per Week		133	120	96	96	91	84	72
Content Hours per Week		35	48	72	72	77	84	96
% Change in Content Hours			*37.1%*	*50.0%*	*0.0%*	*6.9%*	*9.1%*	*14.3%*
% Infomercial		79.2%	71.4%	57.1%	57.1%	54.2%	50.0%	42.9%

Note: Orange shade represents weeks containing content hours

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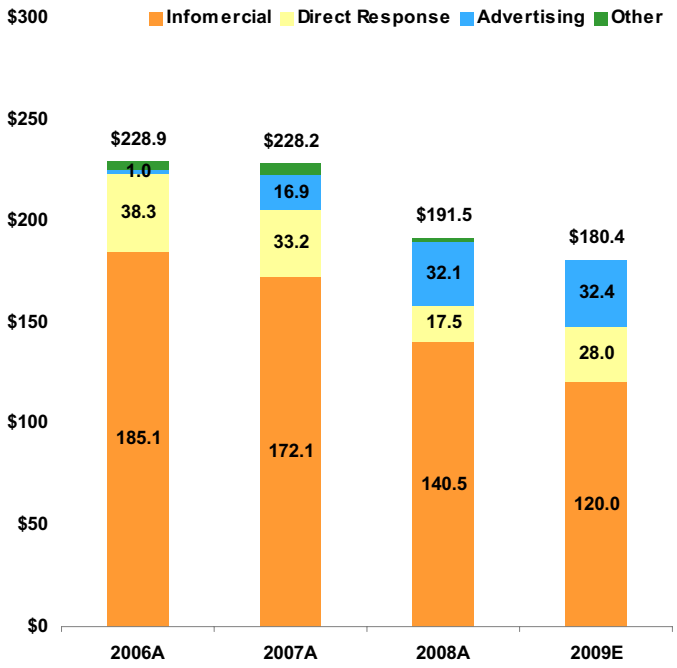
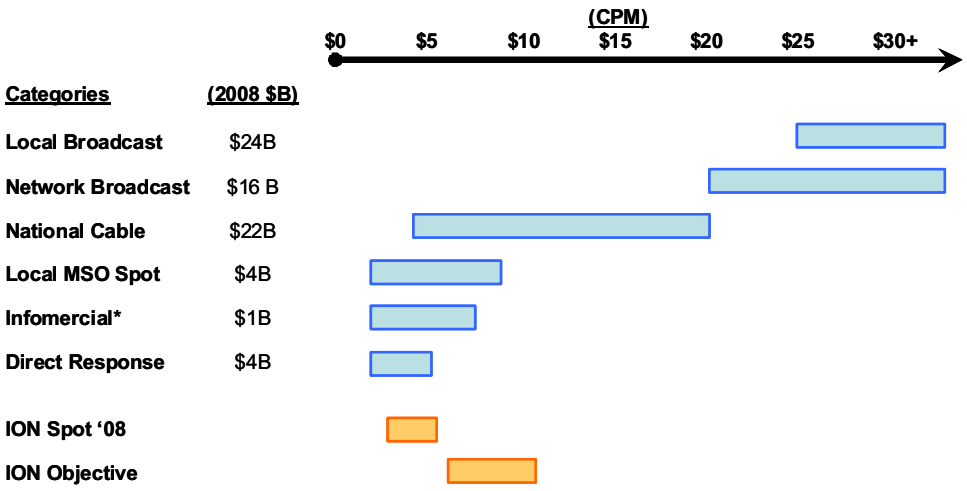
Consistent with this diversification goal, ION re-launched its network in September 2008 with a new brand identity ("***ION Television***") and programming lineup, targeting a much broader audience than ION's historical focus. The network's initial revised lineup includes contemporary high quality shows such as *NCIS, Boston Legal, Ghost Whisperer, and Criminal Minds*.

ION's migration to more popular entertainment content in the 2008/2009 season has allowed it to introduce spot advertising sales into its revenue mix to help mitigate the erosion of the infomercial sector. The initial results of this strategy are illustrated in the chart below.



Pricing in the general advertising category that ION seeks to emphasize is substantially more attractive than infomercial pricing, where rates continue to deteriorate. The chart below shows pricing for different types of television advertising, which is typically measured in cost per thousand viewer impressions ("CPM"). As the chart demonstrates, CPM prices for advertising on established broadcast and cable networks (offering predominantly entertainment programming, including original content) are considerably higher than the rates achieved by direct response and infomercial advertising, which ION has been limited to historically.



In addition, ION believes that the introduction of original programming to its line up is a critical element of its strategy to increase its advertising pricing closer to that of its competitors. While original programming has a high entry cost and involves creative risks, the chart below illustrates why such content spending is important for the growth of the business. The chart shows varying potential revenue results for ION's prime time schedule depending upon levels of viewership (shown in average number of Adult 25-54 viewers) and CPM pricing achieved over time. Revenue growth is very sensitive to the combination of both viewership and spot pricing. As the chart below demonstrates, selling all of ION Television's prime time inventory at the current audience average of around

300,000 Adult 25-54 impressions at the current modest $6.00 CPM, as compared to an average of 1,000,000 impressions at a $10.00 CPM, shows an annual revenue upside potential of $269 million (the difference between $59 million and $328 million).

Revenue Sensitivity to CPM Pricing and Ratings

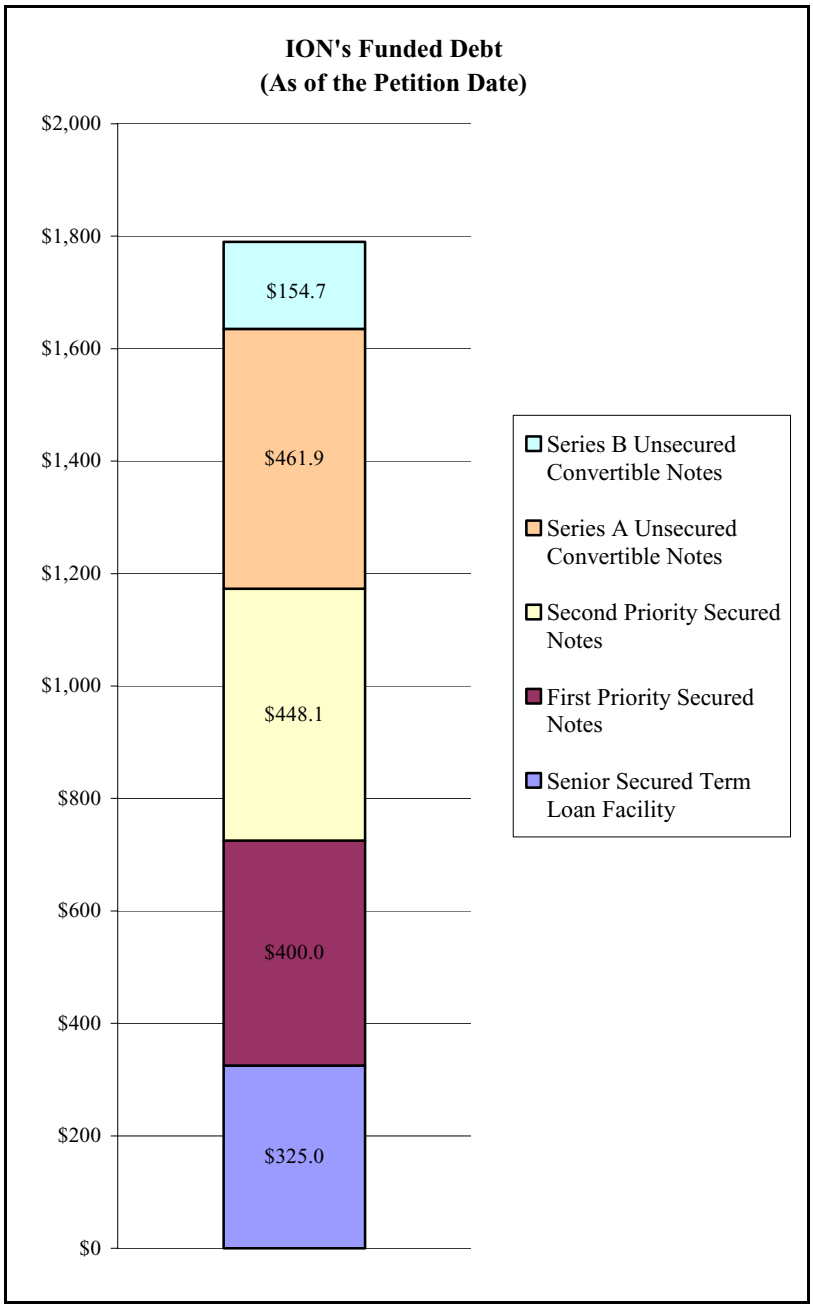
Gross Revenue		A25-54 Prime Time Impressions							
		300	400	500	600	700	800	900	1,000
Prime Time Sales Pricing	6.00	58,968,000	78,624,000	98,280,000	117,936,000	137,592,000	157,248,000	176,904,000	196,560,000
	6.50	63,882,000	85,176,000	106,470,000	127,764,000	149,058,000	170,352,000	191,646,000	212,940,000
	7.00	68,796,000	91,728,000	114,660,000	137,592,000	160,524,000	183,456,000	206,388,000	229,320,000
	7.50	73,710,000	98,280,000	122,850,000	147,420,000	171,990,000	196,560,000	221,130,000	245,700,000
	8.00	78,624,000	104,832,000	131,040,000	157,248,000	183,456,000	209,664,000	235,872,000	262,080,000
	8.50	83,538,000	111,384,000	139,230,000	167,076,000	194,922,000	222,768,000	250,614,000	278,460,000
	9.00	88,452,000	117,936,000	147,420,000	176,904,000	206,388,000	235,872,000	265,356,000	294,840,000
	9.50	93,366,000	124,488,000	155,610,000	186,732,000	217,854,000	248,976,000	280,098,000	311,220,000
	10.00	98,280,000	131,040,000	163,800,000	196,560,000	229,320,000	262,080,000	294,840,000	327,600,000
	10.50	103,194,000	137,592,000	171,990,000	206,388,000	240,786,000	275,184,000	309,582,000	343,980,000

ION plans to introduce additional general entertainment content should increase ratings and help accelerate its revenue diversification goals. Because ION's network spot advertising revenue depends upon the popularity of its programming in terms of audience ratings and the attractiveness of its viewing audience demographic to advertisers, ION believes that additional general entertainment content will help sustain and expand the initial audience growth and revenue diversification seen since the re-launch last fall.8 This will first require substantial near-term and sustained investment, high quality content acquisition and, importantly, production of original programming. Therefore, to deliver the necessary ratings levels, revenue diversification, and improved CPM pricing, management plans sustained investment in general entertainment content and the addition of original production activity.

G. ION'S PREPETITION CAPITAL STRUCTURE

As of the Petition Date, the Debtors' total consolidated funded debt was approximately $1.9 billion (including approximately $130 million in Swap Debt, as defined below). The debt obligations arose under the (a) Term Loan Agreement dated as of December 30, 2005, as amended February 28, 2006, and February 19, 2009, by and among ION (formerly known as Paxson Communications Corporation), the subsidiary guarantors (the "***Term Loan Subsidiary Guarantors***"), Wells Fargo Bank, N.A., as successor to Citicorp North America, Inc. and the lenders thereto (as amended, supplemented or otherwise defined, the "***Term Loan Agreement***"), (b) Floating Rate First Priority Senior Secured Notes due 2012 (the "***First Priority Notes***"), (c) Floating Rate Second Priority Senior Secured Notes due 2013 (the "***Second Priority Notes***" and, together with the First Priority Notes and the Term Loan, the "***Secured Notes***"), (d) 11% Series B Mandatorily Convertible Senior Subordinated Notes due 2013 (the "***Series B Notes***") and (e) 11% Series A Mandatorily Convertible Senior Subordinated Notes due 2013 (the "***Series A Notes***").

8 Advertisers rely in large part on Nielsen Ratings in making decisions regarding the purchase of airtime on a particular network during a particular time. Nielsen Ratings are audience measurement systems developed by Nielsen Media Research in an effort to determine the audience size and composition of television programming in the United States. Nielsen Media Research also provides statistics on specific demographics, as advertising rates are influenced by such factors as age, gender, economic class, and location. Younger viewers are considered more attractive for many products, whereas in some cases older and wealthier audiences are desired, or female audiences are desired over male audiences.



(i) The Term Loan

The Term Loan Agreement provides for a $325 million term loan (the "***Prepetition Credit Facility***") that matures on January 15, 2012. The Prepetition Credit Facility accrues interest at a floating rate equal to (i) LIBOR over a particular interest period, plus (ii) 3.25% per annum. Interest on the Prepetition Credit Facility is paid in quarterly installments on January 15, April 15, July 15 and October 15 each year. On February 22, 2006, and as described below, ION entered into a floating to fixed interest rate swap arrangement that fixed the interest rate through maturity at 8.355% on the Prepetition Credit Facility.

As of the Petition Date, approximately $329 million was outstanding in respect of the Prepetition Credit Facility, inclusive of accrued and unpaid interest and certain fees, costs, expenses, charges and all other obligations incurred in connection therewith as provided in the Term Loan Agreement (collectively, the "***Term Loan Debt***"), which Term Loan Debt is secured by liens on and security interests in substantially all of the Debtors' assets (the

"***Term Loan Collateral***"). The obligations under the Prepetition Credit Facility are unconditionally guaranteed on a joint and several basis by ION and the subsidiary guarantors party thereto.

(ii) The Secured Notes

On December 30, 2005, ION issued $400 million of First Priority Notes and $405 million of Second Priority Notes. The First Priority Notes bear interest at a rate of LIBOR plus 3.25%. As of the Petition Date, approximately $405 million was outstanding in respect of the First Priority Notes, inclusive of accrued and unpaid interest and certain fees, costs, expenses, charges and all other obligations incurred in connection therewith as provided in the related indenture (the "***First Priority Note Debt***"), which First Priority Note Debt was secured by first priority liens on and security interests in substantially all of the Debtors' assets (the "***First Priority Note Collateral***").

The Second Priority Notes bear interest at a rate of LIBOR plus 6.25%. For any interest period ending before January 15, 2010, ION has the option to pay interest on the Second Priority Notes either (i) entirely in cash or (ii) in kind through the issuance of additional Second Priority Notes or by increasing the principal amount of the outstanding Second Priority Notes. If ION elects to pay interest in kind on the Second Priority Notes, the interest rate for the corresponding interest period will increase to LIBOR plus 7.25%. ION paid interest on the Second Priority Notes in cash for all interest periods ending on or prior to April 14, 2008, and elected to pay interest on the Second Priority Notes in kind for the payments that were due on July 15, 2008, October 15, 2008, January 15, 2009 and April 15, 2009. As a result, approximately $10.2 million, $10.7 million, $13.1 million and $9.2 million of additional Second Priority Notes were issued for the interest periods ending on July 14, 2008, October 14, 2008, January 14, 2009 and April 14, 2009, respectively.

As of the Petition Date, approximately $450 million was outstanding in respect of the Second Priority Notes, inclusive of accrued and unpaid interest and certain fees, costs, expenses, charges and all other obligations incurred in connection therewith as provided in the related indenture (the "***Second Priority Note Debt***" and together with the First Lien Debt, the "***Prepetition Secured Debt***"), which Second Priority Note Debt is secured by second priority liens on and security interests in substantially all of the Debtors' assets (the "***Second Priority Note Collateral***").

(iii) The Security Agreement and Intercreditor Agreement

In connection with the Prepetition Credit Facility and the issuance of the Secured Notes, ION (as successor to Paxson Communications Corporation) and each of its subsidiaries, as Grantor and Subsidiary Grantors, respectively, The Bank of New York Trust Company, NA, in its capacity as Collateral Agent, First Priority Trustee and Second Priority Trustee, and Citicorp North America, Inc., in its capacity as First Priority Administrative Agent, entered into the Pledge and Security Agreement, dated December 30, 2005 (the "***Security Agreement***"), which includes as Annex 1 attached thereto *The Collateral Agent and Second Party Acknowledgements*" (the "***Intercreditor Agreement***"). The Security Agreement describes the "Collateral" that secures the "Secured Obligations" and, as set forth in the Intercreditor Agreement, establishes the relative priority as between the First Priority Secured Obligations and the Second Priority Secured Obligations in the event of insolvency proceedings or otherwise.

(iv) BIA Financial Network, Inc. Appraisal

Pursuant to the Debtors' agreements governing the Term Loan, First Priority Notes and Second Priority Notes, the Debtors are required to maintain a "Station Value Coverage Ratio," which is defined as the station value of the Debtors' owned stations to the amount outstanding of the Term Loan, First Priority Notes and Second Priority Notes excluding accrued PIK interest. Further, the covenant in the agreements requires the Debtors to obtain an annual appraisal prepared by BIA Financial Network, Inc. ("***BIA***") of their owned stations such that (i) each station would be sold in an asset sale as a start-up entity, (ii) each station would be sold to a hypothetical willing and able buyer from a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and both have reasonable knowledge of the relevant facts, and (iii) all of the Debtors' assets are sold. Additionally, to determine the fair market value in the appraisal, BIA performs a discounted cash flow analysis for each station based on (i) each station seeking affiliation with an established

network, (ii) estimated revenues for each station based on assumed market revenue and market share, (iii) hypothetical cost structure and capital spending based on industry benchmarks, and (iv) a WACC for hypothetical buyers of the stations. The most recent appraisal of the Debtors' stations was obtained on December 1, 2008 and reported a fair market value of $1.7 billion.

The Debtors do not believe that the BIA appraisal is a relevant methodology because it is based upon a hypothetical business model that is inconsistent with the Debtors' business plan and financial projections. Furthermore, the Debtors believe the BIA appraisal is not relevant due to, but not limited to, the following factors: (i) the methodology employs estimates and operational metrics on assets that have generally not operated on a stand-alone basis, (ii) the assumption that all of the Debtors' 59 owned high-power stations can individually obtain affiliation agreements with networks, generally CW or MyNetwork, is most likely unrealistic given existing affiliation agreements that those networks already have in the Debtors' markets, (iii) the WACC used does not reflect the risk inherent in successfully achieving the hypothetical business plan assumed in the BIA methodology, and (iv) the report is over eight-months old and the economic data utilized to project earnings will likely not reflect the current environment for television advertising and other key drivers of performance. For more current information regarding the going concern value of the Debtors' business see "Valuation," in Section XV.J in this Disclosure Statement.

(v) The Swap Agreements

On February 22, 2006, ION entered into two floating to fixed interest rate swap agreements ("***Prepetition Hedges***") with Goldman Sachs Capital Markets, L.P. and UBS AG in an aggregate notional amount of $1.13 billion for periods through the maturity dates of the underlying floating rate debt. Under the terms of these arrangements, ION is required to pay a fixed interest rate of 8.355% on a notional principal amount of $725 million while receiving a variable interest rate of three month LIBOR plus 3.25%, and is required to pay a fixed interest rate of 11.36% on a notional principal amount of $405 million while receiving a variable interest rate equal to three month LIBOR plus 6.25%. These interest rate swaps require quarterly settlements that coincide with the interest payment dates of the underlying debt, and effectively fix the interest rates on $1.13 billion of variable rate debt through maturity, assuming ION pays all interest thereon in cash.[9]

As of the Petition Date, approximately $130 million in respect of termination payments was due under the Prepetition Hedges, inclusive of accrued and unpaid interest and certain fees, costs, expenses, charges and all other obligations incurred in connection therewith as provided in the Master Agreements (the "***Swap Debt***" and, together with the Term Loan Debt and the First Priority Note Debt, the "***First Lien Debt***"), which Swap Debt was secured by liens on and security interests in substantially all of the Debtors' assets (the "***Prepetition Hedge Collateral***" and, together with the Term Loan Collateral, the First Priority Note Collateral and the Second Priority Note Collateral, the "***Prepetition Collateral***").

(vi) The Series A Notes

Effective August 3, 2007, in connection with the closing of an exchange offer, ION issued Series A Notes in the principal amount of approximately $461.9 million. The Series A Notes bear simple interest at an 11% annual rate payable quarterly in arrears and rank junior to the Prepetition Secured Debt and pari passu with the Series B Notes. For each quarterly interest period ION may, at its option, elect to pay interest on the Series A Notes either entirely in cash or by deferring the payment of all such interest to any subsequent interest payment date. Interest that is deferred will not be added to the principal of the Series A Notes or earn interest. ION has elected to defer all quarterly interest payments to date. The Series A Notes mature on July 31, 2013, and are not callable prior to maturity. At the Holder's option, the Series A Notes are convertible at any time into shares of common stock at a conversion price of $0.90 per share, increasing at a rate per annum of 11% from the issuance of the Series A Notes through the date of conversion.

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9 Both counterparties to the Prepetition Hedges delivered termination notices to the Debtors before the Petition Date.

Through the first quarter of 2009, ION issued additional Series A Notes in the aggregate principal amount of approximately $28.5 million bearing an issue date of August 3, 2007 in exchange transactions for which ION did not receive any cash proceeds. In June and July 2008, ION repurchased approximately $16.1 million aggregate principal amount of Series A Notes at prices ranging from $0.21 to $0.29 per dollar of face value.

(vii) The Series B Notes

On May 4, 2007, pursuant to the master transaction agreement with NBCU and CIG, ION issued $100 million of Series B Notes to CIG and received an equal amount of cash proceeds. In August 2007, ION issued an additional $15 million of Series B Notes to CIG for an equal amount of cash proceeds. On August 21, 2007, NBCU exchanged approximately $31.6 million aggregate stated liquidation preference of 11% Series B Preferred Stock it held for an equal principal amount of Series B Notes, and CIG exchanged approximately $8.1 million of Series A-2 Preferred Stock for an equal principal amount of Series B Notes.

The Series B Notes bear simple interest at an 11% annual rate payable quarterly in arrears and rank junior to the Prepetition Secured Debt and *pari passu* with the Series A Notes. For each quarterly interest period ION may, at its option, elect to pay interest on the Series B Notes either entirely in cash or by deferring the payment of all such interest to any subsequent interest payment date. Interest that is deferred will not be added to the principal of the Series B Notes or earn interest. ION has elected to defer all quarterly interest payments to date. The Series B Notes mature on July 31, 2013, and are not callable prior to maturity. At the Holder's option, the Series B Notes are convertible at any time into shares of common stock at a conversion price of $0.75 per share, increasing at a rate per annum of 11% from the issuance of the Series B Notes through the date of conversion.

(viii) Preferred Stock

ION has multiple Classes of preferred stock outstanding, most of which is owned by CIG and NBCU.

(ix) CIG Common Stock Purchase Warrant

Concurrently with the purchase of the Series B Notes by CIG, ION issued to CIG a common stock purchase warrant (the "***Warrant***") and entered into a Registration Rights Agreement for the Series B Notes. Under the Warrant, CIG has the right to purchase up to 100,000,000 shares of ION's Class A common stock at an exercise price of $0.75 per share. The term of the Warrant is seven years from the date of issuance.

(x) NBCU Common Stock Purchase Warrant

In connection with the 2007 master transaction agreement between the Debtors, NBCU and CIG, NBCU was issued an option to purchase all 26,688,361 authorized but unissued shares of ION's Class B common stock, which is entitled to ten (10) votes per share, at a price of $0.50 per share.

(xi) Outstanding Common Stock

Before the Petition Date, CIG was the sole Holder of ION's outstanding common stock, which was not listed on a stock exchange.

VI. SUMMARY OF LEGAL PROCEEDINGS

A. PENDING LEGAL PROCEEDINGS OUTSIDE THE BANKRUPTCY COURT

The Debtors are involved in litigation from time to time in the ordinary course of their business. The Debtors believe the ultimate resolution of these matters will not have a material effect on their financial position or results of operations or cash flows.

In June 2007, two complaints were filed against ION and seven of ION's directors in the Court of Chancery of the State of Delaware in and for New Castle County (the "***Court of Chancery***"). One complaint was filed by a group of plaintiffs purporting to hold shares of ION's 14¼% Preferred Stock and the other complaint was filed by a group of plaintiffs purporting to hold shares of ION's 9 ¾% Preferred Stock. Each of the complaints seeks

injunctive and other relief relating to the exchange offer ION conducted during 2007. On July 10, 2007, the Court of Chancery denied the plaintiffs' motion to enjoin the exchange offer and on July 20, 2007, the Delaware Supreme Court refused to hear the appeal of the denial of plaintiffs' motion to enjoin the exchange offer. NBCU, Citadel Investment Group LLC and CIG are also named as defendants in each of the lawsuits. The Debtors believe that each of the complaints is without merit as to ION and all of the director defendants. The Debtors and the director defendants intend to vigorously defend against each of the complaints.

VII. EVENTS LEADING TO THE CHAPTER 11 FILINGS

A number of factors contributed to the Debtors' decision to commence the Chapter 11 Cases. Although the Debtors' business is operationally sound, the Debtors' substantial funded debt burden, liquidity constraints and declining advertising revenues, combined with adverse changes in the capital markets and U.S. economy, affected the Debtors' ability to meet their debt obligations.

A. ION'S SUBSTANTIAL FUNDED DEBT BURDEN

From an operational standpoint, the Debtors had been successfully implementing a network revitalization that resulted in double digit growth in primetime viewership among U.S. households in the first quarter of 2009. The Debtors' level of indebtedness, however, required that essentially all cash flow from operations be dedicated to debt service thus making it unavailable for other purposes. Moreover, the terms of the Debtors' prepetition indebtedness contain covenants and restrictions that limited the Debtors' ability to obtain future financing or refinance existing debt, make acquisitions or needed capital expenditures, invest in new programming, conduct operations or otherwise take advantage of business opportunities that might arise.

As of the Petition Date, the Debtors were significantly overleveraged and unable to service their funded debt obligations. As of that date, the Debtors had $2.7 billion in legacy indebtedness and preferred stock. Of the $2.7 billion, $1.18 billion (including accrued interest and excluding discounts) constituted secured debt. Over the course of 2008, the Debtors' interest expense on their funded debt obligations increased to $182.2 million, from $147.1 million in 2007.

B. RECENT OPERATING LOSSES AND NEGATIVE CASH FLOW

In addition, the Debtors have a history of significant operating losses. For the periods ended December 31, 2008, 2007 and 2006, the Debtors' earnings were insufficient to cover their combined fixed charges and preferred stock dividend requirements by approximately $653.1 million, $274.0 million and $235.4 million, respectively. Further, the Debtors' cash flow from operations has been insufficient to cover operating expenses, debt service requirements and other cash commitments in each of the last five fiscal years. The Debtors financed their operating cash requirements, as well as capital needs, during these periods with the proceeds of asset sales and financing activities, including additional borrowings, and with existing cash on hand.

C. DECLINING ADVERTISING REVENUES

Advertising revenues constitute substantially all of the Debtors' operating revenues. The Debtors' ability to generate advertising revenues depends upon their ability to sell their inventory of air time for long form paid programming and commercial spot advertisements at acceptable rates. Long form paid programming rates are dependent upon a number of factors, including available inventory of air time, the viewing public's interest in the products and services being marketed through long form paid programming and economic conditions generally. The Debtors' revenues from the sale of air time for long form paid programming declined in the past two fiscal years and continued to decline throughout 2009.

D. DETERIORATION IN ECONOMIC CONDITIONS

There was a rapid softening of the economy and tightening of the financial markets in the second half of 2008, with continued weakness during the first half of 2009. This slowing of the economy weakened the businesses of companies that purchase commercial spot advertising and long form paid programming, and had an adverse effect on the Debtors' (and the entire industry's) revenues. In addition, the Debtors depend on the financial markets for

access to capital, as do many companies that purchase advertising air time from the Debtors. Limited or expensive access to capital has made it more difficult for these companies to do business with the Debtors, or to do business generally, which has adversely affected the Debtors' business. The current conditions in the credit and equity markets have also increased the Debtors' financing costs and limited the Debtors' financial flexibility. The continued deterioration of domestic and global economic conditions in 2009 has adversely affected the Debtors' business and results of operations.

E. PREPETITION ATTEMPTS TO IMPROVE THE DEBTORS' FINANCIAL OUTLOOK

Over the course of the past decade, the Debtors have pursued various strategic alternatives, including recapitalizations in 1999 and 2007. During 2007, ION completed a recapitalization with CIG and NBCU, which provided the Debtors with an additional cash infusion. Each of these transactions provided the Debtors with short term liquidity solutions and staved off any immediate concerns with respect to the Debtors' steadily growing debt obligations; however, their effects were insufficient to effect a more permanent solution. As discussed above, recent adverse changes in the nation's capital markets have severely limited the Debtors' ability to recapitalize or otherwise enter into transactions to ease their debt burdens, further complicating the Debtors' efforts to reduce their debt obligations.

Against this backdrop, the Debtors began to weigh their options with respect to a broad financial restructuring that would provide the Debtors with the flexibility necessary to continue the revitalization of their business and further implement their strategic vision. To that end, in March 2009, the Debtors hired Kirkland & Ellis LLP ("***K&E***") and Moelis & Co. LLC ("***Moelis***") to initiate discussions with ION's stakeholders regarding a possible restructuring and financial alternatives for improving the Debtors' balance sheet.

Beginning in March 2009, the Debtors and their advisors engaged in extensive negotiations with several of their First Lien Lenders regarding the parameters of a global financial restructuring that would maximize the value of their estates and assure the implementation of the Debtors' strategic vision. Those negotiations resulted in the Debtors and certain First Lien Lenders holding approximately 60% of the Debtors' First Lien Debt Claims under the Prepetition Credit Facility and the First Priority Indenture in the aggregate (collectively, the "***Initial Consenting First Lien Lenders***") agreeing to enter into a Restructuring Support Agreement (the "***RSA***"), which contemplated the terms of a prearranged restructuring and provided for, among other things, a $300 million debtor in possession financing facility (described in more detail below).

Specifically, the terms of the RSA and related chapter 11 plan of reorganization term sheet included the following:

- entry into the proposed DIP Facility, consisting of a multiple draw term loan facility in an aggregate principal amount of up to $300 million; $150 million in respect of New Money Loans and a dollar for dollar roll up of $150 million in respect of outstanding First Lien Debt, with all First Lien Holders being offered the opportunity to participate in the DIP Facility;

- upon the consummation of the chapter 11 plan of reorganization, the DIP loans and any unused commitments under the DIP Facility would be converted into 85.7% of the New Common Stock in Reorganized ION issued under the plan (subject to dilution on account of an equity incentive program and warrants);

- The Holders of the balance of the First Lien Debt not participating in the DIP Facility would receive their *pro rata* share of 14.3% of the New Common Stock (subject to dilution on account of an equity incentive program and warrants);

- the Holders of the Second Priority Notes would receive, on a *pro rata* basis, warrants to purchase 5% of the New Common Stock with a strike price equivalent to a $1 billion total enterprise value;

- the Holders of unsecured Claims would receive, on a *pro rata* basis, warrants to purchase 5% of the New Common Stock with a strike price equivalent to $1.5 billion total enterprise value; and

- all outstanding equity interests in the Debtors, including common stock, preferred stock and any options, warrants or rights to acquire any Equity Interests, would be cancelled or extinguished and the Holders thereof would not receive a distribution on account of such Equity Interests.

The RSA contemplated various "milestones" that were to be satisfied to ensure the RSA remained in place and the Consenting First Lien Lenders continued to support the Debtors' restructuring. Among other milestones, the Debtors were required to, among other things, file the plan and accompanying disclosure statement within 14 days of the Petition Date; obtain an order approving the disclosure statement within 45 days of the Petition Date; and obtain an order confirming the plan within 90 days of the Petition Date.[10]

Following the retention of their advisors, the Debtors analyzed their cash needs in an effort to determine what was necessary to maintain their operations, work towards a successful reorganization and continue to implement their strategic vision. In undertaking this analysis, the Debtors and their advisors considered the impact of the current economic outlook on the Debtors' near-term projected financial performance, including demand for television advertising, projected viewership increase and cost to broadcast the Debtors' television programming. Because of the Debtors' inability to satisfy the interest payments due and owing under the Prepetition Credit Facility and First Priority Indenture, it became clear that any financing would only be available as part of a chapter 11 proceeding.

VIII. THE COMMENCEMENT OF THE CHAPTER 11 CASES

On May 19, 2009, the Debtors filed voluntary petitions in the United States Bankruptcy Court for the Southern District of New York seeking relief under the provisions of chapter 11 of the Bankruptcy Code to effectuate a restructuring of the Debtors' funded debt obligations.

The Chapter 11 Cases are being jointly administered under the caption *In re ION Media Networks, Inc., et al.*, Case No. 09-13125 (JMP). The Debtors continue to operate their businesses and manage their properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

A. FIRST DAY RELIEF

The Debtors entered into bankruptcy after a careful review of their business operations and cash requirements to minimize the impact of the Chapter 11 Cases on their day-to-day business operations. Integral to this transition were certain "first day" orders the Debtors obtained from the Bankruptcy Court to provide, among other things, flexibility in cash management, the payment of outstanding employee wages, health benefits, and certain other employee obligations, the ability to pay certain prepetition vendors. In addition, and in an effort to facilitate the efficient administration of these Chapter 11 Cases, the Debtors requested that the Bankruptcy Court enter an order granting the joint administration of each of the 117 Chapter 11 Cases for procedural purposes only.

On the Petition Date, the Debtors filed several motions seeking orders authorizing the Debtors to pay various Prepetition Claims. Entry of these orders eased the strain on the Debtors' relationships with employees, vendors, customers and taxing authorities as a consequence of the commencement of the Chapter 11 Cases. Among other things, these orders authorized the Debtors to: (a) honor customer obligations and continue certain customer obligations and practices [Docket No. 32]; (b) pay sales, use, gross receipts, franchise, business and other taxes incurred or collected by the Debtors from their customers [Docket No. 29]; (c) pay and honor all prepetition obligations associated with the employee obligations and to continue to pay wages and honor employee benefit programs, within certain limitations imposed by the Bankruptcy Code [Docket No. 31]; (e) continue to operate the cash management system [Docket No. 35]. Additionally, on June 25, 2009, the Bankruptcy Court entered an order which prohibited utility providers from altering, refusing or discontinuing utility services to the Debtor solely on the basis of the commencement of these chapter 11 cases or a debt owed by the Debtors to such utility provider for

[10] Subsequent to the Petition Date, the RSA was terminated and it is no longer in effect.

services rendered before the order for relief that was not paid when due [Docket No. 103]. The order also created both procedures for utility providers to request additional adequate assurance in the event that a utility provider is not satisfied with the assurance of payment provided, as well as procedures for the Debtors to challenge these requests.

B. DEBTOR-IN-POSSESSION FINANCING

On the Petition Date, ION filed a motion seeking approval of up to $300 million in debtor in possession financing, which consisted of $150 million in New Money Loans and a "roll-up" of $150 million in respect of outstanding First Lien Debt, secured by substantially all of the Debtors' assets (the "***Original DIP Facility***"). The Original DIP Facility was provided by Holders of approximately 60% of the Debtors' First Lien Debt (excluding the Prepetition Hedges), who were the same lenders that entered the RSA with the Debtors.

At the first day hearing in ION's chapter 11 case, a group of First Lien Lenders who at the time held approximately 13% of the outstanding First Lien Debt (the "***Minority Group***"), argued that consideration of the Original DIP facility was happening too fast. More specifically, the Minority Group asserted that the DIP Financing was actually the first step in an anticipated series of steps that would dictate how ION would emerge from chapter 11. Further, the Minority Group questioned, based on ION's cash flow projections, whether DIP Financing was even necessary on an interim basis and beyond. As a result of the foregoing, the Minority Group suggested a brief adjournment was appropriate. Such an adjournment, the Minority Group's counsel argued, would afford the Minority Group time to review ION's business plan and obtain other necessary business-related diligence, which could ultimately lead to the Minority Group's proposal of an alternative DIP facility that would be more beneficial to ION and its estate. Significantly, and in response to the Minority Group's comments, the Court made it very clear that it was not going to approve the Original DIP Facility as proposed and specifically expressed its displeasure with certain concepts and terms set forth in the Original DIP Facility.

To ensure that ION obtained approval of interim financing totaling $25 million, which was critical to enable ION to begin engaging in discussions and negotiations to procure new programming for its broadcast network, ION brokered an agreement between the proposed DIP lenders and the Minority Group. The terms of this agreement were reflected on the record and later incorporated in the interim order, entered on June 2, 2009, approving the DIP Motion (the "***Interim Order***") [Docket No. 56] and authorizing the Debtors to borrow $25 million on an interim basis.

(i) DIP Negotiations After the First Day Hearing

Pursuant to the term of the Interim Order, the Court authorized the payment of certain fees and expenses that would be incurred by the advisors to the Minority Group in the event that the Minority Group and its advisors provided an alternative DIP commitment. Thus, ION turned its attention to providing the Minority Group and its advisors with any and all pertinent information and diligence that would facilitate the minority lenders' understanding of ION's business and business plan.

At the same time, ION engaged the proposed DIP lenders in negotiations targeted at removing the problematic and objectionable provisions included in the Original DIP Financing. ION made its mandate clear to both the Minority Group and the proposed DIP lenders: ION would obtain the best possible DIP Financing package available under the circumstances. These efforts were ultimately successful — the Minority Group provided ION with a DIP commitment letter and related term sheet and the proposed DIP lenders agreed to remove many problematic provisions in the Original DIP Financing, including the roll-up of prepetition debt and certain restructuring milestones (the "***Interim Proposed DIP Facility***").

Analysis and consideration of the two DIP proposals soon led to further negotiations, as ION engaged both the proposed DIP lenders and the Minority Group in regular discussions designed to further enhance the terms and conditions of the existing proposals.

Following a short adjournment of the proposed final hearing to further negotiate the terms of DIP financing, on June 23, 2009, after several weeks of negotiations, ION had two competing DIP proposals. Following presentation of both DIP proposals to ION's board of directors, and after fully considering the benefits and burdens associated with both proposals, the board determined, in its sound business judgment, that the terms of the Proposed

DIP Lenders' modified DIP facility represented the best available financing under the circumstances. As a result, on June 25, 2009, the Debtors filed a supplement to the DIP Motion (the "***First Supplement***") [Docket No. 100], which described the Debtors' extensive efforts to obtain DIP Financing on the best available terms and reported the terms of the Interim Proposed DIP Facility. Notwithstanding the filing of the First Supplement, ION continued to attempt to find common ground between the Proposed DIP Lenders and the Minority Group, by engaging in discussions with both groups in the hope of reaching a consensual resolution of open issues.

On June 29, 2009, certain members of the Minority Group and other First Lien Holders sent a "Commitment Letter for Participation in Debtor in Possession Financing," pursuant to which these parties committed, among other things, to provide up to $71 million of the "Amended" DIP. This $71 million was the *pro rata* portion of the "Amended" DIP available for First Lien Lenders other than the Proposed DIP Lenders. After receiving the commitment letter, ION and its advisors participated in discussions with both groups, which ultimately led to a successful resolution of the open issues concerning the proposed DIP Financing and the filing of a second supplement to the DIP Motion on June 30, 2009 (the "***Second Supplement***") [Docket No. 118].

Specifically, the Proposed DIP Lenders and the Minority Group resolved their differences by agreeing that all First Lien Holders, other than the Proposed DIP Lenders (unless they purchase additional First Lien Debt after the Petition Date), would be permitted to purchase their *pro rata* share of the total $150 million of proposed DIP Financing (but no more than 35% or $52.5 million in the aggregate of the proposed DIP Financing). If the entire $52.5 million were not purchased, then the Proposed DIP Lenders would make up the difference. Notably, approximately 95% of the Holders of First Lien Debt Claims ultimately subscribed to the DIP Financing. As a result of the DIP modifications, the 10% equity fee that was to be provided to the Proposed DIP Lenders under the modified DIP proposal if ION decided to convert the DIP Financing to equity was eliminated in its entirety. In addition, ION, the DIP Lenders and the Minority Group agreed on the following:

- For purposes of the record date for participation in the DIP facility, assignees of Prepetition Credit Facility Claims on the basis of trades that are the subject of confirms, but that have not actually closed, were recognized as record Holders.

- In the event that ION elects to convert the DIP facility to equity, the minority stockholders will enjoy customary minority stockholder rights and registration rights that are reasonably acceptable to the Proposed DIP Lenders.

- The DIP Financing documents were to be revised to provide that to the extent the final $50 million is not funded within one (1) year after consummation of a plan of reorganization, then the 62.5% of the common equity issued to the Proposed DIP Lenders would be reduced, *pro rata*.

- The "Disclosure Date" under the respective confidentiality agreements signed by the members of the Minority Group were to be accelerated to a date that is as soon as practicable, but in any event not less than 15 days prior to any subscription deadline or record date.

- The Minority Group's professional fees and expenses through the date of the entry of the final DIP order were to be paid in full by the Debtors, including all fees and expenses of Ropes & Gray LLP, which served as counsel to the Minority Group (including, without limitation, fees and expenses incurred in connection with objecting to the proposed DIP Financing, preparing and negotiating commitment letters and the proposed backstop letter), a $250,000 fee to Chilmark Partners and a $60,000 fee to Media Services Group, plus out-of-pocket expenses of each.

In addition to the agreement among ION, the Proposed DIP Lenders and the Minority Group, four other First Lien Holders holding approximately 23% of First Lien Debt have confirmed by email or by telephone to the attorneys for the Minority Group or ION's financial advisor that they had no objection to the Interim Proposed DIP Facility. Accordingly, approximately 88% of the First Lien Holders either supported or had no objection to the Interim Proposed DIP Facility.

Simultaneously with the filing of the Second Supplement, and in advance of the final hearing to consider the Interim Proposed DIP Facility on July 1, 2009, the Debtors filed supplemental declarations (together, the "***Declarations***") of R. Brandon Burgess, Chairman, President and Chief Executive Officer of ION [Docket No. 120], and Steven G. Panagos, Managing Director and Vice Chairman of the Recapitalization and Restructuring Group at Moelis & Co. LLC, ION's financial advisor and investment banker Docket No. 119], in support of the Interim Proposed DIP Facility.

(ii) Objection from Cyrus Select Opportunities Master Fund Ltd.

On June 15, 2009, Cyrus, a Holder of Second Lien Notes and, therefore, a "Second Priority Secured Party" under the Intercreditor Agreement, filed an objection to ION's proposed DIP Financing (the "***Objection***"). Specifically, Cyrus argued that certain of ION's subsidiaries (the "***License Subsidiaries***") that are the Holders of broadcasting and other licenses, authorizations, waivers and permits issued from to time to time by the FCC should not be authorized to enter into or otherwise guaranty the proposed DIP Financing because, as nonoperating special purpose entities established for the sole purpose of holding FCC licenses, the License Subsidiaries would not receive any benefit from the use of proceeds made available under the proposed DIP facility. Cyrus' limited objection also argued that the Court should not authorize the DIP Financing because it contained an improper "roll-up" of certain First Lien Obligations.

On June 30, 2009, Cyrus filed a supplement to the Objection (the "***Supplemental Objection***"). The Supplemental Objection had three components: (a) Cyrus renewed its objection that the License Subsidiaries should not be authorized to enter into the DIP Financing (or guaranty the obligations thereunder or grant liens with respect thereto) because the DIP Financing does not benefit the estates; (b) Cyrus argued that the prepetition lenders do not have a lien on the FCC licenses and therefore, the lien in the proceeds does not attach to postpetition proceeds of the FCC licenses as a result of section 552 of the Bankruptcy Code; and (c) to alleviate the foregoing concerns, Cyrus proposed a competing DIP Financing that would eliminate or mitigate any impact the proposed DIP Financing had on the License Subsidiaries.

The Debtors filed a response to the Supplemental Objection on July 1, 2009. Before addressing the merits of Cyrus' objection, the Debtors pointed out that, with its objection to the proposed DIP Financing, Cyrus ignored several provisions of the Security Agreement that restrict, among other things, any Second Lien Holders' ability to challenge the validity of any lien or oppose or object to (a) any First Lien Holder obtaining a lien as adequate protection or (b) any postpetition financing provided or supported by any First Lien Holder.

More specifically, the Security Agreement provides in section 2.1 that "Collateral" shall include, among other things, "all FCC Licenses" and "all General Intangibles," as well as "all Proceeds of any and all of the foregoing."[11] Section 9 of the Intercreditor Agreement, which addresses the priorities of security interests and liens among the First and Second Lien Parties, provides, in pertinent part, as follows:

> Each of the Secured Parties acknowledges and agrees (x) to the relative priorities as to the Collateral (and the application of the proceeds therefrom) as provided in the Security Agreement (including Article VIII of the Security Agreement)[12] and acknowledges and agrees that such priorities . . . shall not be

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[11] It should be noted that the Security Agreement defines "Excluded Property" to mean "Special Property," which includes "any permit, lease, license agreement or other personal property held by any Grantor to the extent that any Requirement of Law applicable thereto prohibits the creation of a security interest therein." Excluded Property . . . means Special Property "other than . . . any proceeds, products, accessions, rents, profits, income, benefits, substitutions or replacements of any Special Property."

[12] Article VIII of the Security Agreement states that proceeds derived from the sale of any Collateral cannot be paid to the Second Priority Secured Parties unless and until the debt held by the First Priority Secured Parties has been paid in full.

> affected or impaired in any manner whatsoever including, without limitation, on account of (i) the invalidity, irregularity, diminution in value or unenforceability of all or any part of any Secured Debt Document or any of the Secured Obligations thereunder . . . (iii) any nonperfection of any Lien purportedly securing any of the Secured Obligations (including, without limitation, whether any such Lien is now perfected, hereafter ceases to be perfected, is avoidable by any bankruptcy trustee or otherwise is set aside, invalidated or lapses).

Further, paragraph 10 states the secured parties agree "that the provisions of the Security Documents with respect to allocations, priorities and distributions of proceeds of the Collateral shall prevail notwithstanding any event or circumstance."

The Intercreditor Agreement also addresses the secured parties' rights in the event of insolvency proceedings. Paragraph 11(a) of the Intercreditor Agreement provides that the Security Agreement "shall remain in full force and effect and enforceable pursuant to their respective terms in accordance with Section 510(a) of the Bankruptcy Code . . ."[13] Paragraph 11 of the Intercreditor Agreement further provides:

> In any such case under the Bankruptcy Code, each Secured Party agrees not to take any action or vote in any way inconsistent with this Agreement so as to contest (1) the validity or enforceability of any of the Security Documents or any of the Secured Obligations thereunder, (2) the validity, priority or enforceability of the Liens . . . and security interests granted pursuant to the Security Documents with respect to the Secured Obligations, or (3) the relative rights and duties of the Holders of the First Priority Secured Obligations and the Second Priority Secured Obligations granted and/or established in the Security Agreement . . .
>
> Prior to the First Priority Secured Obligations Termination Date, without the express written consent of the Applicable Secured Parties, none of the Second Priority Secured Parties shall . . . (iv) oppose or object to any post-petition financing (including any debtor-in-possession financing) provided by any of the First Priority Secured Parties or provided by a third party pursuant to Section 364 of the Bankruptcy (and if the Lien securing the First Priority Secured Obligations is made junior to such post-petition financing, the Lien securing the Second Priority Secured Obligation shall also be junior to such post-petition financing) on terms acceptable to the Applicable Secured Parties . . . (vi) oppose, object to, or vote against any plan of reorganization or disclosure statement the terms of which are consistent with the rights of the First Priority Secured Parties under the Security Agreement . . .

The Intercreditor Agreement also provides, in paragraph 14, that "[e]ach Second Priority Secured Party hereby acknowledges and agrees that (1) the Second Priority Secured Parties' claims against the Grantors in respect of the Collateral constitute junior claims separate and apart . . . from the senior claims of the First Priority Secured Parties against the Grantors in respect of the Collateral." Finally, paragraph 16 of the Intercreditor Agreement provides that "[e]xcept as otherwise specifically set forth in Section 11 of this Agreement, the Second Priority Secured Parties may exercise rights and remedies as unsecured creditors against the Grantor in accordance with the terms of the Second Priority Documents and applicable law."

As to the merits of Cyrus' objection, ION noted that, contrary to Cyrus' assertion, the Security Agreement granted the First Lien Holders a perfected senior security interest in the right to receive proceeds generated from the

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[13] Section 510(a) of the Bankruptcy Code provides that "[a] subordination agreement is enforceable in a case under this title to the same extent that such agreement is enforceable under applicable nonbankruptcy law."

sale of the FCC Licenses. Moreover, the priority of the First Lien Lenders' interest in the License Subsidiaries was irrelevant for purposes of granting liens in connection with the provision of DIP Financing since any potential DIP lender would demand a lien on any and all available assets. Moreover, ION attacked Cyrus' assertion that the License Subsidiaries were not receiving the benefit of the proposed DIP Financing, pointing out that the License Subsidiaries would indeed receive substantial benefits from the use of the DIP proceeds. In particular, the DIP proceeds would allow ION to continue to provide the financial and operational support that the License Subsidiaries needed and without which the underlying licenses themselves would be idle and subject to cancellation or revocation.

Likewise, the Debtors argued that Cyrus' commitment to provide DIP Financing was flawed because it was contingent upon completion of certain diligence conditions. Knowing that any DIP Financing from Cyrus would come in the form of priming financing, and understanding that approximately 88% of the First Lien Lenders either supported or did not object to the proposed DIP Financing, it was ION's and its advisors judgment that the Proposed DIP Lenders' further revised DIP Financing package, which was the product of arm's length discussions, was the only logical source of financing.

(iii) Objection from the Creditors' Committee

The Creditors' Committee also filed an objection to the DIP Motion on June 30, 2009 (the "***Committee Objection***") raising various concerns with the Interim Proposed DIP Facility and certain specific provisions included therein.

(iv) Final DIP Hearing

The final hearing on ION's proposed DIP Financing was held on July 1, 2009. Immediately before the hearing, ION and the DIP Lenders were able to resolve the Committee Objection, which objection was subsequently withdrawn on the record and later reflected in the Final Order approving the DIP Financing. Thus, Cyrus was the lone objector to the Interim Proposed DIP Facility.

After several hours of argument and testimony, including uncontroverted evidence submitted by ION regarding its need for DIP Financing, the Bankruptcy Court approved the Interim Proposed DIP Facility and overruled Cyrus' objection in its entirety. Further, the Bankruptcy Court concluded that ION was well within its business judgment in determining to reject Cyrus' alternative financing proposal in light of the risks inherent in such proposal, specifically the diligence condition and the certain priming fight that would ensue if ION elected to pursue a Cyrus-led DIP Financing.

On July 2, 2009, Cyrus filed the *Motion By Cyrus Select Opportunities Master Fund Ltd. to Reconsider Pursuant to Bankruptcy Rule 9023 and Local Rule 9023-1 The Court's Oral Ruling on July 1, 2009 Regarding the Debtors' Motion for a Final Order Approving Debtor-In-Possession Financing* [Docket No. 134] (the "***Reconsideration Motion***"). The Reconsideration Motion asserted that, in light of Cyrus' agreement to waive the "diligence out" that existed in its DIP Financing proposal, new facts were present that necessitated the Bankruptcy Court's reconsideration of its oral ruling approving the Interim Proposed DIP Facility.

On July 6, 2009, the Bankruptcy Court entered the *Final Order Granting Motion to Approve Debtor in Possession Financing* [Docket No. 142] and issued the *Memorandum Decision Denying Motion By Cyrus Select Opportunities Master Fund LTD To Reconsider Oral Ruling Regarding The Debtors' Motion For A Final Order Approving Debtor-in-Possession Financing* [Docket No. 143] (the "***Decision***"). In denying the Reconsideration Motion, the Bankruptcy Court indicated that it had endorsed the overall process undertaken by the Debtors to negotiate financing on the best terms available under the circumstances. Specifically, the Bankruptcy Court noted:

> [E]vidence presented during the Hearing supports the conclusion that the Cyrus Proposal, while including a number of material terms that are economically superior to the existing DIP Financing, included certain risk factors, a major one being the risk that the financing would not close due to the diligence contingency. But that was not the only source of risk considered by the Debtors in evaluating the competing proposals or by the Court in rendering its decision.

Decision, at pg. 3.

On August 19, 2009, ION filed a complaint against Cyrus seeking a declaratory judgment enforcing the terms of the Security Agreement and Intercreditor Agreement regarding the priority and validity of the First Priority Secured Parties' liens and claims. Specifically, the Security and Intercreditor Agreements provide that the First Priority Secured Parties' liens are senior to those of the Second Priority Secured Parties, and that, regardless of the status of any liens, the First Priority Secured Parties' claims in the Collateral are senior to those of the Second Priority Secured Parties. The Agreements also prohibit the Second Priority Secured Parties from challenging either the validity of the First Priority Secured Parties' liens or the priority of interests in the Collateral and from opposing, objecting to, or voting against any plan of reorganization or disclosure statement that is consistent with the rights of the First Priority Secured Parties, unless the First Priority Secured Parties have been paid in full in cash or otherwise discharged or defeased in accordance with the terms of the First Priority Documents.

Based on these provisions, and Cyrus' indication that it intends to continue to contest the validity of the liens held by the First Priority Secured Parties, ION seeks a judgment prohibiting Cyrus from (a) contesting the validity or enforceability of any lien, mortgage, assignment, or security interest granted on ION's property to the First Priority Secured Parties, (b) contesting the priority rights granted to the First Priority Secured Parties under the Security Agreement, and (c) opposing or objecting to ION's plan of reorganization or disclosure statement, which are consistent with the rights of the First Priority Secured Parties under the Security Agreement.

IX. RETENTION OF RESTRUCTURING AND OTHER PROFESSIONALS

To assist the Debtors in carrying out their duties as debtors in possession and to represent their interests in the Chapter 11 Cases, the Debtors obtained Bankruptcy Court approval to retain K&E as their restructuring attorneys; Moelis as the Debtors' financial advisor and investment banker; Holland & Knight LLP ("***H&K***"), as the Debtors' corporate counsel; Ernst & Young LLP ("***E&Y***"), as the Debtors' tax advisor; KPMG LLP ("***KPMG***"), as the Debtors' accounting advisor; and Kurtzman Carson Consultants LLC ("***KCC***") as the Debtors' notice and claims agent.

In addition to these professionals, the Debtors also received Bankruptcy Court authorization to retain certain other attorneys and professionals to represent or assist them in a variety of situations arising in the ordinary course of the Debtors' business in matters unrelated to the Chapter 11 Cases. *See Order Authorizing the Debtors' Retention and Compensation of Certain Professionals Utilized In the Ordinary Course of Business* [Docket No. 107].

X. DEVELOPMENTS DURING THE CASE

A. APPOINTMENT OF THE CREDITORS' COMMITTEE

Section 1102 of the Bankruptcy Code requires that, absent an order of the Bankruptcy Court to the contrary, the U.S. Trustee must appoint a committee of unsecured creditors as soon as practicable after the Petition Date (the "***Creditors Committee***"). On June 22, 2009, the U.S. Trustee appointed the Creditors' Committee. The Creditors' Committee is comprised of the following members:

- U.S. Bank National Association, as successor indenture trustee to Wilmington Trust Company, 633 W. 5th Street, 24th Floor, Los Angeles, CA 90071, Attn: Stephen Rivero, Vice President;

- Richland Towers - NYC LLC, 4100 Newport Place, Suite 800, Newport Beach, CA 92660, Attn: John Troutman, Vice President, Chief Legal Counsel;

- CBS Studio, Inc. and King World Productions, Inc., 2401 Colorado Avenue, Suite 110, Santa Monica, CA 90404, Attn: Nicole Harris-Johnson, Esq., Senior Attorney; and

- Manufacturers & Traders Trust Company, as successor indenture trustee, 25 South Charles Street, Mail Code-MD2-CS58, Baltimore, MD 21201, Attn: Robert D. Brown, Administrative Vice President.

The Creditors' Committee subsequently retained Lowenstein Sandler PC, as legal counsel, and Chanin Capital Partners, as financial advisor and investment banker.

B. MOTIONS TO REJECT CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtors are party to numerous contracts and lease agreements that are entered into in the ordinary course of their business operations. After analyzing and reviewing the terms and conditions of many of these agreements, the Debtors determined that some of the agreements were no longer beneficial to the Debtors' ongoing business operations and would constitute an unnecessary drain on the Debtors' resources. Accordingly, to avoid incurring administrative expense claims during these chapter 11 cases with respect to agreements that were no longer of utility to the Debtors, the Debtors sought to reject various executory contracts and unexpired leases. To date, the Debtors have filed three omnibus motions seeking to reject a number of the burdensome agreements. The order authorizing the relief requested in the first motion was entered on June 26, 2009, the second order was entered on August 12, 2009 and the third omnibus motion is scheduled to be considered by the Court at the August 20, 2009 omnibus hearing.

C. MOTION TO ESTABLISH PROCEDURES FOR THE PURCHASE OF NEW NETWORK PROGRAMMING

The filing of these chapter 11 cases put the Debtors at a significant competitive disadvantage with respect to procuring content. Concerns regarding cash flow hampered negotiations with a number of content providers, both prepetition and postpetition. Timing was also a significant issue; in July, networks were currently at the point where they were deciding which shows to air as part of their fall programming line ups.

Although the Debtors believed that acquiring network programming is within the ordinary course of their business and, therefore, is permitted absent further court approval pursuant to section 363(b) of the Bankruptcy Code, the Debtors nonetheless believed that streamlined procedures governing the purchase of content were necessary.

More specifically, in certain instances parties to content license agreements had requested that ION obtain a court order approving a potential agreement before any such agreement is finalized. In addition, ION believed that the entry of an order granting authority to enter into programming agreements would provide comfort to ION's content providers regarding the prospects of doing business with ION notwithstanding the pendency of these chapter 11 cases. Finally, while ION recognized that key parties in interest would want to remain informed about ION's more significant content purchases, at the same time ION was cognizant of the expense and potential delay associated with the preparation of motions and approval by the Court of programming agreements on a one-off basis. Thus, ION concluded that the establishment of uniform procedures to govern ION's purchase of content during these cases was necessary and appropriate.

Accordingly, the Debtors sought to establish streamlined procedures governing the purchase of network programming during these chapter 11 cases (the "***Network Programming Purchase Procedures***"), to facilitate the Debtors' business needs and operations and at the same time assure that all interested parties understand the process for the Debtors' purchase of programming, which is necessary to the viability of the Debtors' business, and at the same time receive notice of significant programming agreements.

On June 25, 2009, the Debtors filed the *Debtors' Motion for Entry of an Order Pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code Establishing Procedures with respect to the Purchase of New Network Programming* [Docket No. 99] (the "***Programming Motion***"). Concurrently with the filing of the Programming Motion, the Debtors sought and obtained entry of an *Order to Show Cause Regarding Motion Filed by the Debtors for Entry of an Order Establishing Procedures with respect to the Purchase of New Network Programming* [Docket No. 104].

The Debtors received objections to the Programming Motion from (i) Sony Pictures Television Inc. ("***Sony***") [Docket No. 108], (ii) the Creditors' Committee [Docket No. 111] and (iii) Cyrus [Docket No. 112]. Of the three objections to the Programming Motion, the Debtors consensually resolved the objections from both Sony and the Committee. On July 1, 2009, the Debtors filed the *Debtors' Omnibus Response to Objections to the Debtors' Motion for Entry of an Order Pursuant to Sections 105(A) and 363(B) of the Bankruptcy Code Establishing Procedures With Respect to the Purchase of New Network Programming* [Docket No. 121] noting the resolution of the Sony and Committee objections and requesting that the Court overrule the Cyrus objection. At the July 1, 2009 hearing, the Court overruled the Cyrus objection on the record and, on July 2, 2009, the Court entered the *Revised Order Authorizing the Purchase of Network Programming and Establishing Procedures Related Thereto* [Docket No. 133].

D. ADVERSARY PROCEEDING AGAINST RHI ENTERTAINMENT DISTRIBUTION, LLC

On December 1, 2007, ION and RHI Entertainment Distribution, LLC ("***RHI***"), a developer, producer and distributor of made-for-television movies and mini-series, including both original and licensed content, entered into an agreement for the licensing of programming content that would be broadcast over ION's network of television stations (the "***Agreement***"). The Agreement was a restatement and amendment of a strategic programming agreement and relationship that ION and RHI had originally entered in October 2006. Under the Agreement, RHI agreed to provide both original programs and content from its library of titles to ION, which ION would broadcast on Friday, Saturday and Sunday nights between 7 and 11 p.m. (the "***RHI Programs***"). With some limited exceptions, RHI also had the right to sell all of the advertising time available during those programming periods. The Agreement provided that, in exchange for broadcasting the RHI Programs and making advertising time available during such programs, ION would be paid (a) an Annual Minimum Guarantee (as defined in the Agreement), which represents consideration paid by RHI to ION in exchange for ION's broadcast of the RHI Programs during specific programming periods, and (b) a 50 percent share of the advertising revenues once certain thresholds were reached, including a payment to RHI of an amount equal to the Annual Minimum Guarantee plus a recoupment of the Annual Minimum Guarantee, and adjustments for residuals and other costs made. The Annual Minimum Guarantee was payable in four equal "Quarterly Payments" per the terms of the Agreement.

On June 8, 2009, ION commenced an adversary proceeding in the Bankruptcy Court (the "***Adversary Proceeding***"), alleging that RHI breached the Agreement by, among other things, failing to make the Quarterly Payments as and when due under the Agreement (the "***Alleged Breach***"). Following the commencement of the Adversary Proceeding, ION and RHI engaged in discussions in an effort to resolve their disputes and eliminate the need for litigation.

As a result of arm's length negotiations, ION and RHI ultimately agreed upon the terms of a settlement agreement resolving all of the parties' disputes on July 15, 2009 (the "***Settlement Agreement***"). Pursuant to the terms of the Settlement Agreement, RHI agreed to pay $2,500,000 to ION (the "***Settlement Payment***"). The Settlement Agreement contemplates that RHI and ION agree that they would both retain for their own accounts all monies they have collected from advertising sales under the Agreement through and including June 30, 2009.

Any monies collected by RHI from advertising sales under the Agreement after June 30, 2009 must be paid by RHI to ION on the effective date of the Settlement Agreement. All such monies collected by RHI during any calendar month after the effective date of the Settlement Agreement (including any checks dated prior to, but received after, June 30, 2009) must be paid to ION no later than the 15th day of the month following the calendar month in which the money was collected. ION would continue to retain for its own account any monies it collects from advertising sales under the Agreement after June 30, 2009. As of the effective date of the Settlement Agreement, the original Agreement would be terminated and have no further force or effect.

The Bankruptcy Court entered the order approving the Settlement Agreement on August 7, 2009.

E. EXCLUSIVITY

Under the Bankruptcy Code, a debtor has the exclusive right to file and solicit acceptance of a plan or plans of reorganization for an initial period of 120 days from the date on which the Debtor filed for voluntary relief. If a

debtor files a plan within this exclusive period, then the Debtor has the exclusive right for 180 days from the commencement date to solicit acceptance of the Plan. During these exclusive periods, no other party in interest may file a competing plan of reorganization, however, a court may extend these periods upon request of a party in interest. The Debtors' initial exclusive periods to file and solicit acceptance of a plan or plans of reorganization are set to expire on September 16, 2009 and November 13, 2009, respectively.

XI. DESCRIPTION OF THE JOINT PLAN OF REORGANIZATION

This section provides a summary of the structure and means for implementation of the Plan and the classification and treatment of Claims and Interests under the Plan and is qualified in its entirety by reference to the Plan (as well as the exhibits thereto and definitions therein).

The statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in the documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein, and reference is made to the Plan and to such documents for the full and complete statement of such terms and provisions of the Plan or documents referred to therein.

The Plan itself and the documents therein control the actual treatment of Claims against and Interests in the Debtors under the Plan and will, upon the occurrence of the Effective Date, be binding upon all Holders of Claims against and Interests in the Debtors, the Debtors' Estates, the Reorganized Debtors, all parties receiving property under the Plan, and other parties in interest. In the event of any conflict between this Disclosure Statement and the Plan or any other operative document, the terms of the Plan and/or such other operative document shall control.

The Plan constitutes a separate chapter 11 plan for ION and each of its Debtor affiliates. Except for unclassified Claims, all Claims against a particular Debtor are placed in Classes for each of the Debtors (as designated by Exhibit A to the Plan for each of the 117 Debtors).

A. ADMINISTRATIVE CLAIMS AND PRIORITY TAX CLAIMS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Priority Tax Claims, Other Priority Claims and Intercompany Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III of the Plan.

1. Administrative Claims

a. General Administrative Claims

Except with respect to Administrative Claims that are Fee Claims and except to the extent that a Holder of an Allowed Administrative Claim and the applicable Debtors agree to less favorable treatment to such Holder, each Holder of an Allowed Administrative Claim shall be paid in full in Cash on the later of: (i) on or as soon as reasonably practicable after the Effective Date, (ii) on or as soon as reasonably practicable after the date such Administrative Claim is Allowed, and (iii) the date such Allowed Administrative Claim becomes due and payable, or as soon thereafter as is practicable; provided, however, that Allowed Administrative Claims that arise in the ordinary course of the Debtors' business shall be paid in full in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order, including, without limitation, all Claims by the Prepetition Agents pursuant to the DIP Order and all Claims Allowed under the Plan.

b. Professional Compensation

(i) Fee Claims

Professionals or other Entities asserting a Fee Claim for services rendered before the Confirmation Date must File and serve on the Debtors and such other Entities who are designated by the Bankruptcy Rules, the

Confirmation Order, the Interim Compensation Order or other order of the Bankruptcy Court an application for final allowance of such Fee Claim no later than 45 days after the Effective Date; provided that the Reorganized Debtors may pay retained Professionals or other Entities in the ordinary course of business after the Confirmation Date; and provided, further that any professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation or reimbursement of expenses for services rendered before the Confirmation Date, without further Bankruptcy Court order, pursuant to the Ordinary Course Professional Order. Objections to any Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party no later than 75 days after the Effective Date. To the extent necessary, the Plan and the Confirmation Order shall amend and supersede any previously entered order regarding the payment of Fee Claims.

(ii) Post-Confirmation Date Fees and Expenses

Except as otherwise specifically provided in the Plan, from and after the Confirmation Date, the Reorganized Debtors shall, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional, or other fees and expenses related to implementation and Consummation of the Plan incurred by the Reorganized Debtors. Upon the Confirmation Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional for services rendered or expenses incurred after the Confirmation Date in the ordinary course of business without any further notice to any party or action, order, or approval of the Bankruptcy Court; *provided*, *however*, that counsel to the Initial Consenting First Lien Lenders shall receive notice before any payments being made to Professionals for services rendered or expenses incurred after the Confirmation Date until the Effective Date.

c. Administrative Claim Bar Date

Except as otherwise provided in Article II.A of the Plan, requests for payment of Administrative Claims must be filed and served on the Reorganized Debtors pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than 60 days after the Effective Date. Holders of Administrative Claims that are required to, but do not, file and serve a request for payment of such Administrative Claims by such date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be filed and served on the Reorganized Debtors and the requesting party no later than 90 days after the Effective Date.

2. Priority Tax Claims

a. Priority Tax Claims

Each Holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on the Distribution Date, at the option of the Debtors, one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim; (2) Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code; or (3) such other treatment as may be agreed upon by such Holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court.

b. Priority Tax Claims Bar Date

Notwithstanding anything herein to the contrary, any Creditor holding (1) a Priority Tax Claim or (2) a Claim that would otherwise be a Priority Tax Claim but for the fact that such Claim arose before the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code must File a Proof of Claim on account of such Claim, and such Proof of Claim must be Filed with the Bankruptcy Court on or before the Priority Tax Claims Bar Date. All (1) Priority Tax Claims or (2) Claims that would otherwise be Priority Tax Claims but for the fact that such Claims arose before the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates, and their property unless otherwise ordered by the Bankruptcy Court or as

otherwise provided herein. All such Priority Tax Claims or Claims that would otherwise be Priority Tax Claims but for the fact that such Claims arose before the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article IX.E and Article IX.F of the Plan.

3. Other Priority Claims

Each Holder of an Allowed Other Priority Claim due and payable on or before the Effective Date shall receive, on the Distribution Date, at the option of the Debtors, one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Other Priority Claim; (2) Cash in an aggregate amount of such Allowed Other Priority Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code; or (3) such other treatment as may be agreed upon by such Holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court.

4. Intercompany Claims

On the Effective Date, or as soon thereafter as is practicable, all Intercompany Claims will be adjusted, continued, or discharged to the extent determined appropriate by the Debtors, with the consent of the Requisite Initial Lenders.

5. Statutory Fees

On the Distribution Date, Reorganized ION shall pay, in full in Cash, any fees due and owing to the U.S. Trustee at the time of Confirmation. On and after the Confirmation Date, Reorganized ION shall pay the applicable U.S. Trustee fees until the entry of a final decree in each Debtor's Chapter 11 Case or until such Chapter 11 Case is converted or dismissed.

B. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

1. Classification of Claims and Interests

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims against and Interests in each of the Debtors. A Claim or Interest is placed in a particular Class for the purposes of voting on the Plan and receiving distributions pursuant to the Plan only to the extent that such Claim or Interest has not been paid, released, withdrawn or otherwise settled before the Effective Date.

2. Summary of Classification

The Plan constitutes a separate chapter 11 plan of reorganization for each Debtor and, accordingly, the classifications set forth in Classes 1 to 7 shall be deemed to apply to ION and each of the Debtor Subsidiaries. Class 8 consists of ION Equity Interests. A summary of the classification and treatment of Claims and Interests for each of the 117 Debtors is attached to the Plan as Exhibit A. Open Mobile Ventures Corporation did not issue or guarantee the First Lien Debt, the First Priority Notes, the Second Priority Notes or the Senior Subordinated Notes; therefore Open Mobile Ventures Corporation does not have a Class 3 or 4.

The following chart represents the general classification of Claims and Interests against the Debtors pursuant to the Plan:

Class	Claim	Status	Voting Rights
1	Other Secured Claims	Unimpaired	Deemed to Accept
2	DIP Facility Claims	Impaired	Entitled to Vote
3	First Lien Debt Claims	Impaired	Entitled to Vote
4	Second Priority Notes Claims	Impaired	Entitled to Vote
5	General Unsecured Claims	Impaired	Entitled to Vote
6	Intercompany Interests	Unimpaired	Deemed to Accept
7	Section 510(b) Claims	Impaired	Deemed to Reject

Class	Claim	Status	Voting Rights
8	ION Equity Interests	Impaired	Deemed to Reject

3. Treatment of Claims and Interests

To the extent a Class contains Allowed Claims or Allowed Interests with respect to a particular Debtor, the treatment provided to each Class for distribution purposes is specified below:

a. Class 1 - Other Secured Claims

(i) *Classification*: Class 1 consists of all Other Secured Claims.

(ii) *Treatment*: On or as soon as practicable after the Effective Date, Holders of Allowed Claims in Class 1 for each of the Debtors, in full and final satisfaction of their Claims secured by valid Liens on the Debtors' property, shall receive one of the following treatments at the option of the applicable Debtor:

a. payment of the Allowed Class 1 Claim in full in Cash on the later of the Distribution Date or as soon as practicable after a particular Claim becomes Allowed;

b. such other treatment as may be agreed to by the applicable Debtor and the Holder; or

c. the Holder shall retain its Lien on such property and be reinstated pursuant to section 1129 of the Bankruptcy Code.

(iii) *Voting*: Class 1 is Unimpaired, and Holders of Class 1 Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1 Other Secured Claims are not entitled to vote to accept or reject the Plan.

b. Class 2 - DIP Facility Claims

(i) *Classification*: Class 2 consists of all DIP Facility Claims.

(ii) *Allowance*: The DIP Facility Claims shall be Allowed and deemed to be Allowed Claims in the amount of $150 million, plus interest and fees due and owing under the DIP Credit Agreement.

(iii) *Treatment*: Subject to the terms of the DIP Credit Agreement, including Schedules 2.01 and 2.05 thereto, Holders of DIP Facility Claims will receive on or as soon as practicable after the Effective Date (subject to the following proviso), in full and final satisfaction of the DIP Facility Claims, their Pro Rata share of the Conversion Equity, subject to (i) adjustments as contemplated under the DIP Credit Agreement with respect to the Post-Effective Date Commitment and (ii) dilution on account of the Equity Incentive Program and the Warrants; *provided*, *that*, to the extent that any Holder of DIP Facility Claims does not deliver an Ownership Certification to the Debtors and otherwise comply with the Communications Act and FCC implementing rules, on, or within 10 days of, the Effective Date, such Holder shall receive Special Warrants to purchase an equivalent number of shares of New Common Stock; and *provided*, *further*, *that*

if the Effective Date occurs upon an FCC Approval pursuant to clause (2) of such definition of FCC Approval, such Holders shall receive their Pro Rata share of 62.5% of the beneficial interests of the FCC Trust in lieu of any New Common Stock they would have otherwise been entitled to receive pursuant to this provision (subject to receipt of Special Warrants as to any Holder to the extent such Holder does not timely deliver an Ownership Certification and otherwise comply with the Communications Act and FCC implementing rules both (i) in connection with the distribution of beneficial interests in the FCC Trust and (ii) upon distribution of the New Common Stock out of the FCC Trust to holders of beneficial interests).

(iv) *Voting:* Class 2 is Impaired. Therefore, Holders of Class 2 DIP Facility Claims are entitled to vote to accept or reject the Plan.

c. Class 3 - First Lien Debt Claims

(i) *Classification*: Class 3 consists of all First Lien Debt Claims.

(ii) *Allowance*: The First Lien Debt Claims shall be Allowed and deemed to be Allowed Claims in the following amounts for the following First Lien Debt Claims: (i) Prepetition Credit Facility Claims: $329.9 million, (ii) the First Priority Secured Swap Claims $122.0 million and (iii) the First Priority Notes Claims $406.0 million.

(iii) *Treatment*: Holders of First Lien Debt Claims will receive, on or as soon as practicable after the Effective Date (subject to the following proviso), in full and final satisfaction of the First Lien Debt Claims, their Pro Rata share of 37.5% of the New Common Stock to be issued on the Effective Date, subject to dilution on account of the Equity Incentive Program and the Warrants; *provided*, *that*, to the extent that any Holder of First Lien Debt Claims does not timely deliver an Ownership Certification to the Debtors and otherwise comply with the Communications Act and FCC implementing rules on, or within 10 days of, the Effective Date, such Holder shall receive Special Warrants to purchase an equivalent number of shares of New Common Stock; and *provided*, *further*, *that* if the Effective Date occurs upon an FCC Approval pursuant to clause (2) of the definition of FCC Approval, such Holders shall receive their Pro Rata share of 37.5% of the beneficial interests of the FCC Trust in lieu of any New Common Stock they would have otherwise been entitled to receive pursuant to this provision (subject to receipt of Special Warrants as to any Holder to the extent such Holder does not timely deliver an Ownership Certification and otherwise comply with the Communications Act and FCC implementing rules both (i) in connection with the distribution of beneficial interests in the FCC Trust and (ii) upon distribution of the New Common Stock out of the FCC Trust to holders of beneficial interests).

(iv) *Voting*: Class 3 is Impaired. Therefore, Holders of Class 3 First Lien Debt Claims are entitled to vote to accept or reject the Plan.

d. Class 4 - Second Priority Notes Claims

(i) *Classification*: Class 4 consists of all Second Priority Notes Claims.

(ii) *Allowance*: The Second Priority Notes Claims shall be Allowed and deemed to be Allowed Claims in the amount of $448.075 million, plus interest and fees due and owing under the Second Priority Indenture.

(iii) *Treatment*: Holders of Second Priority Notes Claims will receive, on or as soon as practicable after the Effective Date, in full and final satisfaction of the Second Priority Notes Claims, their Pro Rata share of the Second Lien Warrants; *provided*, *however*, if Class 4 votes to reject the Plan, no distribution shall be made to Holders of Second Priority Notes Claims under the Plan; provided, further, however, that (a) if Class 4 votes to accept the Plan, Holders of Senior Subordinated Note Claims shall be entitled to receive their Pro Rata share of the Unsecured Debt Warrants and such distributions shall not be subject to Article 12 of the Senior Subordinated Notes Indentures and (b) if Class 4 votes to reject the Plan, no distribution of the Unsecured Debt Warrants shall be made to Holders of Senior Subordinated Note Claims.

(iv) *Voting*: Class 4 is Impaired. Therefore, Holders of Class 4 Second Priority Notes Claims are entitled to vote to accept or reject the Plan.

e. Class 5 - General Unsecured Claims

(i) *Classification*: Class 5 consists of all General Unsecured Claims (including Holders of Senior Subordinated Notes Claims).

(ii) *Treatment*: Holders of Allowed General Unsecured Claims will receive, on or as soon as practicable after the Effective Date, in full and final satisfaction of the General Unsecured Claims, their Pro Rata share of the Unsecured Debt Warrants; *provided*, *however*, if Class 5 votes to reject the Plan, no distribution shall be made to Holders of General Unsecured Claims under the Plan; *provided*, *further*, *however*, that (a) if Class 4 votes to accept the Plan, Holders of Senior Subordinated Note Claims shall be entitled to receive their Pro Rata share of the Unsecured Debt Warrants and such distributions shall not be subject to Article 12 of the Senior Subordinated Notes Indentures and (b) if Class 4 votes to reject the Plan, no distribution of the Unsecured Debt Warrants shall be made to Holders of Senior Subordinated Note Claims.

(iii) *Voting*. Class 5 is Impaired. Therefore, Holders of Class 5 General Unsecured Claims are entitled to vote to accept or reject the Plan.

f. Class 6 - Intercompany Interests

(i) *Classification*: Class 6 consists of all Intercompany Interests.

(ii) *Treatment*: Intercompany Interests shall be retained and the legal, equitable and contractual rights to which Holders of such Allowed Intercompany Interests are entitled shall remain unaltered.

(iii) *Voting*: Class 6 is Unimpaired, and Holders of Class 6 Intercompany Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 6 Intercompany Interests are not entitled to vote to accept or reject the Plan.

g. Class 7 - Section 510(b) Claims

(i) *Classification*: Class 7 consists of all Section 510(b) Claims.

(ii) *Treatment*: Holders of Section 510(b) Claims will not receive any distribution on account of such Claims, and Section 510(b) Claims shall be discharged, cancelled, released, and extinguished as of the Effective Date.

(iii) *Voting*: Class 7 is Impaired, and Holders of Class 7 Section 510(b) Claims are not entitled to receive or retain any property under the Plan on account of Class 7 Section 510(b) Claims. Therefore, Holders of Class 7 Section 510(b) Claims are deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 7 Section 510(b) Claims are not entitled to vote to accept or reject the Plan.

h. Class 8 – ION Equity Interests

(i) *Classification*: Class 8 consists of all ION Equity Interests.

(ii) *Treatment*: Holders of ION Equity Interests will not receive any distribution on account of such Claims, and all ION Equity Interests shall be discharged, cancelled, released, and extinguished as of the Effective Date.

(iii) *Voting*: Class 8 is Impaired, and Holders of Class 8 ION Equity Interests are not entitled to receive or retain any property under the Plan on account of Class 8 ION Equity Interests. Therefore, Holders of Class 8 ION Equity Interests are deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 8 ION Equity Interests are not entitled to vote to accept or reject the Plan.

C. ACCEPTANCE REQUIREMENTS

Pursuant to section 1126(c) of the Bankruptcy Code and except as otherwise provided in section 1126(e) of the Bankruptcy Code, an impaired class of claims has accepted the applicable Plan if the Holders of at least two thirds in dollar amount and more than one-half in number of Allowed Claims in such Class actually voting have voted to accept the applicable Plan.

1. Acceptance or Rejection of the Plan

a. Voting Class

Classes 2, 3, 4 and 5 for each of the Debtors (other than Open Mobile Ventures Corporation, which does not have a Class 3 or 4) are Impaired under the Plan and are entitled to vote to accept or reject the Plan.

b. Presumed Acceptance of the Plan

Classes 1 and 6 for each of the Debtors are Unimpaired under the Plan and are, therefore, conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

c. Deemed Rejection of the Plan

Class 7 for each of the Debtors and Class 8 (only with respect to ION) are Impaired and shall receive no distribution under the Plan and are, therefore, deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

2. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class of Claims. The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right to modify the Plan in accordance with Article XI of the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

D. MEANS FOR IMPLEMENTATION OF THE PLAN

1. Conversion of the DIP Facility Into the Conversion Equity

On the Effective Date, and subject to the terms and conditions of the DIP Credit Agreement, including Schedules 2.01 and 2.05 thereto, Reorganized ION will convert the DIP Facility into the Conversion Equity.

2. Exit Facility/Incurrence of New Indebtedness

On the Effective Date, the Reorganized Debtors are authorized to execute and deliver those documents necessary or appropriate to obtain the Exit Facility, the terms, conditions and covenants of which shall be acceptable to the Requisite Initial Lenders, without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or vote, consent, authorization, or approval of any person.

3. Sources of Consideration for Plan Distributions

All consideration necessary for the Reorganized Debtors to make payments or distributions pursuant hereto shall be obtained from the New Money Commitment, the Exit Facility (to the extent extended) or other Cash from the Debtors, including Cash from business operations. Further, the Debtors and the Reorganized Debtors will be entitled to transfer funds between and among themselves as they determine to be necessary or appropriate to enable the Reorganized Debtors to satisfy their obligations under the Plan. Except as set forth herein, any changes in intercompany account balances resulting from such transfers will be accounted for and settled in accordance with the Debtors' historical intercompany account settlement practices and will not violate the terms of the Plan.

4. FCC Licenses

The FCC Applications shall be filed with the FCC as promptly as possible, but in no event later than ten (10) Business Days after filing the Plan. The Debtors shall use their best efforts to cooperate in diligently pursuing the requisite FCC Applications and shall provide such additional documents or information requested or needed by the FCC in connection with its review of such applications.

In the event that the Long Form Application is denied or dismissed by the FCC or the Initial Consenting First Lien Lenders reasonably determine, based upon comments received from the FCC and consultation with the Debtors or the Reorganized Debtors, as applicable, that the Long Form Application will not be granted by the FCC, then the FCC Trustees, Reorganized ION and each of the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable) shall negotiate in good faith for a period of up to 60 days to make any changes or modifications that are necessary (to the extent permitted by applicable law) to obtain FCC approval (and make the requisite filings with the FCC to obtain approval to implement such changes to the extent required by the Communications Act); *provided*, *however*, that such modifications shall, to the extent practicable or except as otherwise set forth herein, with respect to the sale or issuance of Special Warrants set forth below, maintain the respective rights of each of the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable). In the event that (i) the FCC does not approve such FCC filings, or approves such FCC filings with conditions that have, or would reasonably be expected to have, a material adverse effect on any of the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable); or (ii) in the event ION or Reorganized ION, as applicable, and the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable) are unable to reach an agreement as to how to obtain FCC approval for the Transfer of Control then, in each case (i) – (ii), to the extent the failure to obtain FCC approval of the Long Form Application relates to one or more of the Initial Consenting First Lien Lenders (A) not being qualified to hold, directly or indirectly, New Common Stock under the Communications Act and the FCC implementing rules, (B) not meeting all applicable requirements of the Communications Act and the FCC implementing rules, including, without limitation, the FCC's media ownership rules or (C) failing to deliver an Ownership Certification or any other information required to be filed or necessary or appropriate to obtain grant of the Long Form Application, after each of the non-qualified Initial Consenting First Lien Lenders has been given an opportunity to remedy the issue and the parties have cooperated and negotiated in good faith consistent with the immediately preceding sentence with respect to remedying such qualification or other applicable issue, the applicable non-qualifying Initial Consenting First Lien Lender(s) (in their

capacity as holders of First Lien Debt or DIP Facility Claims, as applicable) shall, at such affected Initial Consenting First Lien Lender's option (i) sell, assign or transfer their rights and obligations provided to them pursuant to the Plan to a Person who meets the qualifications and other requirements described in clauses (A) through (C) above; *provided*, *further*, *however*, that such Initial Consenting First Lien Lenders shall first be required to offer to sell, assign or transfer such rights and obligations to the other Initial Consenting First Lien Lenders, if any, who meet such qualifications and requirements or (ii) receive Special Warrants in lieu of any Plan Securities such Initial Consenting First Lien Lenders would have otherwise received hereunder.

5. Issuance of Plan Securities

The issuance of the Plan Securities, including the shares of the New Common Stock, Special Warrants, options, or other equity awards reserved for the Equity Incentive Program, Warrants, beneficial interests in the FCC Trust and shares of New Common Stock to be distributed to the holders of such beneficial interests upon receipt of FCC Approval as contemplated by the Plan, by Reorganized ION is authorized without the need for any further corporate action or without any further action by a Holder of Claims or Interests. On the Effective Date, or as soon as reasonably practicable thereafter, the New Common Stock and the Special Warrants shall be issued to (a) Holders of DIP Facility Claims and (b) Holders of First Lien Debt Claims in accordance with the Plan (including, to the extent applicable, the issuance of beneficial interests in the FCC Trust to such holders and the distribution of New Common Stock to the holders of such beneficial interests upon receipt of FCC approval of the Long Form Applications). On the Effective Date, or as soon as reasonably practicable thereafter, Second Lien Warrants shall be issued to Holders of Second Priority Note Claims (provided that Class 4 votes to accept the Plan) and Unsecured Debt Warrants shall be issued to Holders of General Unsecured Claims (provided that Class 5 votes to accept the Plan). The amount of New Common Stock, if any, to be issued pursuant to the Equity Incentive Program, and the terms thereof shall be determined by the Requisite Initial Lenders with the Initial Consenting First Lien Lenders working in good faith to set forth the terms of the Equity Incentive Program in the Plan Supplement; but in no event shall the terms of the Equity Incentive Program be determined by the Requisite Initial Lenders and subsequently implemented by the FCC Trustees or the New Board (as applicable) no later than 60 days after the Confirmation Order becomes a Final Order; *provided*, *however*, that the grant of such awards issued pursuant to the Equity Incentive Program shall not vest until the Transfer of Control occurs. Holders of Special Warrants and Warrants will have the right receive New Common Stock in accordance with the terms of the relevant agreements governing the Special Warrants and the Warrants and the exercise of the Special Warrants and the Warrants.

All of the shares of New Common Stock, Special Warrants and Warrants issued pursuant to the Plan shall be duly authorized, validly issued and fully paid and non-assessable. Each distribution and issuance referred to in Article VII of the Plan shall be governed by the terms and conditions set forth herein applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

6. Listing of Plan Securities and Transfer Restrictions

Other than as provided in the Registration Rights Agreement, the Reorganized Debtors shall not be obligated to list the Plan Securities on a national securities exchange. The Plan Securities may be subject to certain transfer and other restrictions pursuant to, among other things, the New Shareholders Agreement, the terms of the Special Warrants and the Warrants, the New Certificate of Incorporation and the FCC Trust Agreement. On the Effective Date, Reorganized ION will enter into the Registration Rights Agreement.

7. Cancellation of Securities and Agreements

On the Effective Date, except as otherwise specifically provided for in the Plan: (1) the obligations of the Debtors under the Prepetition Credit Facility, First Priority Indenture, Second Priority Indenture, Prepetition Hedges, 11% Series A Notes Indenture, 11% Series B Notes Indenture, and any other Certificate, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Interest (except such Certificates, notes, or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan), shall be cancelled solely as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (2) the obligations of the Debtors

pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the shares, Certificates, notes, bonds, indentures, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors (except such agreements, Certificates, notes, or other instruments evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan) shall be released and discharged; *provided*, *however*, notwithstanding Confirmation or the occurrence of the Effective Date, any such indenture or agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of (a) allowing Holders and the Prepetition Agents to receive distributions under the Plan as provided herein, (b) allowing the Prepetition Agents to make distributions under the Plan as provided herein, and deduct therefrom such compensation, fees, and expenses due thereunder or incurred in making such distributions, (c) allowing the Prepetition Agents to exercise their charging liens against any such distributions, and (d) allowing the Prepetition Agents to seek compensation and/or reimbursement of fees and expenses in accordance with the terms of this Plan and the DIP Order, and directly from each of the Holders of First Lien Debt, other than Holders of First Priority Secured Swap Claims, in accordance with the terms of the Prepetition Credit Facility, the First Priority Indenture and the Prepetition Security Agreement, as applicable; *provided*, *further*, *however*, that the preceding proviso shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan, or result in any expense or liability to the Reorganized Debtors. Any reasonable fees and expenses of the Prepetition Agents remaining unpaid on the Effective Date shall be paid in full in cash on the Effective Date, or within ten (10) days after receipt by Reorganized ION of invoices therefor; *provided*, *however*, any disputes over the reasonableness of such fees and expenses shall be determined by the Bankruptcy Court. On and after the Effective Date, all duties and responsibilities of the Prepetition Agents under the Prepetition Credit Facility, the First Priority Indenture and the Prepetition Security Agreement, as applicable, shall be discharged unless otherwise specifically set forth in the Plan.

8. Section 1145 Exemption

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance, and distribution of any Plan Securities contemplated by the Plan and all agreements incorporated herein, including the New Common Stock, the Special Warrants, the Warrants, the beneficial interests in the FCC Trust and the distribution of the New Common Stock from the FCC Trust to holders of beneficial interests in the FCC Trust as contemplated herein shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable law requiring registration before the offering, issuance, distribution, or sale of securities. In addition, under section 1145 of the Bankruptcy Code, any Plan Securities contemplated by the Plan and any and all agreements incorporated therein, including the New Common Stock, will be freely tradable by the recipients thereof, subject to (1) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act; (2) compliance with any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such securities or instruments; (3) the restrictions, if any, on the transferability of such securities and instruments, including those set forth in Article V.F of the Plan, the New Shareholders Agreement, the New Certificate of Incorporation, the FCC Trust Agreement and the relevant agreements governing the Special Warrants and the Warrants; and (4) applicable regulatory approval, including the required FCC Approval.

9. Corporate Existence

Except as otherwise provided herein, each Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect before the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state law).

10. New Certificate of Incorporation and New By-Laws

On or immediately before the Effective Date, the Reorganized Debtors will file their respective New Certificates of Incorporation with the applicable Secretaries of State and/or other applicable authorities in their respective states of incorporation in accordance with the corporate laws of the respective states of incorporation. After the Effective Date, the Reorganized Debtors may amend and restate their respective New Certificates of Incorporation and New By-Laws and other constituent documents as permitted by the laws of their respective states of incorporation and their respective New Certificates of Incorporation and New By-Laws.

11. Reorganized ION Board of Directors

If the New Common Stock is transferred to the FCC Trust, the boards of directors of Reorganized ION and the Reorganized Debtor Subsidiaries during the period that the New Common Stock is held by the FCC Trust shall consist of the same individuals as the FCC Trustees. To the extent known, the identity of the members of the New Board, which New Board shall only come into effect after the Transfer of Control, and the nature and compensation for any member of the board who is an "insider" under section 101(31) of the Bankruptcy Code will be identified in the Plan Supplement. The members of the New Board shall be determined by the agreement of each of the Initial Consenting First Lien Lenders, but shall always include the then current Chief Executive Officer of Reorganized ION.

12. Reorganized Debtor Subsidiaries Board of Directors

If the New Common Stock is transferred to the FCC Trust, the boards of directors of the Reorganized Debtor Subsidiaries during the period that the New Common Stock is held by the FCC Trust shall consist of the same individuals as the FCC Trustees. To the extent known, the identity of the members of the board of directors of the Reorganized Debtor Subsidiaries after the Transfer of Control, and the nature and compensation for any member of the board who is an "insider" under section 101(31) of the Bankruptcy Code will be identified in the Plan Supplement. The members of the board of directors of the Reorganized Debtor Subsidiaries after the Transfer of Control shall be determined by agreement of each of the Initial Consenting First Lien Lenders, but shall always include the then current Chief Executive Officer of ION.

13. Officers of Reorganized Debtors

R. Brandon Burgess, President, Chairman and CEO of Reorganized ION, shall serve in accordance with applicable non-Bankruptcy law and the New Employment Agreement with ION, which agreement shall be negotiated with the Initial Consenting First Lien Lenders, and the form of which will be acceptable to the Requisite Initial Lenders and included in the Plan Supplement.

To the extent known, additional officers of Reorganized ION and the Reorganized Debtor Subsidiaries shall be identified in the Plan Supplement, which officers shall be determined in consultation with the Initial Consenting First Lien Lenders, who shall serve in accordance with applicable non-Bankruptcy law and, to the extent applicable, the New Employment Agreements with ION.

14. Employee Benefits

Except as otherwise provided herein, on and after the Effective Date, the Reorganized Debtors may: (1) honor, in the ordinary course of business, any contracts, agreements, policies, programs, and plans for, among other things, compensation (other than equity based compensation related to Equity Interests), health care benefits, disability benefits, deferred compensation benefits, travel benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation insurance, and accidental death and dismemberment insurance for the directors, officers, and employees of any of the Debtors who served in such capacity at any time; and (2) honor, in the ordinary course of business, Claims of employees employed as of the Effective Date for accrued vacation time arising before the Petition Date; *provided*, *however*, that the Debtors' or Reorganized Debtors' performance under any employment agreement will not entitle any person to any benefit or alleged entitlement under any policy, program, or plan that has expired or been terminated before the Effective Date, or restore, reinstate, or revive any such benefit or alleged entitlement under any such policy, program, or plan. Nothing herein shall limit, diminish, or

otherwise alter the Reorganized Debtors' defenses, claims, Causes of Action, or other rights with respect to any such contracts, agreements, policies, programs, and plans.

15. Equity Incentive Program

The Equity Incentive Program will provide for a certain percentage of New Common Stock, not to exceed 10% of the issued and outstanding New Common Stock and New Common Stock issuable upon exercise of the Special Warrants, in each instance on the Effective Date, to be reserved for issuance as options, equity or equity-based grants in connection with the Reorganized Debtors' management equity incentive program and/or director equity incentive program. The amount of New Common Stock if any, to be issued pursuant to the Equity Incentive Program, and the terms thereof shall be determined by the Requisite Initial Lenders with the Initial Consenting First Lien Lenders working in good faith to set forth the terms of the Equity Incentive Program in the Plan Supplement; but in no event shall the terms of the Equity Incentive Program be determined by the Requisite Initial Lenders and subsequently implemented by the FCC Trustees or the New Board (as applicable) no later than 60 days after the Confirmation Order becomes a Final Order; *provided*, *however*, that the grant of such awards issued pursuant to the Equity Incentive Program shall not vest until the Transfer of Control occurs.

16. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated therein, on the Effective Date, all property in each Estate, all Causes of Action (except those released pursuant to the Releases by the Debtors), and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances (except for Liens, if any, granted to secure the Exit Facility). On and after the Effective Date, except as otherwise provided in the Plan, and subject to compliance with the applicable provisions of the Communications Act, each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules; *provided*, *however*, the Bankruptcy Court shall retain jurisdiction with respect to the FCC Trust, if established, as set forth in Article XII of the Plan.

17. Restructuring Transactions

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law.

18. Corporate Action

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including (1) entry into the New Employment Agreements; (2) selection of the directors and officers of the Reorganized Debtors; (3) the execution of and entry into the Exit Facility; (4) the distribution of the Plan Securities as provided in the Plan; and (5) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors or officers of the Debtors or the Reorganized Debtors.

On or (as applicable) before the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, shall be authorized and directed to issue, execute and deliver the agreements, documents, securities, certificates of incorporation, operating agreements, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including the Exit Facility and any and all other agreements, documents, securities and instruments relating to the foregoing. The authorizations and approvals contemplated by Article V.R of the Plan shall be effective notwithstanding any requirements under nonbankruptcy law.

19. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors and the managers, officers and members of the boards of directors thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

20. Exemption from Certain Taxes and Fees

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (1) the creation of any mortgage, deed of trust, lien or other security interest; (2) the making or assignment of any lease or sublease; (3) any restructuring transaction authorized by Article V.Q of the Plan; or (4) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation, or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any Restructuring Transaction occurring under the Plan.

21. D&O Liability Insurance Policies

Notwithstanding anything herein to the contrary, as of the Effective Date, the Debtors shall assume (and assign to the Reorganized Debtors if necessary to continue the D&O Liability Insurance Policies in full force) all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' foregoing assumption of each of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained herein, Confirmation of the Plan shall not discharge, impair, or otherwise modify any obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such obligation shall be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be Filed. On or before the Effective Date, the Reorganized Debtors may obtain reasonably sufficient tail coverage (*i.e.*, D&O insurance coverage that extends beyond the end of the policy period) under a directors and officers' liability insurance policy for the current and former directors, officers, and managers for such terms or periods of time, and placed with such insurers, with the consent of the Requisite Initial Lenders, to be reasonable under the circumstances or as otherwise specified and ordered by the Bankruptcy Court in the Confirmation Order.

22. Preservation of Rights of Action

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released (including, for the avoidance of doubt, pursuant to the Releases by the Debtors provided by Article IX.B of the Plan), the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the

Reorganized Debtors. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against them. Except with respect to Causes of Action as to which the Debtors or Reorganized Debtors have released any Person or Entity on or before the Effective Date (including pursuant to the Releases by the Debtors or otherwise), the Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation. For the avoidance of doubt, and except to the extent listed in the retained Causes of Action filed as part of the Plan Supplement, all Avoidance Actions are released pursuant to the Plan.

23. FCC Trust

a. Generally

On the Effective Date, the FCC Trust will be established and become effective for the benefit of the Holders of Allowed Claims entitled to distributions from the FCC Trust under the Plan. The powers, authority, responsibilities, and duties of the FCC Trust and the FCC Trustees are set forth in and shall be governed by the FCC Trust Agreement. The FCC Trust Agreement shall contain provisions customary to trust agreements utilized in comparable circumstances, including, without limitation, any and all provisions necessary to ensure the continued treatment of the FCC Trust as a grantor trust and the beneficiaries of the FCC Trust as the grantors and owners thereof for federal income tax purposes. The FCC Trust and the FCC Trustees, including any successors, shall be bound by the Plan and shall not challenge any provision of the Plan.

b. Purpose and Establishment of the FCC Trust

On the Effective Date, the FCC Trust shall be established for the purposes set forth in the FCC Trust Agreement.

For all federal income tax purposes, the beneficiaries of the FCC Trust will be treated as grantors and deemed owners of the FCC Trust and it is intended that the FCC Trust be classified as a liquidating trust under Section 301.7701-4(d) of the Regulations and qualify as a "grantor trust" for federal income tax purposes. Accordingly, for all federal income tax purposes, it is intended that the beneficiaries of the FCC Trust be treated as if they had received a distribution of an undivided interest in the assets of the FCC Trust (*i.e.*, the New Common Stock) and then contributed such undivided interest to the FCC Trust. The FCC Trustees shall, in an expeditious but orderly manner, make timely distributions to beneficiaries of the FCC Trust pursuant to the Plan and the FCC Trust Agreement and not unduly prolong its duration. The FCC Trust shall not be deemed a successor in interest of the Debtors for any purpose other than as specifically set forth herein or in the FCC Trust Agreement.

On or before the Effective Date, the FCC Trust Agreement shall be executed and the Debtors shall take all other steps necessary to establish the FCC Trust pursuant to the FCC Trust Agreement and consistent with the Plan.

c. Transferability of Beneficial Interests

Ownership of a beneficial interest shall be uncertificated and shall be in book entry form. The beneficial interests in the FCC Trust will not be registered pursuant to the Securities Act, as amended, or any state securities law. If the beneficial interests constitute "securities," the parties hereto intend that the exemption provisions of section 1145 of the Bankruptcy Code will apply to the beneficial interests. The beneficial interests will be transferable, subject to the terms of the FCC Trust Agreement.

d. Appointment of the FCC Trustees

On the Effective Date, and in compliance with the provisions of the Plan and the FCC Trust Agreement, the Debtors will appoint the FCC Trustees in accordance with the FCC Trust Agreement and, thereafter, any successor FCC Trustees shall be appointed and serve in accordance with the FCC Trust Agreement. The FCC Trustees or any successor thereto will administer the FCC Trust in accordance with the Plan and the FCC Trust Agreement.

e. Funding of the FCC Trust

On the Effective Date, the Reorganized Debtors will deposit with the FCC Trust the minimum amount necessary for federal income tax purposes, with such amount to be determined with the consent of the Requisite Initial Lenders.

f. Implementation of the FCC Trust

On the Effective Date, the FCC Trust will be established and become effective for the benefit of the Holders of Allowed Claims entitled to distributions from the FCC Trust under the Plan.

g. Distributions; Withholding

The FCC Trustees shall make distributions to the beneficiaries of the FCC Trust when and as authorized pursuant to the FCC Trust Agreement in compliance with the Plan. The FCC Trustees may withhold from amounts otherwise distributable to any Entity any and all amounts required by the FCC Trust Agreement, any law, regulation, rule, ruling, directive, treaty, or other governmental requirement.

h. Termination of the FCC Trust

The FCC Trust shall terminate as soon as practicable, but in no event later than the third anniversary of the Effective Date; *provided that*, on or after the date that is less than thirty (30) days before such termination date, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the FCC Trust for a finite period if such an extension is necessary to complete any pending matters required under the FCC Trust Agreement provided that the aggregate of all extensions shall not exceed two years unless the FCC Trustees receive an opinion of counsel or a favorable ruling from the Internal Revenue Service to the effect that any such extension would not adversely affect the status of the FCC Trust as a liquidating trust within the meaning of Section 301.7701-4(d) of the Treasury Regulations for federal income tax purposes. There will be no tax consequences upon the liquidating distribution of assets, *i.e.*, the New Common Stock, by the FCC Trust to Holders of the beneficial interests therein. A Holder of the beneficial interests will carryover its basis and holding period to the distributed assets, *i.e.*, the New Common Stock. Notwithstanding the foregoing, multiple extensions may be obtained so long as the conditions in the preceding sentence are met no more than six months prior to the expiration of the then-current termination date of the FCC Trust.

E. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided herein, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, each of the Debtors' Executory Contracts and Unexpired Leases shall be deemed rejected as of the Effective Date, unless such Executory Contract or Unexpired Lease: (1) was assumed or rejected previously by the Debtors; (2) previously expired or terminated pursuant to its own terms; (3) is the subject of a motion to assume filed on or before the Effective Date; or (4) is identified as an Executory Contract or Unexpired Lease to be assumed pursuant to the Plan Supplement, which shall be subject to the approval of the Requisite Initial Lenders, which approval shall not be unreasonably withheld, including any amendments before the Effective Date.

Entry of the Confirmation Order shall constitute a Bankruptcy Court order approving the assumptions or rejections of such Executory Contracts or Unexpired Leases as set forth in the Plan, all pursuant to sections 365(a)

and 1123 of the Bankruptcy Code. Unless otherwise indicated, all assumptions or rejections of such Executory Contracts and Unexpired Leases in the Plan are effective as of the Effective Date. Each such Executory Contract or Unexpired Lease assumed pursuant to the Plan or by Bankruptcy Court order but not assigned to a third party before the Effective Date shall revest in and be fully enforceable by the applicable contracting Reorganized Debtor in accordance with its terms, except as such terms may have been modified by such order. Notwithstanding anything to the contrary in the Plan, the Debtors or Reorganized Debtors, as applicable, reserve the right, with the consent of the Requisite Initial Lenders, which consent shall not be unreasonably withheld, to alter, amend, modify or supplement the list of Executory Contracts and Unexpired Leases identified in the Plan Supplement. Notwithstanding the foregoing paragraph, after the Effective Date, the Reorganized Debtors shall have the right to terminate, amend, or modify any intercompany contracts, leases, or other agreements without approval of the Bankruptcy Court.

2. Payments Related to Assumption of Executory Contracts and Unexpired Leases

With respect to any Executory Contracts and Unexpired Leases to be assumed by the Debtors pursuant hereto (including pursuant to Article VI.A of the Plan) or otherwise, Cure Claims shall be satisfied, pursuant to section 365(b) of the Bankruptcy Code, by payment of the Cure Claims in Cash on the Effective Date or as soon as reasonably practicable thereafter or on such other terms as the parties to each such Executory Contract or Unexpired Lease may otherwise agree. In the event of a dispute regarding: (1) the amount of any Cure Claim; (2) the ability of the Reorganized Debtors to provide "adequate assurance of future performance" (within the meaning of section 365(b) of the Bankruptcy Code), if applicable, under the Executory Contract or the Unexpired Lease to be assumed; or (3) any other matter pertaining to assumption, the Cure Claims shall be paid following the entry of a Final Order resolving the dispute and approving the assumption of such Executory Contracts or Unexpired Leases; *provided*, *however*, that the Debtors or the Reorganized Debtors may settle any dispute regarding the amount of any Cure Claim without any further notice to or action, order, or approval of the Bankruptcy Court.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time before the effective date of assumption. Any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.

3. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases

Rejection or repudiation of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors under such contracts or leases. In particular, notwithstanding any nonbankruptcy law to the contrary, the Reorganized Debtors expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased by the contracting Debtors or Reorganized Debtors, as applicable, from counterparties to rejected or repudiated Executory Contracts or Unexpired Leases.

4. Contracts and Leases Entered Into After the Petition Date

On and after the Effective Date, the Debtors may continue to perform under contracts and leases entered into after the Petition Date by any Debtor in the ordinary course of business, including any Executory Contracts and Unexpired Leases assumed by such Debtor.

5. Rejection of Indemnification Provisions

Notwithstanding anything herein, the Debtors, and upon the Effective Date, the Reorganized Debtors, shall reject all of the Indemnification Provisions in place on and before the Effective Date for Indemnified Parties for Claims related to or in connection with any actions, omissions or transactions occurring before the Effective Date.

6. Modifications, Amendments, Supplements, Restatements, or Other Agreements

Unless otherwise provided in the Plan, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

7. Reservation of Rights

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Reorganized Debtors, as applicable, shall have 45 days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided in the Plan.

8. Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code.

9. Rejection Claims Bar Date

Notwithstanding anything herein to the contrary, any Creditor holding a Rejection Claim must File a Proof of Claim on account of such Claim with the Bankruptcy Court on or before the Rejection Claims Bar Date. All Rejection Claims for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates, and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Rejection Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article IX.E and Article IX.F of the Plan.

F. PROVISIONS GOVERNING DISTRIBUTIONS

1. Record Date for Distributions

As of the entry of the Confirmation Order, the various transfer registers for each of the Classes of Claims or Interests as maintained by the Debtors or their respective agents shall be deemed closed, and there shall be no further changes made to reflect any new record holders of any Claims or Interests. The Debtors shall have no obligation to recognize any transfer of Claims or Interests occurring on or after the Voting Deadline.

2. Timing and Calculation of Amounts to Be Distributed

Except as otherwise provided in the Plan, on the Effective Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim against the Debtors shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class and in the manner provided herein. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act

may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VIII of the Plan. Except as otherwise provided herein, Holders of Claims shall not be entitled to interest, dividends, or accruals on the distributions provided for herein, regardless of whether such distributions are delivered on or at any time after the Effective Date.

3. Disbursing Agent

Except as otherwise provided herein, all distributions under the Plan shall be made by the Reorganized Debtors as Disbursing Agent or such other Entity designated by the Reorganized Debtors as a Disbursing Agent on the Effective Date. A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. In the event that a Disbursing Agent is so ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Reorganized Debtors.

4. Rights and Powers of Disbursing Agent

a. Powers of the Disbursing Agent

The Disbursing Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions of the Plan.

b. Expenses Incurred On or After the Effective Date

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

5. Distributions on Account of Claims Allowed After the Effective Date

a. Payments and Distributions on Disputed Claims

Notwithstanding any other provision of the Plan, no distributions shall be made under the Plan on account of any Disputed Claim, unless and until such Claim becomes an Allowed Claim. Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be deemed to have been made on the Effective Date.

b. Special Rules for Distributions to Holders of Disputed Claims

Notwithstanding any provision otherwise in the Plan and except as may be agreed to by the Debtors or the Reorganized Debtors, on the one hand, and the Holder of a Disputed Claim, on the other hand, no partial payments and no partial distributions shall be made with respect to any Disputed Claim until all Disputed Claims held by the Holder of such Disputed Claim have become Allowed Claims or have otherwise been resolved by settlement or Final Order.

6. Delivery of Distributions and Undeliverable or Unclaimed Distributions

a. Delivery of Distributions in General

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be made to Holders of record as of the Distribution Record Date by the Reorganized Debtors or the Disbursement Agent, as appropriate: (a) to the signatory set forth on any of the Proofs of Claim Filed by such Holder or other representative identified therein (or at the last known addresses of such Holder if no Proof of Claim is Filed or if the Debtors have

been notified in writing of a change of address); (b) at the addresses set forth in any written notices of address changes delivered to the Reorganized Debtors or the Disbursement Agent, as appropriate, after the date of any related Proof of Claim; (c) at the addresses reflected in the Schedules if no Proof of Claim has been Filed and the Reorganized Debtors or the Disbursement Agent, as appropriate, has not received a written notice of a change of address; or (d) on any counsel that has appeared in the Chapter 11 Cases on the Holder's behalf. Distributions under the Plan on account of Allowed Claims shall not be subject to levy, garnishment, attachment, or like legal process, so that each Holder of an Allowed Claim shall have and receive the benefit of the distributions in the manner set forth in the Plan. The Debtors, the Reorganized Debtors, and the Disbursement Agent, as applicable, shall not incur any liability whatsoever on account of any distributions under the Plan except for gross negligence or willful misconduct.

Except as otherwise provided in the Plan, all distributions to Holders of First Lien Debt Claims shall be governed by the Prepetition Credit Facility, the First Priority Indenture and the Prepetition Hedges, as applicable, and shall be deemed completed when made to the Prepetition Collateral Agent, who shall in turn make distributions in accordance with the Prepetition Security Agreement to the Prepetition Administrative Agent and the First Priority Notes Trustee, as Disbursement Agents hereunder, for further distribution to the Holders of First Lien Debt Claims, but subject to the charging liens of the Prepetition Agents.

b. Minimum Distributions

The Reorganized Debtors shall not be required to make partial distributions or payments of fractions of Plan Securities and such fractions shall be deemed to be zero.

c. Undeliverable Distributions and Unclaimed Property

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Disbursing Agent has determined the then current address of such Holder, at which time such distribution shall be made as soon as practicable after such distribution has become deliverable or has been claimed to such Holder without interest; *provided*, *however*, such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and forfeited at the expiration of six months from the Effective Date. After such date, all "unclaimed property" or interests in property shall revert to the Reorganized Debtors (notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary), and the Claim of any Holder to such property or Interest in property shall be discharged and forever barred.

7. Withholding and Reporting Requirements

In connection with the Plan and all instruments issued in connection therewith, the Disbursing Agent shall comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority, and all distributions under the Plan shall be subject to any such withholding or reporting requirements.

8. Setoffs

The Debtors and the Reorganized Debtors may withhold (but not set off except as set forth below) from the distributions called for under the Plan on account of any Allowed Claim an amount equal to any claims, equity interests, rights, and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim. In the event that any such claims, equity interests, rights, and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim are adjudicated by Final Order or otherwise resolved, the Debtors may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant hereto on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim) the amount of any adjudicated or resolved claims, equity interests, rights, and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim, but only to the extent of such adjudicated or resolved amount. Neither the failure to effect such a setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors or the Reorganized

Debtors of any such claims, equity interests, rights, and Causes of Action that the Debtors or the Reorganized Debtors may possess against any such Holder, except as specifically provided in the Plan.

9. Claims Paid or Payable by Third Parties

a. Claims Paid by Third Parties

The Debtors or the Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claim objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or Reorganized Debtor. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or a Reorganized Debtor on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution to the applicable Reorganized Debtor, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan.

b. Claims Payable by Third Parties

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

c. Applicability of Insurance Policies

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

G. PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS

1. Prosecution of Objections to Claims

The Debtors (before the Effective Date, in consultation with the Requisite Initial Lenders) or the Reorganized Debtors (on or after the Effective Date), as applicable, shall have the exclusive authority to File, settle, compromise, withdraw, or litigate to judgment any objections to Claims as permitted under the Plan. From and after the Effective Date, the Debtors and the Reorganized Debtors may settle or compromise any Disputed Claim without approval of the Bankruptcy Court. The Debtors reserve all rights to resolve any Disputed Claim outside the Bankruptcy Court under applicable governing law.

2. Allowance of Claims and Interests

Except as expressly provided herein, no Claim shall be deemed Allowed unless and until such Claim is deemed Allowed under the Bankruptcy Code, under the Plan, or the Bankruptcy Court enters a Final Order in the Chapter 11 Cases allowing such Claim under section 502 of the Bankruptcy Code. Except as expressly provided herein or in any order entered in the Chapter 11 Cases before the Effective Date (including the Confirmation Order), the Reorganized Debtors after the Effective Date will have and retain any and all rights and defenses held by the Debtors with respect to any Claim as of the Petition Date. All claims of any Entity that owes money to the Debtors shall be disallowed unless and until such Entity pays, in full, the amount it owes the Debtors.

3. No Distributions Pending Allowance

Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or distribution provided under the Plan shall be made on account of such Disputed Claim unless and until such Disputed Claim becomes an Allowed Claim.

4. Distributions After Allowance

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as reasonably practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim.

5. Estimation of Claims

The Debtors (before the Effective Date, in consultation with the Requisite Initial Lenders) or Reorganized Debtors (on or after the Effective Date) may, at any time, and from time to time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether an objection was previously Filed with the Bankruptcy Court with respect to such Claim, or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim against any party or Entity, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors (before the Effective Date) or the Reorganized Debtors (after the Effective Date), may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim. All of the objection, estimation, settlement, and resolution procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, objected to, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

6. Expungement or Adjustment to Claims Without Objection

Any Claim that has been paid, satisfied or superseded may be expunged on the Claims Register by the Reorganized Debtors, and any Claim that has been amended may be adjusted thereon by the Reorganized Debtors, in both cases without a claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court. Beginning on the end of the first full calendar quarter that is at least 90 days after the Effective Date, the Reorganized Debtors shall File every calendar quarter a list of all Claims or Interests that have been paid, satisfied, superseded or amended during such prior calendar quarter.

7. Deadline to File Objections to Claims

Any objections to Claims shall be Filed no later than the Claims Objection Bar Date.

H. SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS

1. Compromise and Settlement of Claims, Interests, and Controversies

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim or Interest, or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests and is fair, equitable, and reasonable. In accordance with the

provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against them and Causes of Action against other Entities.

2. Releases by the Debtors

Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or the Plan Supplement, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious reorganization of the Debtors and the implementation of the restructuring contemplated by the Plan, on and after the Effective Date, the Released Parties and the Debtors' former officers and directors are deemed released and discharged by the Debtors, the Reorganized Debtors, and the Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that the Debtors, the Reorganized Debtors, the Estates, or their Affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the purchase, sale, or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation, or preparation of the Plan and Disclosure Statement, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Confirmation Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party or a former officer or director of the Debtors that constitutes willful misconduct (including fraud) or gross negligence.

3. Releases by Holders of Claims and Interests

As of the Effective Date, each Holder of a Claim or an Interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever, released and discharged the Debtors, the Reorganized Debtors, and the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims, asserted on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Debtors' Chapter 11 Cases, the purchase, sale, or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation, or preparation of the Plan, the Disclosure Statement, the Plan Supplement, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Confirmation Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct (including fraud) or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

4. Exculpation

Except as otherwise specifically provided in the Plan or Plan Supplement, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from any Exculpated Claim, obligation, cause of action, or liability for any Exculpated Claim, except for gross negligence or willful misconduct, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Debtors and the Reorganized

Debtors (and each of their respective Affiliates, agents, directors, officers, employees, advisors, and attorneys) have participated in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distribution of the Plan Securities pursuant to the Plan, and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

5. Discharge of Claims and Termination of Interests

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release, and discharge, effective as of the Effective Date, of all Claims, Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim or Interest based upon such Claim, debt, right, or Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Interest based upon such Claim, debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Interest has accepted the Plan. Except as otherwise provided herein, any default by the Debtors or their Affiliates with respect to any Claim or Interest that existed immediately before or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan.

6. Injunction

FROM AND AFTER THE EFFECTIVE DATE, ALL ENTITIES ARE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER, ANY CAUSE OF ACTION RELEASED OR TO BE RELEASED PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER.

FROM AND AFTER THE EFFECTIVE DATE, TO THE EXTENT OF THE RELEASES AND EXCULPATION GRANTED IN ARTICLE IX HEREOF, THE RELEASING PARTIES SHALL BE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER AGAINST THE RELEASED PARTIES AND THE EXCULPATED PARTIES AND THEIR ASSETS AND PROPERTIES, AS THE CASE MAY BE, ANY SUIT, ACTION OR OTHER PROCEEDING, ON ACCOUNT OF OR RESPECTING ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, INTEREST OR REMEDY RELEASED OR TO BE RELEASED PURSUANT TO ARTICLE IX OF THE PLAN.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS, OR FOR OBLIGATIONS ISSUED PURSUANT TO THE PLAN, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS OR INTERESTS THAT HAVE BEEN RELEASED PURSUANT TO ARTICLE IX.B OR ARTICLE IX.C, DISCHARGED PURSUANT TO ARTICLE IX.E, OR ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE IX.E ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS: (1) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (2) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (3) CREATING, PERFECTING, OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH ENTITIES OR THE PROPERTY OR ESTATE OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (4) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE FROM SUCH

ENTITIES OR AGAINST THE PROPERTY OR ESTATE OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS UNLESS SUCH HOLDER HAS FILED A MOTION REQUESTING THE RIGHT TO PERFORM SUCH SETOFF ON OR BEFORE THE CONFIRMATION DATE, AND NOTWITHSTANDING AN INDICATION IN A PROOF OF CLAIM OR INTEREST OR OTHERWISE THAT SUCH HOLDER ASSERTS, HAS, OR INTENDS TO PRESERVE ANY RIGHT OF SETOFF PURSUANT TO SECTION 553 OF THE BANKRUPTCY CODE OR OTHERWISE; AND (5) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED OR SETTLED PURSUANT TO THE PLAN.

THE RIGHTS AFFORDED IN THE PLAN AND THE TREATMENT OF ALL CLAIMS AND EQUITY INTERESTS HEREIN SHALL BE IN EXCHANGE FOR AND IN COMPLETE SATISFACTION OF CLAIMS AND EQUITY INTERESTS OF ANY NATURE WHATSOEVER, INCLUDING, WITHOUT LIMITATION, ANY INTEREST ACCRUED ON CLAIMS FROM AND AFTER THE PETITION DATE, AGAINST THE DEBTORS OR ANY OF THEIR ASSETS, PROPERTY OR ESTATES. ON THE EFFECTIVE DATE, ALL SUCH CLAIMS AGAINST THE DEBTORS SHALL BE FULLY RELEASED AND DISCHARGED, AND THE EQUITY INTERESTS SHALL BE CANCELLED.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR HEREIN OR IN OBLIGATIONS ISSUED PURSUANT HERETO FROM AND AFTER THE EFFECTIVE DATE, ALL CLAIMS AGAINST THE DEBTORS SHALL BE FULLY RELEASED AND DISCHARGED, AND THE EQUITY INTERESTS SHALL BE CANCELLED, AND THE DEBTORS' LIABILITY WITH RESPECT THERETO SHALL BE EXTINGUISHED COMPLETELY, INCLUDING, WITHOUT LIMITATION, ANY LIABILITY OF THE KIND SPECIFIED UNDER SECTION 502(G) OF THE BANKRUPTCY CODE.

ALL ENTITIES SHALL BE PRECLUDED FROM ASSERTING AGAINST THE DEBTORS, THE DEBTORS' ESTATES, THE REORGANIZED DEBTORS, EACH OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, AND EACH OF THEIR ASSETS AND PROPERTIES, ANY OTHER CLAIMS OR EQUITY INTERESTS BASED UPON ANY DOCUMENTS, INSTRUMENTS OR ANY ACT OR OMISSION, TRANSACTION OR OTHER ACTIVITY OF ANY KIND OR NATURE THAT OCCURRED BEFORE THE EFFECTIVE DATE.

7. Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

8. Protection Against Discriminatory Treatment

Consistent with section 525 of the Bankruptcy Code and the Supremacy Clause of the U.S. Constitution, all Entities, including Governmental Units, shall not discriminate against the Reorganized Debtors or deny, revoke, suspend or refuse to renew a license, permit, charter, franchise or other similar grant to, condition such a grant to, discriminate with respect to such a grant against, the Reorganized Debtors or another Entity with whom such Reorganized Debtors have been associated, solely because one of the Debtors has been a debtor under chapter 11, has been insolvent before the commencement of the Chapter 11 Cases (or during the Chapter 11 Cases but before the Debtor is granted or denied a discharge) or has not paid a debt that is dischargeable in the Chapter 11 Cases.

9. Setoff and Recoupment

Except with respect to Claims allowed in the Plan, the Debtors may setoff against or recoup from any Claims of any nature whatsoever that the Debtors may have against the claimant, but the failure to do so shall not constitute a waiver or release by the Debtors or the Reorganized Debtors of any such Claim it may have against such claimant.

In no event shall any Holder of Claims or Interests be entitled to setoff any Claim or Interest against any Claim, right, or Cause of Action of the Debtors or Reorganized Debtors unless such Holder has Filed a motion with the Bankruptcy Court requesting the authority to perform such setoff on or before the Confirmation Date, and notwithstanding any indication in any Proof of Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to section 553 or otherwise.

In no event shall any Holder of Claims or Interests be entitled to recoup any Claim or Interest against any Claim, right, or Cause of Action of the Debtors or the Reorganized Debtors unless such Holder actually has performed such recoupment and provided notice thereof in writing to the Debtors on or before the Confirmation Date, notwithstanding any indication in any Proof of Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of recoupment.

10. Release of Liens

Except as otherwise provided herein or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtor and its successors and assigns.

I. CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE

1. Conditions Precedent to Confirmation

It shall be a condition to Confirmation hereof that all provisions, terms and conditions hereof are approved in the Confirmation Order.

2. Conditions Precedent to the Effective Date

It shall be a condition to the Effective Date that the following provisions, terms and conditions shall have been satisfied or waived pursuant to the provisions of Article X.C of the Plan.

a. The Confirmation Order (a) shall be a Final Order in form and substance acceptable to the Debtors and the Requisite Initial Lenders; *provided*, *however*, that if the Confirmation Order effects a material change to the terms of the Plan that are adverse to any of the Initial Consenting First Lien Lenders individually or to the Initial Consenting First Lien Lenders as a group, then those terms in the Confirmation Order must be reasonably acceptable to each of the Initial Consenting First Lien Lenders and (b) shall include a finding by the Bankruptcy Court that the Plan Securities to be issued on the Effective Date will be authorized and exempt from registration under applicable securities law pursuant to section 1145 of the Bankruptcy Code.

b. The Plan, including any amendments, modifications, or supplements thereto shall be reasonably acceptable to: (a) the Debtors and (b) each of the Initial Consenting First Lien Lenders.

c. The Plan Supplement, including any amendments, modifications, or supplements thereto shall be reasonably acceptable to: (a) the Debtors and (b) the Requisite Initial Lenders.

d. The Exit Facility shall have been executed and delivered by all of the Entities that are parties thereto, and all conditions precedent to the consummation thereof shall have been waived or satisfied in accordance with the terms thereof.

e. All actions, documents, certificates, and agreements necessary to implement this Plan shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable governmental units in accordance with applicable laws.

f. The FCC Approval shall have been obtained and the FCC Trust, if applicable, shall have been established in accordance with the provisions hereof and the FCC Trust Agreement.

3. Waiver of Conditions

Except as otherwise provided in the Plan that the consent of each of the Initial Consenting First Lien Lenders is required, the conditions to Confirmation of the Plan and to Consummation of the Plan set forth in this Article X may be waived at any time by the Debtors, with the consent of the Requisite Initial Lenders; *provided*, *however*, that the Debtors may not waive entry of the Order approving the Disclosure Statement, the Confirmation Order or any condition the waiver of which is proscribed by law; *provided*, *further*, *however*, that the consent of each of the Initial Consenting First Lien Lenders is required for the waiver of (i) conditions precedent requiring the consent of each of the Initial Consenting First Lien Lenders and (ii) the conditions precedent set forth in Articles X.B.4 and X.B.6 of the Plan. Any such waivers shall be evidenced by a writing, signed by the waiving parties, served upon the U.S. Trustee and Filed with the Bankruptcy Court. The waiver may be a conditional one, such as to extend the time under which a condition may be satisfied.

4. Effective Date

The Effective Date shall be the later to occur of (i) the date on which the Confirmation Order becomes a Final Order and (ii) three (3) Business Days after the date that FCC Approval is obtained; *provided*, *however*, in each case, the conditions specified in Article X.B. of the Plan have been satisfied or waived.

5. Effect of Failure of Conditions

If the Consummation of the Plan does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any claims by or Claims against or Equity Interests in the Debtors; (2) prejudice in any manner the rights of the Debtors, any Holders or any other Entity; or (3) constitute an admission, acknowledgment, offer, or undertaking by the Debtors, any Holders, or any other Entity in any respect.

J. MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

1. Modification and Amendments

Except as otherwise specifically provided herein, the Debtors reserve the right to modify the Plan as to material terms and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not re-solicit votes on such modified Plan; *provided*, *however*, that such modifications shall be subject to the consent of the Requisite Initial Lenders; *provided*, *further*, *however*, that material modifications that are adverse to any of the Initial Consenting First Lien Lenders individually or to the Initial Consenting First Lien Lenders as a group shall be subject to the consent of each of the Initial Consenting First Lien Lenders. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtors expressly reserve their rights to alter, amend, or modify materially the Plan with respect to such Debtor, one or more times, after Confirmation, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend, or modify the Plan, or remedy any defect or omission, or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan; *provided*, *however*, that such alterations, amendments, modifications, remedies or reconciliations shall be subject to the consent of the Requisite Initial Lenders; provided, further, however, that material alterations, amendments, modifications, remedies or reconciliations that are adverse to any of the Initial Consenting First Lien Lenders individually or to the Initial Consenting First Lien Lenders as a group or shall be subject to the consent of each of the Initial Consenting First Lien Lenders. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with Article XI of the Plan.

2. Effect of Confirmation on Modifications

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

3. Revocation or Withdrawal of the Plan

The Debtors reserve the right to revoke or withdraw the Plan before the Confirmation Date, with the consent of each of the Initial Consenting First Lien Lenders. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of such Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by such Debtor or any other Entity.

K. RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Cases and all matters, arising out of, or related to, the Chapter 11 Cases and the Plan including jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the secured or unsecured status, priority, amount, or allowance of Claims;

2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;

3. resolve any matters related to: (a) the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Rejection Claims, Cure Claims pursuant to section 365 of the Bankruptcy Code or any other matter related to such Executory Contract or Unexpired Lease; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying, or supplementing, after the Effective Date, pursuant to Article VI of the Plan, any Executory Contracts or Unexpired Leases to the list of Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory or expired.

4. ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

5. adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;

6. adjudicate, decide, or resolve any and all matters related to Causes of Action;

7. adjudicate, decide, or resolve any and all matters related to section 1141 of the Bankruptcy Code;

8. during the period of time that the FCC Trust is in place, enter and implement such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;

9. enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

10. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the Consummation, interpretation, or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

11. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with or under the Prepetition Security Agreement and related Intercreditor Agreement;

12. issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;

13. resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the discharge, releases, injunctions, exculpations, indemnifications and other provisions contained in Article IX of the Plan and enter such orders as may be necessary or appropriate to implement such releases, injunctions, and other provisions;

14. resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim for amounts not timely repaid pursuant to Article VII.I.1 of the Plan;

15. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

16. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan or the Disclosure Statement;

17. adjudicate any and all disputes arising from or relating to distributions under the Plan;

18. consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;

19. determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;

20. hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;

21. hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

22. during the period of time that the FCC Trust is in place, enter and implement such orders as are necessary or appropriate to sell, dispose of, liquidate or abandon any assets or properties of the Debtors, the Reorganized Debtors or the FCC Trust, including, without limitation, the New Common Stock. For the avoidance of doubt, the FCC Trustees shall be required to obtain, and the Bankruptcy Court hereby retains jurisdiction to adjudicate and implement, orders, pursuant to section 363 and 365 of the Bankruptcy Code or otherwise, for the sale or other disposition of the New Common

Stock or all or a portion of the FCC-related assets including, without limitation, the Debtors' FCC licenses and the Debtors' broadcast television stations;

23. enter and implement such orders as may be necessary regarding the actions of the FCC Trust pursuant to the terms of the Plan and the FCC Trust Agreement including, but not limited to, orders regarding the FCC Trustees' operating decisions and exercise of control over the New Common Stock and the FCC-related assets, including the Debtors' FCC licenses and broadcast television stations;

24. hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred before or after the Effective Date;

25. enforce all orders previously entered by the Bankruptcy Court;

26. hear any other matter not inconsistent with the Bankruptcy Code; and

27. enter an order concluding or closing the Chapter 11 Cases.

XII. PROJECTED FINANCIAL INFORMATION

The Debtors have attached their projected financial information as **Exhibit C** to this Disclosure Statement. The Debtors believe that the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors or any successor under the Plan. In connection with the development of the Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. Management developed a business plan and prepared financial projections (the "***Projections***") for the period from 2009 through 2014 (the "***Projection Period***").

The Debtors do not, as a matter of course, publish their business plans or strategies, projections or anticipated financial position. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to Holders of Claims or other parties in interest after the Confirmation Date or otherwise make such information public.

In connection with the planning and development of the Plan, the Projections were prepared by the Debtors to present the anticipated impact of the Plan. The Projections assume that the Plan will be implemented in accordance with its stated terms. The Projections are based on forecasts of key economic variables and may be significantly impacted by, among other factors, changes in the competitive environment, regulatory changes and/or a variety of other factors, including those factors listed in the Plan and the Disclosure Statement. Accordingly, the estimates and assumptions underlying the Projections are inherently uncertain and are subject to significant business, economic and competitive uncertainties. Therefore, such Projections, estimates and assumptions are not necessarily indicative of current values or future performance, which may be significantly less or more favorable than set forth herein. The Projections included herein were prepared in June 2009. Management is unaware of any circumstances as of the date of this Disclosure Statement that would require the re-forecasting of the Projections due to a material change in the Debtors' prospects.

The Projections should be read in conjunction with the significant assumptions, qualifications and notes set forth below.

THE DEBTORS' MANAGEMENT DID NOT PREPARE SUCH PROJECTIONS TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND THE RULES AND REGULATIONS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE DEBTORS' INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE PROJECTIONS THAT

ACCOMPANY THE DISCLOSURE STATEMENT AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE PROJECTIONS, ASSUME NO RESPONSIBILITY FOR THE PROJECTIONS, AND DISCLAIM ANY ASSOCIATION WITH THE PROJECTIONS. EXCEPT FOR PURPOSES OF THE DISCLOSURE STATEMENT, THE DEBTORS DO NOT PUBLISH PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS.

MOREOVER, THE PROJECTIONS CONTAIN CERTAIN STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS, AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS, INCLUDING THE IMPLEMENTATION OF THE PLAN, THE CONTINUING AVAILABILITY OF SUFFICIENT BORROWING CAPACITY OR OTHER FINANCING TO FUND OPERATIONS, ACHIEVING OPERATING EFFICIENCIES, CURRENCY EXCHANGE RATE FLUCTUATIONS, MAINTAINING GOOD EMPLOYEE RELATIONS, EXISTING AND FUTURE GOVERNMENTAL REGULATIONS AND ACTIONS OF GOVERNMENTAL BODIES, NATURAL DISASTERS AND UNUSUAL WEATHER CONDITIONS, ACTS OF TERRORISM OR WAR, INDUSTRY-SPECIFIC RISK FACTORS (AS DETAILED IN ARTICLE XIII OF THE DISCLOSURE STATEMENT ENTITLED "RISK FACTORS"), AND OTHER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF CLAIMS AND INTERESTS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS, MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET, AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE REORGANIZED DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE OR ARE MADE AS TO THE ACCURACY OF THE PROJECTIONS OR TO THE REORGANIZED DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL BE INCORRECT. MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE DEBTORS PREPARED THESE PROJECTIONS MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR DISCLOSURE STATEMENT, THE DEBTORS AND REORGANIZED DEBTORS, AS APPLICABLE, DO NOT INTEND AND UNDERTAKE NO OBLIGATION TO UPDATE OR OTHERWISE REVISE THE PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE THE DISCLOSURE STATEMENT IS INITIALLY FILED OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. THEREFORE, THE PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS AND SHOULD CONSULT WITH THEIR OWN ADVISORS.

The Projections should be read in conjunction with the assumptions, qualifications, and explanations set forth in this Disclosure Statement and the Plan.

Creditors and other interested parties should see the section entitled "Risk Factors" of this Disclosure Statement for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

XIII. RISK FACTORS

Holders of Claims and Interests should read and consider carefully the risk factors set forth below, as well as the other information set forth in this Disclosure Statement and the documents delivered together herewith, referred to or incorporated by reference herein, before voting to accept or reject the Plan. Although these risk factors are many, these factors should not be regarded as constituting the only risks present in connection with the Debtors' business or the Plan and its implementation.

A. RISKS RELATING TO BANKRUPTCY

(i) The Debtors may not be able to obtain confirmation of the Plan.

To emerge successfully from chapter 11 as a viable entity, the Debtors, like any debtor, must obtain approval of a plan of reorganization from their creditors and confirmation of the Plan through the Bankruptcy Court and must successfully implement the Plan. The foregoing process requires the Debtors to (a) meet certain statutory requirements concerning the adequacy of disclosure with respect to any proposed plan, (b) solicit and obtain creditor acceptances of the proposed plan and (c) fulfill other statutory conditions with respect to plan confirmation.

With regard to any proposed plan of reorganization, the Debtors may not receive the requisite acceptances to confirm a plan. If the requisite acceptances of the Plan are received, the Debtors intend to seek Confirmation of the Plan by the Bankruptcy Court. If the requisite acceptances are not received, the Debtors may nevertheless seek Confirmation of the Plan notwithstanding the dissent of certain Classes of Claims. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class of Claims if it determines that the plan satisfies section 1129(b) of the Bankruptcy Code. To confirm a plan over the objection of a dissenting Class, the Bankruptcy Court also must find that at least one impaired Class has accepted the plan, with such acceptance being determined without including the acceptance of any "insider" in such Class.

Even if the requisite acceptances of a proposed plan are received, the Bankruptcy Court might not confirm the Plan as proposed. A dissenting Holder of a Claim against the Debtors could challenge the balloting procedures and results as not being in compliance with the Bankruptcy Code. Finally, even if the Bankruptcy Court determined that the balloting procedures and results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for confirmation had not been met. Specifically, section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that (a) the Debtor's plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting Classes, (b) confirmation of the Debtor's plan is not likely to be followed by a liquidation or a need for further financial reorganization and (c) the value of distributions to non-accepting Holders of Claims within a particular Class under the Debtor's plan will not be less than the value of distributions such Holders would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. The Bankruptcy Court may determine that a proposed plan does not satisfy one or more of these requirements, in which case the proposed plan would not be confirmed by the Bankruptcy Court.

If the Plan is not confirmed by the Bankruptcy Court, it is unclear whether the Debtors would be able to reorganize their businesses and what, if any, distributions Holders of Claims ultimately would receive with respect to their Claims. There also can be no assurance that the Debtors will be able to successfully develop, prosecute, confirm and consummate an alternative plan of reorganization that is acceptable to the Bankruptcy Court and the Debtors' creditors and other parties in interest. Additionally, it is possible that third parties may seek and obtain approval to terminate or shorten the exclusivity period during which only the Debtors may propose and confirm a plan of reorganization. Finally, the Debtors' emergence from bankruptcy is not assured. While the Debtors expect to emerge from bankruptcy in the future, there can be no assurance that the Debtors will successfully reorganize or when this reorganization will occur.

(ii) The Conditions Precedent to the Effective Date of the Plan may not occur.

As more fully set forth in the Plan, which is attached hereto as **Exhibit A**, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not occur.

(iii) Historical Financial Information of the Debtors may not be comparable to the Financial Information of the Reorganized Debtors.

As a result of the consummation of the Plan and the transactions contemplated thereby, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

(iv) The Debtors may object to the amount or classification of a Claim.

Except as otherwise provided in the Plan, the Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied on by any Holder of a Claim where such Claim is subject to an objection. Any Holder of a Claim that is subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

B. RISKS RELATED TO THE REORGANIZED DEBTORS' BUSINESS

(i) The recent financial crisis and current uncertainty in global economic conditions could have a material negative effect on the Debtors' business, liquidity, results of operations, and financial condition.

The recent financial crisis affecting the banking system and financial markets and the current uncertainty in global economic conditions have resulted in a tightening in the credit markets, a low level of liquidity in many financial markets and extreme volatility in credit, equity, and fixed income markets. This slowing of the economy has weakened the businesses of companies that purchase commercial spot advertising and long form paid programming, and has had an adverse effect on the Debtors' revenues. In addition, the Debtors depend on the financial markets for access to capital, as do many companies that purchase advertising air time from ION. Limited or expensive access to capital could make it more difficult for these companies to do business with ION, or to do business generally, which could adversely affect the Debtors' business. Current conditions in the credit and equity markets, if they persist, could also increase the Debtors' financing costs and limit the Debtors' financial flexibility. The continued deterioration of domestic and global economic conditions could continue to adversely affect the Debtors' business and results of operations.

(ii) The Debtors may not be successful in implementing their business plan and may not achieve the financial projections set forth in this Disclosure Statement.

The Debtors' business plan recognizes that the principal opportunity for growth lies in using the Debtors' robust distribution platform to air programming with greater audience appeal than the Debtors have done in the past and reducing the amount of the Debtors' inventory of air time devoted to long form paid programming. Over the past several years, ION has been transitioning its programming strategy from religious and family-focused programming to content that appeals to broader audiences. By increasing the quantity and quality of its entertainment programming, ION seeks to increase its revenues from sales of network spot advertising, which are dependent upon program ratings, audience demographics and advertising rates, and decrease its reliance upon the weakening infomercial sector.

Based on this repositioning and growth , ION re-launched its main television network in September 2008 with a new lineup of more contemporary popular content and a new brand identity – "ION Television." While results to date have been encouraging, successful implementation of the Debtors' business plan will require continued improvement in ION Television's program ratings and audience demographics and the conversion of

those improvements into increased network spot advertising revenues. This will require, among other things, that the Debtors continue to acquire the right to air additional popular content and that the recognition and acceptance of ION Television among advertisers continues to grow. There can be no assurance that the Debtors will be successful in implementing their business plan.

If the Debtors do not successfully implement their business plan, their financial condition and results of operations will likely fall short of the projections set forth in **Exhibit C** to this Disclosure Statement.

(iii) The Debtors may not be successful in operating a broadcast television network.

The Debtors launched their broadcast television network on August 31, 1998, and are now in their eleventh network broadcasting season. The Debtors' own experiences, as well as the experiences of other new broadcast television networks during the past decade, indicate that it requires a substantial period of time and the commitment of significant financial, managerial and other resources to gain market acceptance of a new broadcast television network by viewing audiences and advertisers to a sufficient degree that the new network can attain profitability. Although the Debtors believe that their approach is unique among broadcast television networks, in that the Debtors own and operate stations reaching most of the television households that can receive the Debtors' programming, the Debtors' business model to date has not been successful. The Debtors continue to implement significant changes to their business strategy, including changes in their programming and sales operations, in their ongoing efforts to improve their operating performance. The Debtors can provide no assurance that their broadcast television network operations will gain sufficient market acceptance to be profitable or otherwise be successful.

(iv) If the rates at which the Debtors are able to sell long form paid Programming were to decline more than projected, or if the Debtors' sales strategy is unsuccessful, the Debtors' financial results could be adversely affected.

Advertising revenues constitute substantially all of the Debtors' operating revenues. The Debtors' ability to generate advertising revenues depends upon their ability to sell their inventory of air time for long form paid programming and commercial spot advertisements at acceptable rates. Long form paid programming rates are dependent upon a number of factors, including the Debtors' available inventory of air time, the air time of other broadcasters and cable networks made available for long form paid programming, the viewing public's interest in the products and services being marketed through long form paid programming and economic conditions generally. The Debtors' revenues from the sale of air time for long form paid programming have declined in the past two fiscal years and are projected to continue to decline, as a result of continued softness in the industry and the Debtors' reduction in the number of hours they make available for long form paid programming, which is a key element of the Debtors' business plan. If infomercial rates were to decline more than the Debtors have projected, or if the Debtors are not successful in increasing their revenues from network spot advertising, the Debtors' financial results could be adversely affected and would likely fall short of the projections set forth in **Exhibit C** to this Disclosure Statement.

(v) The Debtors are dependent upon their senior management team and key personnel and the loss of any of them could materially and adversely affect the Debtors.

The Debtors' business depends upon the efforts, abilities and expertise of the Debtors' executive officers and other key employees. The Debtors can provide no assurance that they will be able to retain the services of any of their key executives. If any of the Debtors' key executives were to leave the Debtors' employment, the Debtors' operating results could be adversely affected.

(vi) The Debtors operate in a very competitive business environment.

The Debtors compete for audience share and advertising revenues with other providers of television programming. The Debtors' entertainment programming competes for audience share and advertising revenues with the programming offered by other broadcast and cable networks, and also competes for audience share and advertising revenues in the Debtors' stations' respective market areas with the programming offered by non-network affiliated television stations. The Debtors' ability to compete successfully for audience share and advertising revenues depends in part upon the popularity of the Debtors' entertainment programming with viewing audiences in

demographic groups that advertisers desire to reach. The Debtors' ability to provide popular programming depends upon many factors, including the Debtors' ability to correctly gauge audience tastes and accurately predict which programs will appeal to viewing audiences, to purchase the right to air syndicated programs at costs which are not excessive in relation to the advertising revenue generated by the programming, and to fund marketing and promotion of the Debtors' programming to generate sufficient viewer interest. Many of the Debtors' competitors have greater financial and operational resources than the Debtors do, and more experience in broadcast and network television operations, which may enable them to compete more effectively for audience share and advertising revenues.

The Debtors' television stations also compete for audience share with other forms of entertainment programming, including home entertainment systems and direct broadcast satellite video distribution services which transmit programming directly to homes equipped with special receiving antennas and tuners. Further advances in technology may increase competition for household audiences. The Debtors' stations also compete for advertising revenues with other television stations in their respective markets, as well as with other advertising media, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail and local cable systems. The Debtors can provide no assurance that their stations will be able to compete successfully for audience share or advertising revenues.

(vii) The Debtors may be adversely affected by changes affecting the television broadcasting industry generally.

In addition to the condition of the U.S. economy, the financial performance of the Debtors' television stations is subject to various other factors that influence the television broadcasting industry as a whole, including (without limitation):

- changes in audience tastes;
- changes in priorities of advertisers;
- new laws and governmental regulations and policies;
- changes in broadcast technical requirements;
- technological changes;
- proposals to eliminate the tax deductibility of expenses incurred by advertisers or to prohibit the television advertising of some categories of goods or services; and
- changes in the law governing advertising by candidates for political office.

The Debtors cannot predict which, if any, of these or other factors might have a significant effect on the television broadcasting industry in the future, nor can the Debtors predict what effect, if any, the occurrence of these or other events might have on the Debtors' operations.

C. RISKS RELATED TO REGULATION

(i) The Debtors' business is subject to extensive and changing regulation that could increase the Debtors' costs, expose the Debtors to greater competition or otherwise adversely affect the ownership and operation of the Debtors' Stations or the Debtors' business strategies.

The Debtors' television operations are subject to significant regulation by the FCC under the Communications Act. A television station may not operate in the United States without the authorization of the FCC. Approval of the FCC is required for the issuance, renewal, transfer or assignment of station operating licenses. In particular, the Debtors' business depends upon the Debtors' ability to continue to hold television broadcasting licenses from the FCC, which generally have a term of eight years. The Debtors' station licenses are subject to renewal at various times between 2012 and 2015. Third parties may challenge the Debtors' license renewal applications. The Debtors presently have one full power station license renewal application pending, and

this license renewal has been challenged by third parties. The Debtors believe that this station's license will be renewed in the ordinary course, but the Debtors can provide no assurance that this license will be renewed. The non-renewal or revocation of one or more of the Debtors' primary FCC licenses could have a material adverse effect on the Debtors' operations and ability to implement their business plan.

The Communications Act empowers the FCC to regulate other aspects of the Debtors' business, in addition to imposing licensing requirements. For example, the FCC has the authority to:

- determine the frequencies, location and power of the Debtors' broadcast stations;
- regulate the equipment used by the Debtors' stations;
- adopt and implement regulations and policies concerning the ownership and operation of the Debtors' television stations; and
- impose penalties on the Debtors for violations of the Communications Act or FCC regulations.

The Debtors' failure to observe FCC or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures or the revocation or nonrenewal of a license. In addition, the actions and other media holdings of the Debtors' principals and the Debtors' investors in some instances could reflect adversely upon the Debtors' qualifications as a television licensee.

Congress and the FCC currently have under consideration, and may in the future adopt, new laws, regulations, and policies regarding a wide variety of matters that could, directly or indirectly, affect the operation and ownership of the Debtors' broadcast properties. For example, the FCC now has a "UHF discount" rule under which only 50% of the television households in a UHF station's DMA count against nationwide television ownership limits. The FCC currently is considering whether to initiate a proceeding to modify or abolish this so-called UHF discount in light of the changes resulting from the transition to digital television broadcasting. Abolition of the UHF discount without provisions to grandfather existing combinations could place group owners such as ION in violation of national ownership limitations and require divestiture of a substantial number of television stations. Relaxation and proposed relaxation of existing cable ownership rules and broadcast multiple ownership and cross-ownership rules and policies by the FCC and other changes in the FCC's rules may continue to affect the competitive landscape in ways that could increase the competition the Debtors face, including competition from larger media, entertainment and telecommunications companies, which may have greater access to capital and resources. The Debtors are unable to predict the effect that any such laws, regulations or policies may have on the Debtors' operations.

(ii) The success of the Debtors' television operations presently depends to a significant extent upon access to households served by cable television systems and satellite television carriers. If the laws requiring cable system operators and satellite carriers to carry the Debtors' signal were to change, the Debtors might lose access on such systems to television households, which could adversely affect the Debtors' operations.

Each television broadcast station is required to elect, every three years, whether to either require cable television system operators in the station's local market to carry its signal, which the Debtors refer to as "must carry" rights, or to negotiate the terms by which local cable operators retransmit its signal. "Must carry" rights are not absolute and, under some circumstances, a cable system may lawfully decline to carry a station with "must carry" rights. The Debtors' television Stations elected "must carry" on local cable systems for the three-year election period that commenced January 1, 2009, with respect to the Stations' single, primary video streams. If the law were changed to eliminate or materially alter "must carry" rights, the Debtors' business could be adversely affected.

Television broadcast stations have similar legal rights with respect to carriage by satellite television carriers in local markets that they serve. If the law were changed to eliminate or materially alter the carriage rights of television stations with respect to satellite carriers, the Debtors' business could be adversely affected.

D. FCC APPROVAL REQUIREMENTS IN CONNECTION WITH EMERGENCE FROM BANKRUPTCY

ION operates its television broadcast stations and certain associated facilities under authority granted by the FCC. Under Section 310(d) of the Communications Act, the consent of the FCC is required for the assignment of FCC licenses or for the transfer of control of an entity that holds or controls FCC licenses. Except in the case of "involuntary" assignments and transfers of control, prior consent of the FCC is required before an assignment or a transfer of control of FCC licensees may be consummated.

(i) "Involuntary" Transfers and Assignments

The FCC classifies a licensee's change to status as a debtor-in-possession under chapter 11 of the Bankruptcy Code as an "involuntary" assignment, even though the chapter 11 filing is within the control of the licensee or its parent corporation. The FCC has granted applications filed by ION for the involuntary assignment of its broadcast licenses to the ION licensees as debtors-in-possession. ION's emergence from bankruptcy as a restructured company will require further consent of the FCC to effectuate an assignment of ION's broadcast licenses to Reorganized ION.

Actions ordered by the Bankruptcy Court also could require further consent of the FCC. For example, the appointment of a chapter 11 trustee by the Bankruptcy Court or the transfer of control of the ION broadcast licensees to a trust ordered by the Bankruptcy Court as a part of the Debtor's plan for emerging from bankruptcy also would require FCC consent. The FCC typically treats changes of this sort that are ordered by the Bankruptcy Court as "involuntary" transfers for which consent may be sought under the same abbreviated procedures that the FCC uses in consenting to assignments or transfers of FCC licenses to the control of a debtor-in-possession.

For pro forma transfers of control and assignments of FCC broadcast licenses, including "involuntary" transfers and assignments, the FCC does not require the thirty days' prior public notice and local public notice that it requires for applications proposing a "substantial" change in control, such as the voluntary transfer or assignment that entails a change in ultimate control of the license, as discussed below. Petitions to deny may not be filed against pro forma applications, although parties may file informal objections. Although the FCC is not subject to any specific time limit for processing pro forma applications, the FCC generally grants pro forma transfer and assignment applications within about thirty days after the application is filed.

(ii) FCC Consent Required for Emergence for Bankruptcy.

The FCC treats emergence from bankruptcy by a licensee or its parent company as a "voluntary" transfer of control of FCC licenses or assignment of FCC licenses when control will be transferred to a "permanent" Holder, rather than to a trustee, a liquidating trust, or some other court-appointed interim Holder. In contrast to an "involuntary" transfer of control (such as those discussed above), a "voluntary" transfer of control requires prior approval of the FCC. In the FCC's view, the debtor-in-possession is an interim controlling party, either of the FCC licenses that it holds or of the stock of a company holding FCC Licenses. The FCC thus expects the outcome of the proceeding to be a restructuring (or a sale of collateral for the benefit of the Debtor's creditors) and that the restructuring (or sale) will not be implemented until the FCC has granted applications seeking approval of the new control structure and demonstrating the legal qualifications of any new parties that will have reportable ownership interests or positions in the new entity.

If the proposed resolution of a bankruptcy proceeding changes ultimate control of the FCC licensees (as, for example, in a situation in which new parties will hold 50% or more of the stock of the restructured company), the transfer will be a "substantial" change in control, with consent sought on an FCC "long form" application, Form 314 (assignment) or Form 315 (transfer of control). (The FCC treats a transaction as an "assignment" if the consummation of the transaction would change the identity of the Holder of the FCC license; other changes in ownership or control typically are treated as "transfers of control." The application procedures for transfers and assignments are essentially the same.) Even though a company may emerge from bankruptcy or receivership through a court order, the FCC will use the procedures applicable to a voluntary transfer or assignment when the consummation of the application would place the licenses in a "permanent" Holder. The transaction may not be consummated until the FCC has granted its consent.

(iii) FCC Processing of Applications for Consent to Emerge from Bankruptcy.

The Debtors anticipate that the FCC will allow the applications for transfer out of bankruptcy to a "permanent" Holder – the Long Form Applications – to be filed and accepted once the plan of reorganization has been filed with the Bankruptcy Court, but that the FCC will not grant the Long Form Applications until the applications have been amended to show that the Bankruptcy Court has approved the plan of reorganization and authorized the transaction. A few days to a week after submission of applications for a "long form" voluntary change of control, the FCC issues public notice that it has accepted the applications for filing. Interested parties then have thirty days to file petitions to deny the applications. The applicants also must give local public notice of the filing of the applications through broadcast announcements and notices in local newspapers serving its broadcast markets. To the extent petitions to deny are filed against the Long Form Applications, they typically focus on the qualifications of the restructured debtor and its reportable owners and officers to hold or control FCC broadcast licenses.

If petitions to deny are filed against the Long Form Applications, the applicants will have an opportunity to file an opposition, with the petitioner then having an opportunity to file a reply. The pleading cycle generally will be completed within sixty days. The FCC then will consider the Long Form Applications and the filings made by the parties to the proceeding. Typically, the FCC's review of applications focuses on whether the existing media interests (broadcast and daily newspaper holdings) of the parties to the applications, when combined with the broadcast interests to be acquired in the transaction, will comply with the FCC's ownership rules. The FCC also considers compliance with limitations on foreign ownership, other legal qualifications, the parties' prior records before the FCC, and certain categories of prior adverse determinations against parties to the application by courts and other administrative bodies that the FCC believes are relevant to assessing whether one or more parties should have reportable interests in a broadcast licensee.

If no oppositions are filed against the Long Form Applications and the FCC finds the applications to be in compliance with its rules and policies and finds the parties to the Long Form Applications qualified, the FCC may grant the applications shortly after the close of the public notice period. In some instances, the FCC may request that the applicants supply additional information through amending the applications. There is no time limit on how long the FCC may consider transfer applications before acting on them, but the FCC has a stated goal of processing all transfer applications within 180 days, and most applications are granted much more quickly.

Under the Plan, the proposed FCC Trustees, certain of the DIP Lenders, the Debtors and the Initial Consenting First Lien Lenders will seek to file the Long Form Applications for FCC consent to the transfer of control of the Reorganized Debtors as promptly as possible after the filing of the Plan with the Bankruptcy Court, and in any event within ten (10) Business Days after the Plan is filed. The Debtors anticipate that the FCC will accept and process these applications while the Bankruptcy Court is considering the Plan. The FCC will not grant the Long Form Applications, however, until the Bankruptcy Court has approved a plan of reorganization and the applications have been amended to reflect that the Bankruptcy Court has authorized the transaction without requiring changes that would constitute a major amendment.

As a variation in the structure for FCC approval described above, the FCC also will be asked to grant consent for a court-approved assignment of the FCC Licenses from the Debtors to the Reorganized Debtors and the pro forma transfer of the New Common Stock to the control of a trust. If this alternative is used, the stock of ION would be transferred to the FCC Trust, subject to the order of the Bankruptcy Court and the approval of the FCC, concurrently with the emergence of Reorganized ION from bankruptcy. The FCC Trust, which would be subject to the continuing jurisdiction and oversight of the Bankruptcy Court, would hold the New Common Stock as a temporary step pending FCC action on the Long Form Applications to place control of the Reorganized ION in its new stockholders. A majority of the trustees of the FCC Trust would be current directors of ION, and the trustees of the FCC Trust would serve as directors of Reorganized ION during the period that the FCC Trust holds the New Common Stock. If approved by the Bankruptcy Court and by the FCC, this approach could allow Reorganized ION to emerge from bankruptcy subject to the control of the FCC Trust prior to the date that the FCC grants the Long Form Applications. Because this interim transfer would take place pursuant to an order of the Bankruptcy Court and because the FCC Trust would remain subject to the jurisdiction and oversight of the Bankruptcy Court, the FCC could authorize this interim transfer using the streamlined pro forma procedures applicable to pro forma ownership changes and "involuntary" transfer and assignment applications. During the time that the New Common Stock is

held by the FCC Trust, beneficial interests in the FCC Trust will be granted to holders that can make the Ownership Certification and Special Warrants will be granted to holders that cannot make the Ownership Certification. Both the beneficial interests and the Special Warrants will be transferable subject to the terms of the FCC Trust Agreement and terms of the Special Warrants, *provided*, *however*, any transferee of the beneficial interests must provide the appropriate Ownership Certification, failing which the beneficial interests to be transferred will be redeemed by the FCC Trust and such transferee will receive Special Warrants in lieu of the applicable beneficial interests. Although the Special Warrants will be transferable, they will not be exercisable until such time as the FCC grants the Long Form Applications and certain conditions are met, including the provision of the requisite Ownership Certification and that the exercise otherwise complies with applicable law. Upon receipt of FCC approval of the Long Form Applications, the FCC Trust will distribute the New Common Stock to Holders of beneficial interests that deliver an Ownership Certification and otherwise comply with the Communications Act and FCC implementing rules, with all other Holders receiving Special Warrants.

The application for transfer to the FCC Trust may be filed with the FCC concurrently with the Long Form Applications, but, as in the case of the Long Form Applications, the FCC would not grant the application until the approval of the Plan of Reorganization by the Bankruptcy Court and the filing of an amendment reflecting that the Bankruptcy Court has authorized the placement of the stock in the FCC Trust substantially as presented in the applications filed with the FCC. Absent FCC consent to the transfer of the New Common Stock to the FCC Trust, Reorganized ION would not be able to emerge from bankruptcy until the FCC has granted the Long Form Applications. Once the FCC has granted a transfer application, it will issue a public notice of the grant. Interested parties opposed to the grant may file for reconsideration for a period of thirty days following public notice of the grant. If the grant is made by the FCC's staff under delegated authority, the FCC may reconsider the action on its own motion for a period of forty days following issuance of public notice of the grant. Parties are free to close upon the grant of FCC consent even if petitions for reconsideration are filed, but the consummation will be subject to any further order that the FCC might issue upon reconsideration. It is highly unusual for the FCC to rescind a grant of consent to an assignment or transfer upon reconsideration.

In the event that the Long Form Application is denied or dismissed by the FCC or the Initial Consenting First Lien Lenders reasonably determine, based upon comments received from the FCC and consultation with the Debtors or the Reorganized Debtors, as applicable, that the Long Form Application will not be granted by the FCC, then the FCC Trustees, Reorganized ION and each of the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable) shall negotiate in good faith for a period of up to 60 days to make any changes or modifications that are necessary (to the extent permitted by applicable law) to obtain FCC approval (and make the requisite filings with the FCC to obtain approval to implement such changes to the extent required by the Communications Act); *provided*, *however*, that such modifications shall, to the extent practicable or except as otherwise set forth herein, with respect to the sale or issuance of Special Warrants set forth below, maintain the respective rights of each of the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable). In the event that (i) the FCC does not approve such FCC filings, or approves such FCC filings with conditions that have, or would reasonably be expected to have, a material adverse effect on any of the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable); or (ii) in the event ION or Reorganized ION, as applicable, and the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable) are unable to reach an agreement as to how to obtain FCC approval for the Transfer of Control then, in each case (i) – (ii), to the extent the failure to obtain FCC approval of the Long Form Application relates to one or more of the Initial Consenting First Lien Lenders (A) not being qualified to hold, directly or indirectly, New Common Stock under the Communications Act and the FCC implementing rules, (B) not meeting all applicable requirements of the Communications Act and the FCC implementing rules, including, without limitation, the FCC's media ownership rules or (C) failing to deliver an Ownership Certification or any other information required to be filed or necessary or appropriate to obtain grant of the Long Form Application, after each of the non-qualified Initial Consenting First Lien Lenders has been given an opportunity to remedy the issue and the parties have cooperated and negotiated in good faith consistent with the immediately preceding sentence with respect to remedying such qualification or other applicable issue, the applicable non-qualifying Initial Consenting First Lien Lender(s) (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable) shall, at such affected Initial Consenting First Lien Lender's option (i) sell, assign or transfer their rights and obligations provided to them pursuant to the Plan to a Person who meets the qualifications and other requirements described in clauses (A) through (C) above; *provided*, *further*, *however*, that such Initial Consenting First Lien Lenders shall first be required to offer to sell,

assign or transfer such rights and obligations to the other Initial Consenting First Lien Lenders, if any, who meet such qualifications and requirements or (ii) receive Special Warrants in lieu of any Plan Securities such Initial Consenting First Lien Lenders would have otherwise received hereunder.

E. RISKS RELATED TO FINANCIAL INFORMATION

(i) The financial information is based on the Debtors' books and records and, unless otherwise stated, no audit was performed

The financial information contained in this Disclosure Statement has not been audited. In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to assure the accuracy of the financial information provided in this Disclosure Statement, and while the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant or represent that the financial information contained herein and attached hereto is without inaccuracies.

(ii) Financial projections and other forward looking statements are not assured and are subject to inherent uncertainty due to the numerous assumptions upon which they are based and, as a result, actual results may vary materially from the projections.

This Disclosure Statement contains various projections concerning the financial results of the Reorganized Debtors' operations, including the Projections, that are, by their nature, forward looking, and which projections are necessarily based on certain assumptions and estimates. Should any or all of these assumptions or estimates ultimately prove to be incorrect, the actual future experiences of the Reorganized Debtors may turn out to be materially different from the financial projections. Specifically, the projected financial results contained in this Disclosure Statement reflect numerous assumptions concerning the anticipated future performance of the Reorganized Debtors, some of which may not materialize, including, without limitation, assumptions concerning: (a) the timing of Confirmation and Consummation of the Plan in accordance with its terms; (b) the Reorganized Debtors' ability to maintain or increase revenues and gross margins, control future operating expenses or make necessary capital expenditures; (c) general business and economic conditions; (d) overall industry performance and trends; (e) the Debtors' ability to procure popular entertainment content for airing on their network, the cost of such content, and the anticipated audience ratings and demographics generated by the Debtors' programming; (f) the Debtors' ability to convert improved audience ratings and demographics into increased advertising rates and revenues; and (g) consumer preferences continuing to support the execution of the Debtors' business plan.

Due to the inherent uncertainties associated with projecting financial results generally, the projections contained in this Disclosure Statement will not be considered assurances or guarantees of the amount of funds or the amount of Claims that may be Allowed in the various Classes. While the Debtors believe that the financial projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized or that actual results will not vary materially from the projections.

(iii) This Disclosure Statement contains Forward Looking Statements.

This Disclosure Statement contains "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect the Debtors' current views with respect to future events. Forward looking statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof, other variations thereon or comparable terminology.

All forward looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in these forward looking statements, many of which are beyond the control of the Debtors. The liquidation analysis, distribution projections and other information contained herein and attached hereto are estimates only, and the timing and amount of actual distributions to Holders of Allowed Claims may be affected by many factors that cannot be predicted. Therefore, any analyses, estimates or recovery projections may or may not turn out to be accurate.

(iv) No Legal or Tax Advice Is Provided by this Disclosure Statement.

This Disclosure Statement is not legal advice to any person. The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Holder of a Claim or an Equity Interest should consult his or her own legal counsel and accountant with regard to any legal, tax and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

(v) No Admissions Made

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Entity (including, without limitation, the Debtors) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, the Reorganized Debtors, Holders of Allowed Claims, Interests or any other parties in interest.

(vi) Failure to Identify Litigation Claims or Projected Objections

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Equity Interest is, or is not, identified in this Disclosure Statement. The Debtors or the Reorganized Debtors may seek to investigate, File and prosecute Claims and Interests and may object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether the Disclosure Statement identifies such Claims or objections to Claims.

(vii) Information Was Provided by the Debtors and Was Relied Upon by the Debtors' Advisors.

Counsel to and other advisors retained by the Debtors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although counsel to and other advisors retained by the Debtors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

(viii) No Representations Outside the Disclosure Statement Are Authorized.

No representations concerning or relating to the Debtors, the Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to counsel to the Debtors, counsel to the Committee and the Office of the United States Trustee for the Southern District of New York.

XIV. SOLICITATION AND VOTING PROCEDURES

This Disclosure Statement, accompanied by a ballot or ballots to be used for voting on the Plan, is being distributed to the Holders of Claims in Classes 2, 3, 4 and 5. Only the Holders of Claims in these Classes are entitled to vote to accept or reject the Plan and may do so by completing the ballot and returning it in the envelope provided.

The Debtors, with the approval of the Bankruptcy Court, have engaged Financial Balloting Group, LLC to serve as the voting agent for Claims in respect of debt securities and KCC as their Voting Agent to assist in the solicitation process. The Voting Agent will, among other things, answer questions, provide additional copies of all solicitation materials, and generally oversee the solicitation process for their assigned Claims. The Voting Agent will also process and tabulate ballots for each of their respective Classes that are entitled to vote to accept or reject the Plan and will file a voting report as soon as practicable before the Confirmation Hearing.

The deadline to vote on the Plan is [TIME] p.m., E.T., on [DATE], 2009.

BALLOTS
Ballots and master ballots must be actually received by the Voting Agent or Securities Voting Agent, as applicable, by the Voting Deadline by using the envelope provided, or by first class mail, overnight courier or personal delivery to: ION Balloting Center c/o Kurtzman Carson Consultants LLC 2335 Alaska Avenue El Segundo, CA 90245 If you received an envelope addressed to your Nominee, please allow enough time when you return your ballot for your Nominee to cast your vote on a master ballot before the Voting Deadline. If you have any questions on the procedure for voting on the Plan, please call: the Voting Agent at: (866)-967-0678

MORE DETAILED INSTRUCTIONS REGARDING HOW TO VOTE ON THE PLAN ARE CONTAINED ON THE BALLOTS DISTRIBUTED TO HOLDERS OF CLAIMS THAT ARE ENTITLED TO VOTE ON THE PLAN. FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE COMPLETED, SIGNED AND RECEIVED BY [TIME] P.M. (EASTERN TIME), ON [DATE], 2009.

ANY BALLOT THAT IS PROPERLY EXECUTED BY THE HOLDER OF A CLAIM, BUT WHICH DOES NOT CLEARLY INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN OR WHICH INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, SHALL NOT BE COUNTED.

EACH HOLDER OF A CLAIM MAY CAST ONLY ONE BALLOT PER EACH CLAIM. BY SIGNING AND RETURNING A BALLOT, EACH HOLDER OF A CLAIM IN CLASSES 2, 3, 4 AND 5 WILL CERTIFY TO THE BANKRUPTCY COURT AND THE DEBTORS THAT NO OTHER BALLOTS WITH RESPECT TO THE CLAIM HAS BEEN CAST OR, IF ANY OTHER BALLOTS HAVE BEEN CAST WITH RESPECT TO THE CLASS OF CLAIMS, THE EARLIER BALLOTS ARE THEREBY SUPERSEDED AND REVOKED.

ALL BALLOTS ARE ACCOMPANIED BY RETURN ENVELOPES. IT IS IMPORTANT TO FOLLOW THE SPECIFIC INSTRUCTIONS PROVIDED ON EACH BALLOT.

A. NOMINEES

With respect to Claims in Classes 2, 3, 4 and 5 Debtors will deliver ballots to Nominees.

The Nominees should deliver the Ballot and other documents relating to the Plan, including this Disclosure Statement, to each Beneficial Owner (as defined in the Disclosure Statement Order) for which they serve as Nominee.

The Nominee should forward the solicitation materials to each Beneficial Owner for voting and include a return envelope provided by and addressed to the Nominee so that the Beneficial Owner may return the completed

beneficial owner ballot to the Nominee. Upon receipt of the ballots, the Nominee will summarize the individual votes of its respective Beneficial Owners on the appropriate Master Ballot and then return the Master Ballot to the Securities Voting Agent before the Voting Deadline.

If a Master Ballot is received after the Voting Deadline, the votes and elections on the Master Ballot will not be counted. A Master Ballot should be sent to the Voting Agent by the envelope provided, or by First Class Mail, Overnight Courier or Personal Delivery. In all cases, sufficient time should be allowed to assure timely delivery. No Ballot should be sent to the Debtors, the Debtors' financial or legal advisors, but only to the Voting Agent as set forth above.

Nominees must provide appropriate information for each of the items on the Master Ballot, including without limitation, identifying the votes to accept or reject the Plan.

By returning a Master Ballot, each Nominee will be certifying to the Debtors and the Bankruptcy Court, among other things, that:

- it has received a copy of this Disclosure Statement and other solicitation materials annexed to this Disclosure Statement, and it has delivered the same to the Beneficial Owners such Nominee represents;
- it has received a completed and signed Ballot from each Beneficial Owner whose vote is reflected on the Master Ballot;
- it is a bank, broker or other nominee (or agent thereof) that holds the securities being voted on behalf of the Beneficial Owners identified on such Master Ballot;
- it has properly disclosed (a) the number of the Beneficial Owners, (b) the amount of securities owned by each Beneficial Owner, (c) each Beneficial Owner's respective vote, if any, concerning the Plan and (d) the customer account, serial number and/or identification number for each such Beneficial Owner;
- each Beneficial Owner has certified to the Nominee that the Beneficial Owner has not submitted any other ballots for the Claims held in other accounts or other names, or, if it has submitted another Ballot held in other accounts or names, that the Beneficial Owner has certified to the Nominee that such Beneficial Owner has cast the same vote for such Claims, and the undersigned has identified the other accounts or Owner and the other ballots;
- it has been authorized by each such Beneficial Owner to vote on the Plan; and
- it will maintain the original Beneficial Owner Ballot returned by each Beneficial Owner (whether properly completed or defective) for one year after the Voting Deadline (or such other date as is set by subsequent Bankruptcy Court order) for disclosure to the Bankruptcy Court or the Debtor, if so ordered.

Each Master Ballot must be returned in sufficient time so that it is RECEIVED by the Voting Agent by no later than **[TIME]** p.m. (prevailing Eastern Time) on the date of the Voting Deadline.

XV. CONFIRMATION OF THE PLAN

A. THE CONFIRMATION HEARING

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation of the Plan of Reorganization. Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to Confirmation of the Plan.

The Bankruptcy Court has scheduled the Confirmation Hearing for **[•]**, 2009 at **[•]** (prevailing Eastern Time) before the Honorable Judge James M. Peck, United States Bankruptcy Judge, in the United States Bankruptcy

Court for the Southern District of New York, located at Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

B. DEADLINE TO OBJECT TO CONFIRMATION

Objections to the Bankruptcy Court's Confirmation of the Plan must be filed and served at or before **[●]** prevailing Eastern Time on **[●]**, 2009 in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement. **Unless objections to Confirmation are timely served and Filed, they may not be considered by the Bankruptcy Court.**

C. REQUIREMENTS FOR CONFIRMATION OF THE PLAN

Among the requirements for the Confirmation of the Plan are that the Plan (1) is accepted by all impaired Classes of Claims and Interests, or if rejected by an impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, (2) is feasible, and (3) is in the "best interests" of Holders of Claims and Interests that are impaired under the Plan.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (1) the Plan satisfies or will satisfy all of the necessary statutory requirements of chapter 11 of the Bankruptcy Code; (2) the Debtors have complied or will have complied with all of the necessary requirements of chapter 11 of the Bankruptcy Code; and (3) the Plan has been proposed in good faith. Specifically, in addition to other applicable requirements, the Debtors believe that the Plan satisfies or will satisfy the applicable Confirmation requirements of section 1129 of the Bankruptcy Code set forth below:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors, as the Plan proponents, have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the case, has been disclosed to the Bankruptcy Court, and any such payment: (1) made before the Confirmation of the Plan is reasonable; or (2) subject to the approval of the Bankruptcy Court as reasonable, if it is to be fixed after Confirmation of the Plan.
- Either each Holder of an impaired Claim has accepted the Plan, or will receive or retain under the Plan on account of such Claim, property of a value, as of the Effective Date of the Plan, that is not less than the amount that the Holder would receive or retain if the Debtors were liquidated on that date under chapter 7 of the Bankruptcy Code, including pursuant to section 1129(b) of the Bankruptcy Code for Equity Interests deemed to reject the Plan.
- Each Class of Claims that is entitled to vote on the Plan will have accepted the Plan, or the Plan can be confirmed without the approval of the Class pursuant to section 1129(b) of the Bankruptcy Code.
- Except to the extent that the Holder of a particular Claim will agree to a different treatment of its Claim, the Plan provides that Administrative Claims and Priority Tax Claims will be paid in full on the Effective Date, or as soon thereafter as is reasonably practicable.
- At least one Class of impaired Claims will have accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in that Class.

- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successors thereto under the Plan.

- All fees of the type described in 28 U.S.C. § 1930, including the fees of the United States Trustee, will be paid as of the Effective Date.

D. BEST INTERESTS OF CREDITORS/LIQUIDATION ANALYSIS

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each Class, that each Holder of a Claim or an Equity Interest in such Class either (a) has accepted the Plan or (b) will receive or retain under the Plan property of a value, as of the effective date of the Plan, that is not less than the amount that such Holder would receive or retain if the Debtors liquidated under chapter 7 of the Bankruptcy Code. To make these findings, the Bankruptcy Court must: (a) estimate the cash liquidation proceeds that a chapter 7 trustee would generate if each of the Debtor's chapter 11 cases were converted to a chapter 7 case and the assets of such debtor's estate were liquidated; (b) determine the liquidation distribution that each non-accepting Holder of a Claim or an Equity Interest would receive from such liquidation proceeds under the priority scheme dictated in chapter 7; and (c) compare the Holder's liquidation distribution to the distribution under the Plan that the Holder would receive if the Plan were confirmed and consummated.

To estimate what members of each impaired Class of Claims would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first determine the aggregate dollar amount that would be available if each of the Chapter 11 Cases were converted to a chapter 7 case under the Bankruptcy Code and each of the respective Debtor's assets were liquidated by a chapter 7 trustee (the "Liquidation Value"). The Liquidation Value of a Debtor would consist of the net proceeds from the disposition of the assets of the Debtor, augmented by any cash held by the Debtor.

The Liquidation Value available to Holders of Claims would be reduced by, among other things: (a) the Claims of secured creditors to the extent of the value of their collateral; (b) the costs, fees and expenses of the liquidation, as well as other administrative expenses of the Debtors' chapter 7 cases; (c) unpaid administrative expense Claims of the Chapter 11 Cases; and (d) priority Claims and priority tax Claims. The Debtors' costs of liquidation in chapter 7 cases would include the compensation of a chapter 7 trustee, as well as of counsel and other professionals retained by such trustee, asset disposition expenses, applicable taxes, litigation costs, Claims arising from the operation of the Debtors during the chapter 7 cases, and all unpaid administrative expense Claims incurred by the Debtors during the Chapter 11 Cases that are allowed in the chapter 7 cases. The liquidation itself would trigger certain priority Claims, such as Claims for severance pay, and would likely accelerate the payment of other priority Claims and priority tax Claims that would otherwise be payable in the ordinary course of business. These priority Claims and priority tax Claims would be paid in full out of the net liquidation proceeds, after payment of secured Claims, before the balance would be made available to pay other Claims or to make any distribution in respect of Equity Interests.

Based on the liquidation analyses set forth in **Exhibit E** of this Disclosure Statement, the Debtors believe that Holders of Claims will receive equal or greater value as of the Effective Date under the Plan than such Holders would receive in a chapter 7 liquidation. Moreover, in an actual liquidation of the Debtors, distributions to Holders of Claims would be made substantially later than the Effective Date designated in the Plan. The hypothetical chapter 7 liquidations of the Debtors, for purposes of determination of the Debtors' Liquidation Value, are assumed to commence on December 31, 2009.

In summary, the Debtors and their management believe that a chapter 7 liquidation of the Debtors would result in substantial diminution in the value to be realized by Holders of Claims entitled to distributions, as compared to the distributions contemplated under the Plan, because of, among other factors:

- the increased cost and expenses of liquidation under chapter 7 arising from fees payable to the chapter 7 trustee and the attorneys and other professional advisors to such trustee;

- additional expenses and Claims, some of which would be entitled to priority and which would be generated during the liquidation in connection with the cessation of the Debtors' operations;

- the erosion of the value of the Debtors' assets in the context of an expedited liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail;

- the adverse effects on the salability of portions of the business resulting from the possible departure of key employees and the attendant loss of customers and vendors;

- the cost and expense attributable to the time value of money resulting from a potentially more protracted chapter 7 proceeding than the estimated length of the Chapter 11 Cases; and

- the application of the rule of absolute priority under the Bankruptcy Code to distributions made in a chapter 7 liquidation.

Consequently, the Debtors and their management believe that Confirmation of the Plan will provide a substantially greater return to Holders of Claims than would a liquidation under chapter 7.

If the Plan is not confirmed, and the Debtors fail to propose and confirm an alternative plan of reorganization, they may be liquidated pursuant to the provisions of a chapter 11 liquidating plan. In liquidations under chapter 11, the Debtors' assets could be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation might result in larger recoveries than in a chapter 7 liquidation, but the delay in distributions could result in lower present values received and higher administrative costs. Any distribution to Holders of Claims under a chapter 11 plan of liquidation probably would be delayed substantially. Most importantly, the Debtors believe that any distributions to creditors in a liquidation scenario would fail to capture the significant "going concern" value of their business, which is reflected in the New Common Stock to be distributed under the Plan. Accordingly, the Debtors believe that a chapter 11 liquidation would not result in distributions as favorable as those under the Plan.

E. FEASIBILITY

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor, or any successor to the Debtor (unless such liquidation or reorganization is proposed in the plan of reorganization).

To determine whether the Plan meets this feasibility requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared the Projections, as set forth on **Exhibit C**. Based upon the Projections, the Debtors believe that ION will be a viable operation following the Chapter 11 Cases and that the Plan will meet the feasibility requirements of the Bankruptcy Code.

F. ACCEPTANCE BY IMPAIRED CLASSES

The Bankruptcy Code requires, as a condition to confirmation, that, except as described in the following section, each Class of Claims or Equity Interests that is impaired under a plan, accept the Plan. A Class that is not "impaired" under a plan is deemed to have accepted the Plan and, therefore, solicitation of acceptances with respect to the Class is not required. A Class is "impaired" unless the Plan: (a) leaves unaltered the legal, equitable and contractual rights to which the Claim or the Equity Interest entitles the Holder of the Claim or Equity Interest; or (b) cures any default, reinstates the original terms of such obligation, compensates the Holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable or contractual rights to which such Claim or Equity Interest entitles the Holder of such Claim or Equity Interest.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a Class of impaired Claims as acceptance by Holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of allowed Claims in that Class, counting only those Claims that actually voted to accept or to reject the Plan. Thus, a Class of Claims will have voted to accept the Plan only if two-thirds in amount and a majority in number actually voting cast their ballots in favor of acceptance. For a Class of impaired Equity Interests to accept a plan, section

1126(d) of the Bankruptcy Code requires acceptance by Equity Interest Holders that hold at least two-thirds in amount of the allowed Equity Interests of such Class, counting only those Equity Interests that actually voted to accept or reject the Plan. Thus, a Class of Equity Interests will have voted to accept the Plan only if two-thirds in amount actually voting cast their ballots in favor of acceptance.

G. CONFIRMATION WITHOUT ACCEPTANCE BY ALL IMPAIRED CLASSES

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired Classes have not accepted it, provided that the Plan has been accepted by at least one impaired Class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired Class rejection or deemed rejection of the Plan, the Plan will be confirmed, at the Plan proponent's request, in a procedure commonly known as "cramdown," so long as the Plan does not "discriminate unfairly" and is "fair and equitable" with respect to each Class of Claims or Equity Interests that is impaired under, and has not accepted, the Plan.

H. NO UNFAIR DISCRIMINATION

Often referred to as the "vertical test," this test applies to Classes of Claims or Equity Interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of Classes of Claims of equal rank (*e.g.*, Classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly, and, accordingly, a plan could treat two Classes of unsecured creditors differently without unfairly discriminating against either Class.

I. FAIR AND EQUITABLE TEST

Often referred to as the "horizontal test," this test applies to Classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no Class of Claims receive more than 100% of the amount of the allowed Claims in such Class. As to the dissenting Class, the test sets different standards depending upon the type of Claims or Equity Interests in such Class.

(i) Secured Claims:

The condition that a plan be "fair and equitable" to a non-accepting Class of secured Claims includes the requirements that: (1) the Holders of such secured Claims retain the liens securing such Claims to the extent of the allowed amount of the Claims, whether the property subject to the liens is retained by the Debtor or transferred to another entity under the Plan; and (2) each Holder of a secured Claim in the Class receives deferred cash payments totaling at least the allowed amount of such Claim with a value, as of the effective date of the Plan, at least equivalent to the value of the secured claimant's interest in the Debtor's property subject to the liens.

(ii) Unsecured Claims:

The condition that a plan be "fair and equitable" to a non-accepting Class of unsecured Claims includes the requirement that either: (1) the Plan provides that each Holder of a Claim of such Class receive or retain on account of such claim property of a value, as of the effective date of the Plan, equal to the allowed amount of such claim; or (2) the Holder of any Claim or any Equity Interest that is junior to the claims of such Class will not receive or retain under the Plan on account of such junior claim or junior Equity Interest any property, subject to the applicability of the "new value" exception.

(iii) Equity Interests:

The condition that a plan be "fair and equitable" to a non-accepting Class of Equity Interests includes the requirements that either: (1) the Plan provides that each Holder of an Equity Interest in that Class receives or retains under the Plan on account of that Equity Interest property of a value, as of the effective date of the Plan, equal to the greater of: (a) the allowed amount of any fixed liquidation preference to which such Holder is entitled; (b) any fixed redemption price to which such Holder is entitled; or (c) the value of such interest; or (2) if the Class does not

receive the amount as required under (1) hereof, no Class of Equity Interests junior to the non-accepting Class may receive a distribution under the Plan.

If any impaired Class rejects the Plan, the Debtors reserve the right to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors will request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan or any Plan Exhibit or Schedule, including to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code.

The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured such that it does not "discriminate unfairly" and satisfies the "fair and equitable" requirement. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual Confirmation of the Plan.

J. VALUATION OF THE DEBTORS

In conjunction with formulating the Plan, the Debtors determined that it was necessary to estimate the post-confirmation going concern value of the Debtors. Accordingly, the valuation is set forth in **Exhibit D** attached hereto.

At the Debtors' request, Moelis performed a valuation analysis of the Reorganized Debtors. The total enterprise value of the Reorganized Debtors was assumed for the purposes of the Plan by the Debtors, based on advice from Moelis, to be between approximately $310 million to $445 million with a rounded midpoint of $380 million as of December 31, 2009. Based upon the total enterprise value of the Reorganized Debtors' business, the Debtors have calculated a range of equity values for the Reorganized Debtors of approximately $310 million to $445 million with a rounded midpoint of $380 million. This analysis was based on the Debtors' Financial Forecasts, as well as current market conditions and statistics. The values are based upon information available to, and analyses undertaken by, Moelis as of August 7, 2009. The foregoing reorganization equity value (ascribed as of the date of this Disclosure Statement) reflects, among other factors discussed below, current financial market conditions and the inherent uncertainty as to the achievement of the Financial Forecasts. It should be understood that, although subsequent developments may affect Moelis' conclusions, Moelis does not have any obligation to update, revise or reaffirm its estimate.

The foregoing valuations are based on a number of assumptions, including a successful reorganization of the Debtors' debt obligations in a timely manner, the achievement of the forecasts reflected in the Financial Forecasts, the amount of available cash, the outcome of certain expectations regarding market conditions, and the Plan becoming effective in accordance with its terms. Moreover, the valuations are based on the Projections (as defined in the Disclosure Statement) provided to Moelis by the Debtors for fiscal years 2010-2014, as well as derived unlevered free cash flow ("***UFCF***") between 2015 and 2024 based on (i) management's target perpetual EBITDA margin in 2024 of 35% achieved through ratable increases from 2014; (ii) management's target perpetual revenue growth of 2.5% achieved in 2024 which is achieved on a ratable step-down basis between 2014 and 2024; (iii) management's guidance that capital expenditures and working capital investment would be a constant percentage of revenue between 2015 and 2024 and (iv) a 39.46% tax rate in each year (the "***Extended Projections***").

Moelis assumed that the Projections prepared by the Debtors' management were prepared in good faith and on a basis reflecting the Debtors' most accurate currently available estimates and judgments as to the future operating and financial performance of the Reorganized Debtors. Moelis' estimated total enterprise value range of the Reorganized Debtors assumes the Reorganized Debtors will achieve their Projections in all material respects, including revenue and EBITDA growth and improvements in EBITDA margins and cash flow, as projected. If the business performs at levels below those set forth in the Projections, such performance may have a materially negative impact on the total enterprise value range of the Reorganized Debtors. Conversely, if the business performs at levels above those set forth in the Projections, such performance may have a materially positive impact on the total enterprise value range of the Reorganized Debtors. The Reorganized Debtors' performance is expressly conditioned on the Plan becoming effective by December 31, 2009, and the Debtors' having access to $50 million at

exit pursuant to the DIP financing arrangement as described in this Disclosure Statement. The Debtors' performance could be materially impacted if they are unable to consummate the Plan. Failure to consummate the Plan may have a materially negative impact on the total enterprise value range of the Reorganized Debtors.

The estimates of value represent hypothetical total enterprise values of the Reorganized Debtors as the continuing operators of the business and assets, and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. The value of an operating business such as the Debtors' business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such a business.

In preparing a range of the estimated total enterprise value of the Reorganized Debtors and the going concern value of the Debtors' business, Moelis: (i) reviewed certain historical financial information of the Debtors for recent years and interim periods; (ii) reviewed certain internal financial and operating data of the Debtors and their non-debtor affiliates, including financial and operational Financial Forecasts developed by management relating to their business and prospects; (iii) met with certain members of senior management of the Debtors to discuss operations, future prospects and the Extended Projections; (iv) reviewed the Financial Forecasts as prepared by the Debtors; (v) reviewed publicly available financial data; (vi) considered certain economic and industry information relevant to the operating business; and (vii) conducted such other analyses as Moelis deemed appropriate. Although Moelis conducted a review and analysis of the Debtors' business, operating assets and liabilities and strategic initiatives being pursued by current management, Moelis assumed and relied on the accuracy and completeness of all financial and other information furnished to it by the Debtors and publicly available information. In addition, Moelis did not independently verify the assumptions underlying the Financial Forecasts in connection with such valuation. No independent evaluations or appraisals of the Debtors' assets were sought or were obtained in connection therewith.

Moelis's estimates of value set forth herein do not constitute a recommendation to any Holder of a Claim as to how such person should vote or otherwise act with respect to the Plan. Moelis has not been asked to and does not express any view as to what the trading value of the Reorganized Debtors' securities would be when issued pursuant to the Plan or the prices at which they may trade in the future. The estimates of value set forth herein do not constitute an opinion as to fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan.

Valuation Methodologies. In performing its analysis, Moelis used discounted cash flow, comparable public companies trading multiples and precedent M&A transactions multiples methodologies. These valuation techniques reflect both the market's current view of the Debtors' strategic plan and operations, as well as a longer-term focus on the intrinsic value of the cash flow associated with the Debtors' current strategic initiatives. Moelis primarily relied upon the discounted cash flow methodology given that the early stage of the Debtors' transformation process and risks of achieving profitability limit the relevance of both precedent transactions and comparable company market statistics as valuation benchmarks.

THE FOLLOWING SUMMARY DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE ANALYSES AND FACTORS UNDERTAKEN TO SUPPORT MOELIS' CONCLUSIONS. THE PREPARATION OF A VALUATION IS A COMPLEX PROCESS INVOLVING VARIOUS DETERMINATIONS AS TO THE MOST APPROPRIATE ANALYSES AND FACTORS TO CONSIDER, AS WELL AS THE APPLICATION OF THOSE ANALYSES AND FACTORS UNDER THE PARTICULAR CIRCUMSTANCES. AS A RESULT, THE PROCESS INVOLVED IN PREPARING A VALUATION IS NOT READILY SUMMARIZED.

(i) Comparable Company Analysis.

The comparable company valuation analysis is based on the enterprise values of publicly traded companies that have operating and financial characteristics similar to the Debtors. Under this methodology, numerous financial multiples and ratios were developed to measure each company's valuation and relative performance. Some of the specific analysis entailed comparing the enterprise value (defined as market value of equity plus market value of debt, book value of preferred stock and minority interests less cash) for each comparable company to their number of subscribers. A key factor to this approach is the selection of companies with relatively similar businesses and

operational characteristics to the Debtors. Common criteria for selecting comparable companies for the analysis include, among other relevant characteristics, similar lines of business, business risks, growth prospects, market presence and size and scale of operations. The selection of appropriate comparable companies is often a matter of judgment and subject to limitations due to sample size and the availability of meaningful market-based information.

(ii) Precedent Transactions Analysis.

The precedent M&A transaction analysis is based on the enterprise values of companies involved in merger and acquisition transactions that have operating and financial characteristics similar to the Debtors. Under this methodology, the enterprise value of each such company is determined by an analysis of the consideration paid and the debt assumed in the merger or acquisition transaction. The enterprise value is then applied to the target's available network subscriber information pursuant to announcement to generate an implied value per subscriber. Unlike the comparable company analysis, the enterprise valuation derived using this methodology reflects a "control" premium (i.e., a premium paid to purchase a majority or controlling position in a company's assets). Thus, this methodology generally produces higher valuations than the comparable public company analysis. In addition, other factors not directly related to a company's business operations can affect a valuation based on precedent transactions, including: (a) circumstances surrounding a merger transaction may introduce "diffusive quantitative results" into the analysis (i.e., a buyer may pay an additional premium for reasons that are not solely related to competitive bidding); (b) the market environment is not identical for transactions occurring at different periods of time; (c) the sale of a discrete asset or segment may warrant a discount or premium to the sale of an entire company depending on the specific operational circumstances of the seller and acquirer; and (d) circumstances pertaining to the financial position of the company may have an impact on the resulting purchase price (i.e., a company in financial distress may receive a lower price due to perceived weakness in its bargaining leverage).

(iii) Discounted Cash Flow Analysis.

The discounted cash flow ("***DCF***") analysis is a forward-looking enterprise valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. The DCF approach takes into account the projected operating cash flows of the subject company by using company projections as the basis for the financial model. The underlying concept of the DCF approach is that debt-free, after-tax cash flows are estimated for a projection period and a terminal value is estimated to determine going concern value of the subject company from the end of the projection period forward. In this case, Moelis used the Debtors' Projections in addition to the Extended Projections as the basis for the DCF. These cash flows are then discounted at an appropriate weighted average cost of capital, which is determined by referring to, among other things the average cost of debt and equity for the selected comparable companies. This approach relies on the company's ability to project future cash flows with some degree of accuracy. Because the Debtors' Projections reflect significant assumptions made by the Debtors' management concerning anticipated results, the assumptions and judgments used in the Projections may or may not prove correct and, therefore, no assurance can be provided that projected results are attainable or will be realized.

Valuation Considerations. An estimate of total enterprise value is not entirely mathematical, but rather it involves complex considerations and judgments concerning various factors that could affect the value of an operating business. Moreover, the value of an operating business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial conditions and prospects of such a business. As a result, the estimate of total enterprise value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Because such estimates are inherently subject to uncertainties, none of the Company, Moelis or any other person assumes responsibility for their accuracy. Depending on the results of the Debtors' operations or changes in the financial markets, Moelis' valuation analysis as of the Effective Date may differ from that disclosed herein. In addition, the valuation of newly issued interests is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated initial securities holdings of prepetition creditors, some of which may prefer to liquidate their investment rather than hold it on a long-term basis, and other factors that generally influence the prices of securities. Actual market prices of such securities also may be affected by the Debtors' history in chapter 11, conditions affecting the Debtors' competitors or the industry generally in which the Debtors participate or by other factors not possible to predict. Accordingly, the total enterprise value estimated by

Moelis does not necessarily reflect, and should not be construed as reflecting, values that will be attained in the public or private markets. The value ascribed in the analysis does not purport to be an estimate of the post reorganization market trading value. Such trading value may be materially different from the total enterprise value ranges associated with Moelis' valuation analysis. Indeed, there can be no assurance that a trading market will develop for the new interests issued pursuant to the reorganization.

Furthermore, in the event that the actual distributions to Holders of Claims differ from those assumed by the Debtors in their recovery analysis, the actual recoveries realized by Holders of Claims could be significantly higher or lower than estimated by the Debtors.

XVI. CERTAIN SECURITIES LAW MATTERS

A. PLAN SECURITIES

The Plan provides for the Debtors to issue the New Common Stock and Special Warrants (or beneficial interests in the FCC Trust and Special Warrants, if applicable, and shares of New Common Stock to Holders of such beneficial interests) to Holders of Allowed Claims in Classes 2 and 3, and the Warrants to Holders of Allowed Claims in Classes 4 and 5 (collectively, the "***Plan Securities***").

The Debtors believe that the Plan Securities constitute "securities," as defined in Section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable Blue Sky Law. The Debtors further believe that the offer and sale of the Plan Securities pursuant to the Plan are, and subsequent transfers of the Plan Securities by the Holders thereof that are not "underwriters," as defined in Section 2(a)(11) of the Securities Act and in the Bankruptcy Code, will be exempt from federal and state securities registration requirements under various provisions of the Securities Act, the Bankruptcy Code, and state securities laws.

B. ISSUANCE AND RESALE OF PLAN SECURITIES UNDER THE PLAN

(i) Exemptions from Registration Requirements of the Securities Act

Section 1145 of the Bankruptcy Code provides that the registration requirements of section 5 of the Securities Act (and any state Blue Sky Law requirements) will not apply to the offer or sale of stock, options, warrants or other securities by a debtor if: (a) the offer or sale occurs under a plan of reorganization; (b) the recipients of the securities hold a claim against, an interest in, or claim for administrative expense against, the debtor; and (c) the securities are issued in exchange for a claim against or interest in a debtor or are issued principally in such exchange and partly for cash and property. In reliance upon this exemption, the offer and sale of the Plan Securities will not be registered under the Securities Act or any state Blue Sky Law.

To the extent that the issuance of the Plan Securities are covered by section 1145 of the Bankruptcy Code, the Plan Securities may be resold without registration under the Securities Act or other federal securities laws, unless the Holder is an "underwriter" (as discussed below) with respect to such securities, as that term is defined in section 2(a)(11) of the Securities Act and in the Bankruptcy Code. In addition, the Plan Securities generally may be able to be resold without registration under state securities laws pursuant to various exemptions provided by the respective Blue Sky Law of those states; however, the availability of such exemptions cannot be known unless individual state Blue Sky Laws are examined. Therefore, recipients of the Plan Securities are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state Blue Sky Law in any given instance and as to any applicable requirements or conditions to such availability.

Recipients of the Plan Securities are advised to consult with their own legal advisors as to the applicability of section 1145 of the Bankruptcy Code to the Plan Securities and the availability of any exemption from registration under the Securities Act and state Blue Sky Law.

(ii) Resale of Plan Securities; Definition of Underwriter

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer": (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the Debtor, if such purchase is with a view to distribution of

any security received or to be received in exchange for such Claim or Interest; or (b) offers to sell securities offered or sold under a plan for the Holders of such securities; or (c) offers to buy securities offered or sold under a plan from the Holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the Plan, with the consummation of the Plan, or with the offer or sale of securities under the Plan; or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. In addition, a Person who receives a fee in exchange for purchasing an issuer's securities could also be considered an underwriter within the meaning of section 2(a)(11) of the Securities Act.

The definition of an "issuer" for purposes of whether a Person is an underwriter under Section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as "statutory underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "controlling persons" of the issuer of the securities. "Control" as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "controlling Person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. In addition, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of a Class of securities of a reorganized debtor may be presumed to be a "controlling Person" and, therefore, an underwriter.

Resales of the Plan Securities by Entities deemed to be "underwriters" (which definition includes "controlling Persons") are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, Holders of Plan Securities who are deemed to be "underwriters" may be entitled to resell their Plan Securities pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act. Generally, Rule 144 of the Securities Act would permit the public sale of securities received by such person if current information regarding the issuer is publicly available and if volume limitations, manner of sale requirements and certain other conditions are met. However, the Debtors do not presently intend to make publicly available the requisite current information regarding the Debtors, and as a result, Rule 144 of the Securities Act will not be available for resales of Plan Securities by persons deemed to be underwriters. Whether any particular Person would be deemed to be an "underwriter" (including whether such Person is a "controlling Person") with respect to the Plan Securities would depend upon various facts and circumstances applicable to that Person. Accordingly, the Debtors express no view as to whether any Person would be deemed an "underwriter" with respect to the Plan Securities and, in turn, whether any Person may freely resell Plan Securities. The Debtors recommend that potential recipients of Plan Securities consult their own counsel concerning their ability to freely trade such securities in compliance with the federal and state securities laws. The Plan Securities may be subject to certain transfer and other restrictions pursuant to the FCC Trust Agreement, the New Shareholders' Agreement and the New Certification of Incorporation. On the Effective Date, Reorganized ION will enter into the Registration Rights Agreement.

C. LISTING OF PLAN SECURITIES

The Debtors will not be obligated to list the Plan Securities on a national securities exchange.

XVII. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. INTRODUCTION

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtors, the Reorganized Debtors and certain Holders of Claims and Equity Interests. This summary is based on the Internal Revenue Code of 1986, as amended (the "***Tax Code***"), the U.S. Treasury Regulations promulgated thereunder (the "***Regulations***"), judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "***IRS***"), all as in effect on the date hereof. Changes in such rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. ION has not requested, and will not request, any ruling or determination

from the IRS or any other taxing authority with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

This summary does not apply to Holders of Claims or Equity Interests that are not "U.S. persons" (as such phrase is defined in the Tax Code). This summary does not address foreign, state or local tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a Holder in light of its individual circumstances or to a Holder that may be subject to special tax rules (such as Persons who are related to ION within the meaning of the Tax Code, foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, Persons who hold Claims or Equity Interests or who will hold the New Common Stock or Warrants as part of a straddle, hedge, conversion transaction or other integrated investment, persons using a mark to market method of accounting, and Holders of Claims or Equity Interests who are themselves in bankruptcy). Furthermore, this summary assumes that a Holder of a Claim holds only Claims in a single Class and holds a Claim only as a "capital asset" (within the meaning of Section 1221 of the Tax Code). This summary also assumes that the various debt and other arrangements to which ION is a party will be respected for U.S. federal income tax purposes in accordance with their form.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR EQUITY INTEREST. ALL HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL AND NON-U.S. INCOME, ESTATE AND OTHER TAX CONSEQUENCES OF THE PLAN.

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE TAX CODE. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THE DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

B. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO THE DEBTORS AND THE REORGANIZED DEBTORS

ION expects to report consolidated net operating loss ("***NOL***") carryforwards for U.S. federal income tax purposes of approximately $1.4 billion as of December 31, 2008. As discussed below, the amount of ION's NOL carryforwards may be significantly reduced or eliminated upon implementation of the Plan. In addition, the Reorganized Debtors' subsequent utilization of any losses and NOL carryforwards remaining and possibly certain other tax attributes may be restricted as a result of and upon the implementation of the Plan.

(i) Cancellation of Indebtedness and Reduction of Tax Attributes

As a result of the Plan, ION's aggregate outstanding indebtedness will be substantially reduced. In general, absent an exception, a debtor will recognize cancellation of debt income ("***CODI***") upon discharge of its outstanding indebtedness for an amount less than its adjusted issue price. The Tax Code provides that a debtor in a bankruptcy case generally may exclude from income, but must reduce certain of its tax attributes by, the amount of any CODI realized upon consummation of a plan of reorganization. The amount of CODI is generally the excess of (a) the adjusted issue price of any indebtedness discharged, over (b) any consideration given in exchange therefor, subject to certain statutory or judicial exceptions that can apply to limit the amount of CODI (such as where the payment of the cancelled debt would have given rise to a tax deduction).

ION expects to realize substantial CODI. The extent of such CODI realized by ION (and the resulting tax attribute reduction) will depend significantly on the value of the New Common Stock and Warrants distributed pursuant to the Plan. This value cannot be known with certainty until after the Effective Date. Thus, although it is expected that there will be a material reduction of ION's tax attributes, the exact amount of such reduction cannot be predicted with certainty.

As a general rule, tax attributes must be reduced in the following order: (a) NOLs, (b) most tax credits, (c) capital loss carryovers, (d) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject), and (e) foreign tax credits. A debtor with CODI may elect first to reduce the basis of its depreciable assets under Section 108(b)(5) of the Tax Code, with any remaining balance applied to the other tax attributes in the order stated above. It has not been determined whether ION will make the election under Section 108(b)(5). In the context of a consolidated group of corporations, the Tax Code provides for a complex ordering mechanism to determine how the tax attributes of one member can be reduced in respect of the CODI of another member.

(ii) Limitation of NOL Carryforwards and Certain Other Tax Attributes

Following the implementation of the Plan, ION anticipates that any remaining NOL carryforwards and certain built-in losses allocable to periods prior to the Effective Date may be subject to limitation under Section 382 of the Tax Code as a result of an "ownership change" of the Reorganized Debtors attributable to the transactions contemplated by the Plan. This limitation is independent of, and in addition to, the reduction of tax attributes described in the preceding section resulting from CODI realized by ION. ION also expects that the ability of Reorganized ION to use any remaining capital loss carryforwards and tax credits will also be limited.

(iii) General Limitation

Section 382 of the Tax Code generally imposes an annual limitation (the "***Section 382 Limitation***") on a corporation's use of its NOL carryforwards (and may limit a corporation's use of certain built-in losses if such built-in losses are recognized within a five-year period following an ownership change) (collectively, "***Pre-Change Losses***") if a corporation undergoes an "ownership change."

The annual Section 382 Limitation on the use of Pre-Change Losses to offset income in any "post change year" is generally equal to the product of (a) the fair market value of the loss corporation's outstanding stock immediately before the ownership change, and (b) the long term tax-exempt rate in effect for the month in which the ownership change occurs. The long-term tax-exempt rate (currently, approximately 4.48%) is published monthly by the IRS and is intended to reflect current interest rates on long-term tax-exempt debt obligations. Section 383 of the Tax Code applies a similar limitation to capital loss carryforward and tax credits. As discussed below, however, special rules may apply in the case of a corporation which experiences an ownership change as the result of a bankruptcy proceeding. See "Special Rules Applicable in Bankruptcy" below.

In general, an ownership change occurs when the percentage of the corporation's stock owned by certain "5 percent shareholders" increases by more than 50 percentage points in the aggregate over the lowest percentage owned by those shareholders at any time during the applicable "testing period" (generally, the shorter of (a) the 36-month period preceding the testing date and (b) the period of time since the most recent ownership change of the corporation). A "5 percent shareholder" for this purpose includes, generally, an individual or entity that directly or indirectly owns 5% or more of a corporation's stock at any time during the testing period and one or more groups of shareholders that own less than 5% of the corporation's stock. Under applicable Regulations, an ownership change with respect to an affiliated group of corporations filing a consolidated return that has consolidated NOLs is generally measured by changes in stock ownership of the parent corporation of the group.

The issuance under the Plan of the New Common Stock and the Special Warrants, along with the cancellation of existing Equity Interests, is expected to cause an ownership change with respect to ION. As a result, ION's Pre-Change Losses will be subject to the Section 382 Limitation (as described above). ION's Section 382 Limitation may be increased to the extent that the Reorganized Debtors recognize certain built-in gains in their assets during the five-year period following the ownership change. If, in any year, the amount of Pre-Change Losses used by the Reorganized Debtors to offset income is less than the Section 382 Limitation, any unused limitation may be carried forward, thereby increasing the Section 382 Limitation (the amount of Pre-Change Losses which may offset income) in the subsequent taxable year of the Reorganized Debtors.

(iv) Special Rules Applicable in Bankruptcy

The Section 382 Limitation described above is subject to a special exception applicable in the case of a bankruptcy reorganization (the "***Section 382(l)(5) Rule***"). If a corporation qualifies for the Section 382(l)(5) Rule, the annual Section 382 Limitation will not apply to the corporation's Pre-Change Losses. Instead, a corporation's Pre-Change Losses are required to be reduced by the amount of any interest deductions claimed during the three taxable years preceding the Effective Date, and the portion of the current taxable year ending on the date of the ownership change, in respect of all debt converted into stock pursuant to the bankruptcy reorganization ("***Disqualified Interest***"). Additionally, if the Section 382(l)(5) Rule applies and the Reorganized Debtors undergo another ownership change within two years after consummation of the plan of reorganization, then the reorganized corporation's use of any Pre Change Losses would be eliminated.

A corporation will qualify for the Section 382(l)(5) Rule if (a) the corporation's pre-bankruptcy stockholders and holders of certain debt (the "***Qualifying Debt***") receive, in respect of their claims, at least 50% of the stock of the reorganized corporation (or of a controlling corporation if also in bankruptcy) pursuant to a confirmed plan of reorganization, and (b) the corporation does not elect not to apply the Section 382(l)(5) Rule. Qualifying Debt includes any claim constituted by debt instruments which (i) were held by the same creditor for at least 18 months prior to the bankruptcy filing or (ii) arose in the ordinary course of a corporation's trade or business and have been owned, at all times, by the same creditor. Indebtedness will be treated as arising in the ordinary course of a corporation's trade or business if such indebtedness is incurred by the corporation in connection with the normal, usual or customary conduct of the corporation's business. For the purpose of determining whether a claim constitutes Qualifying Debt, special rules may in some cases apply to treat a subsequent transferee as the transferor creditor.

Where the Section 382(l)(5) Rule is not applicable (either because the debtor corporation does not qualify for it or otherwise elects not to utilize it), the Section 382 Limitation will apply but may be calculated under a special rule (the "***Section 382(l)(6) Rule***"). Where the Section 382(l)(6) Rule applies, a corporation in bankruptcy that undergoes an ownership change pursuant to a plan of reorganization values its stock to be used in computing the Section 382 Limitation by taking into account any increase in value resulting from the discharge of creditors' claims in the reorganization (rather than the value without taking into account such increases, as is the case under the general rule for non-bankruptcy ownership changes). However, unlike the Section 382(l)(5) Rule, the Section 382(l)(6) rule does not require the corporation's Pre-Change Losses to be reduced by Disqualified Interest and the reorganized corporation may undergo a subsequent ownership change within two years without triggering an elimination of its use of Pre-Change Losses.

The determination of the application of the Section 382(l)(5) Rule is highly fact specific and dependent on circumstances that are difficult to assess accurately. While it is not certain, ION does not currently believe that the Reorganized Debtors will utilize the Section 382(l)(5) Rule. In the event that the Reorganized Debtors do not use the 382(l)(5) Rule, ION expects that the Reorganized Debtors' use of any Pre-Change Losses after the Effective Date will be subject to a Section 382 Limitation computed by taking into account the Section 382(l)(6) Rule.

(v) Alternative Minimum Tax

In general, an alternative minimum tax ("***AMT***") is imposed on a corporation's alternative minimum taxable income ("***AMTI***") at a 20% rate to the extent such tax exceeds the corporation's regular federal income tax for the year. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular tax purposes by available NOL carry-forwards, only 90% of a corporation's taxable income from AMT purposes may be offset by available NOL carryforwards (as computed for AMT purposes).

In addition, if a corporation undergoes an ownership change, within the meaning of section 382 of the Tax Code and is in a net unrealized built-in loss position (as determined for AMT purposes) on the date of the ownership change, the corporation's aggregate tax basis in its assets would be adjusted for certain AMT purposes to reflect the fair market value of such assets as of the ownership change date.

Any AMT that a corporation pays generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future taxable years when the corporation is no longer subject to the AMT.

C. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS OF CLAIMS AND EQUITY INTERESTS

(i) Consequences to Holders of DIP Facility Claims and First Lien Debt Claims

Pursuant to the Plan, each Holder of an Allowed DIP Facility Claim may receive, and each Holder of an Allowed First Lien Debt Claim will receive, in full and final satisfaction of such Claim, its Pro Rata share of beneficial interests in the FCC Trust, or Special Warrants. Whether a Holder recognizes gain or loss as a result of this exchange depends, in part, on whether (a) the exchange qualifies as a recapitalization, and therefore a reorganization, or a Section 351 exchange (each of which depends on whether the debt instrument constituting a surrendered Claim constitutes a "security" for U.S. federal income tax purposes), (b) the FCC Trust qualifies as a "liquidating trust" within the meaning of Section 301.7701-4(d) of the Regulations, (c) the Holder has previously included in income any accrued but unpaid interest with respect to the surrendered Claim, (d) the Holder has claimed a bad debt deduction or worthless security deduction with respect to the surrendered Claim, and (e) the Holder uses the accrual or cash method of accounting for tax purposes. The United States federal income tax consequences of a Holder's receipt of beneficial interests in the FCC Trust and how such beneficial interests represent an undivided interest in the underlying assets of the FCC Trust, *i.e.*, the New Common Stock, are discussed separately in "--FCC Trust" below.

The receipt by a Holder of a DIP Facility Claim or a First Lien Debt Claim of beneficial interests in the FCC Trust or Special Warrants may be treated, if the debt instrument constituting the surrendered Claim is treated as a "security" for U.S. federal income tax purposes (see "--Treatment of a Debt Instrument as a 'Security"' below), as a Section 351 exchange or as a recapitalization, and therefore a reorganization, under the Tax Code. In either case, a Holder of a Claim will generally not recognize loss with respect to the exchange and will not recognize gain except to the extent that any beneficial interests in the FCC Trust or Special Warrants is treated as received in satisfaction of accrued but unpaid interest on the debt instruments constituting the surrendered Claim (see "--Accrued Interest" below). A Holder should obtain a tax basis in its beneficial interests in the FCC Trust or Special Warrants equal to its tax basis in the debt instruments constituting the Claim surrendered therefor, and a Holder should have a holding period for its beneficial interests in the FCC Trust or Special Warrants that includes the holding period of the debt instruments constituting the Claim surrendered therefor; provided that a Holder's tax basis in any beneficial interests in the FCC Trust or Special Warrants treated as received in satisfaction of accrued interest should equal the amount of such accrued interest, and the holding period for any such beneficial interests in the FCC Trust or Special Warrants should begin on the day following the Effective Date.

If the receipt by a Holder of a DIP Facility Claim or a First Lien Debt Claim of beneficial interests in the FCC Trust or Special Warrants is not treated as a recapitalization and is not treated as a Section 351 exchange, then a Holder of such a surrendered Claim should be treated as exchanging its Claim for beneficial interests in the FCC Trust or Special Warrants in a fully taxable exchange. In that case, a Holder should recognize (a) gain or loss equal to the difference between (i) the fair market value as of the Effective Date of the beneficial interests in the FCC Trust or Special Warrants received that is not allocable to accrued interest and (ii) the Holder's tax basis in the debt instruments constituting the Claim surrendered therefor. Such gain or loss should be capital in nature (subject to the rules described in "--Market Discount" below) and should be long term capital gain or loss if the surrendered Claim was held for more than one year by the Holder. To the extent that any amount of beneficial interests in the FCC Trust or Special Warrants received in the exchange is allocable to accrued but unpaid interest on the debt instruments constituting the surrendered Claim, the Holder may recognize ordinary interest income (see "--Accrued Interest" below). A Holder's tax basis in its beneficial interests in the FCC Trust or Special Warrants received on the Effective Date should equal the fair market value of such beneficial interests in the FCC Trust or Special Warrants as of the Effective Date, and a Holder's holding period for its beneficial interests in the FCC Trust or Special Warrants received on the Effective Date should begin on the day following the Effective Date.

FCC Trust. Pursuant to the Plan, a Holder of a DIP Facility Claim or a First Lien Debt Claim may receive a beneficial interest in the FCC Trust. The Debtors intend that the FCC Trust will qualify as a "liquidating trust" within the meaning of Section 301.7701-4(d) of the Regulations and will be treated as a grantor trust for United States federal income tax purposes, in which case beneficiaries of the FCC Trust should be treated as grantors and owners thereof. Thus, for all United States federal income tax purposes, the Debtors will treat a Holder's receipt of a beneficial interest in the FCC Trust as if such Holder had received a distribution of an undivided interest in the

assets of the FCC Trust, i.e. New Common Stock, and then contributed such interest to the FCC Trust. The United States federal income tax consequences to such Holder resulting from the exchange of such Holder's Claim for a beneficial interest in the FCC Trust should mirror the consequences that would follow, as described above, if such Holder had actually received the assets of the FCC Trust, i.e. New Common Stock in exchange for such Holder's Claim.

Although the FCC Trust has been structured with the intention of complying with guidelines established by the IRS in Rev. Proc. 94-45, 1994-2 C.B. 684, for the formation of liquidating trusts, it is possible that the IRS could require a different characterization of the FCC Trust, which could result in different and possibly greater tax liability to the FCC Trust and/or Holders that receive a beneficial interest in the FCC Trust. No ruling has been or will be requested from the IRS concerning the tax status of the FCC Trust and there can be no assurance that the IRS will not require an alternative characterization of the FCC Trust. If the IRS requires an alternative characterization of the FCC Trust, the United States federal income tax consequences to a Holder of the receipt of a beneficial interest in the FCC Trust may differ materially from the consequences summarized herein.

The Disbursing Agent will file tax returns with the IRS for the FCC Trust as a grantor trust in accordance with Section 1.671-4(a) of the Regulations. The Disbursing Agent will also send to each beneficiary of the FCC Trust a separate statement settling forth the beneficiary's allocable share of items of income, gain, loss, deduction or credit and will instruct the beneficiary to report such items on such beneficiary's federal income tax return. The Disbursing Agent will provide such Holders with valuations of the assets transferred to the FCC Trust on behalf of and for the benefit of such Holders, as provided by the Plan and the FCC Trust Agreement, and such valuations shall be used consistently by the FCC Trust and such Holders for all United States federal income tax purposes.

Treatment of the FCC Trust as a grantor trust will require a Holder that receives a beneficial interest in the FCC Trust to also report on its United States federal income tax return its share of the FCC Trust's items of income, gain, loss, deduction, and credit in the year recognized by the FCC Trust. This requirement may result in such Holder being subject to tax on its allocable share of the FCC Trust's taxable income prior to receiving any distributions from the FCC Trust. The Debtors anticipate that no distributions are likely to be made with respect to the New Common Stock prior to the liquidation of the FCC Trust. Thus, the Debtors do not expect that a Holder of a beneficial interest in the FCC Trust will be allocated taxable income from the FCC Trust prior to the liquidation of the FCC Trust. Upon a Holder's receipt of a liquidating distribution of assets, *i.e.*, the New Common Stock, by the FCC Trust, the Debtors do not expect such Holder to recognize any taxable income. Rather, such Holder should obtain a tax basis in the distributed assets, *i.e.*, the New Common Stock, equal to its tax basis in its beneficial interests in the FCC Trust, and a Holder should have a holding period for the distributed assets that includes the holding period in the beneficial interests with respect to which the liquidating distribution was made. A Holder that receives a beneficial interest in the FCC Trust is urged to consult its own tax advisors regarding the tax consequences of the right to receive and of the receipt of property from the FCC Trust.

Treatment of a Debt Instrument as a "Security." Whether a debt instrument constitutes a "security" for U.S. federal income tax purposes is determined based on all the relevant facts and circumstances, but most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that the instrument is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable or contingent and whether such payments are made on a current basis or accrued. Each Holder of a Claim should consult with its own tax advisor to determine whether or not the debt instrument underlying its Claim is a "security" for U.S. federal income tax purposes.

Accrued Interest. To the extent that any amount received by a Holder of a Claim is attributable to accrued but unpaid interest on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the Holder as ordinary interest income (to the extent not already taken into income by the Holder). Conversely, a Holder of a Claim may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent that any accrued interest was previously included in the Holder's gross income but was not paid in full by ION. Such loss may be ordinary, but the tax law is unclear on this point.

The extent to which an amount received by a Holder of a Claim will be attributable to accrued interest on the debt instrument constituting the Claim is unclear. Nevertheless, the Regulations generally treat a payment under a debt instrument first as a payment of accrued and unpaid interest and then as a payment of principal.

Market Discount. Under the "market discount" provisions of the Tax Code, some or all of any gain realized by a Holder of a Claim who exchanges the Claim for an amount on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its Holder's adjusted tax basis in the debt instrument is less than (i) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or (ii) in the case of a debt instrument issued with original issue discount, its adjusted issue price, by at least a de minimis amount (equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a Holder on the taxable disposition of a Claim that had been acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while such Claim was considered to be held by the Holder (unless the Holder elected to include market discount in income as it accrued). To the extent the debt instruments constituting a surrendered Claim had been acquired with market discount and are exchanged for New Common Stock, Special Warrants or Warrants in a recapitalization or a Section 351 exchange, any market discount that accrued on such debt instruments but was not recognized by the Holder may cause any gain recognized on the subsequent sale, exchange, redemption or other disposition of the New Common Stock, Special Warrants or Warrants to be treated as ordinary income to the extent of the accrued but unrecognized market discount with respect to the exchanged Claim.

(ii) Consequences to Holders of Second Priority Notes Claims and Unsecured Claims

Pursuant to the Plan, each Holder of an Allowed Second Priority Notes Claim will receive, in full and final satisfaction of such Claim, its Pro Rata share of the Second Lien Warrants, and each Holder of an Allowed Unsecured Claim will receive, in full and final satisfaction of such Claim, its Pro Rata share of the Unsecured Debt Warrants. Whether a Holder recognizes gain or loss as a result of the exchange depends, in part, on whether (a) the exchange qualifies as a recapitalization, and therefore a reorganization (which depends on whether both the debt instrument constituting a surrendered Claim and the Warrants received therefor constitute a "security" for U.S. federal income tax purposes), (b) the Holder has previously included in income any accrued but unpaid interest with respect to the surrendered Claim, (c) the Holder has claimed a bad debt deduction or worthless security deduction with respect to the surrendered Claim, and (d) the Holder uses the accrual or cash method of accounting for tax purposes.

The receipt by a Holder of a Second Priority Notes Claim or an Unsecured Claim of Warrants may be treated, if both the debt instrument constituting the surrendered Claim and the Warrants are treated as a "security" for U.S. federal income tax purposes (see "--Treatment of a Debt Instrument as a 'Security'" above), as a recapitalization, and therefore a reorganization, under the Tax Code. In that case, a Holder of a Claim will generally not recognize loss with respect to the exchange and will not recognize gain except to the extent that any Warrant is treated as received in satisfaction of accrued but unpaid interest on the debt instruments constituting the surrendered Claim (see "--Accrued Interest" above). A Holder should obtain a tax basis in its Warrants equal to its tax basis in the debt instruments constituting the Claim surrendered therefor, and a Holder should have a holding period for its Warrants that includes the holding period of the debt instruments constituting the Claim surrendered therefor; provided that a Holder's tax basis in any Warrants treated as received in satisfaction of accrued interest should equal the amount of such accrued interest, and the holding period for any such Warrant should begin on the day following the Effective Date.

If the receipt by a Holder of a Second Priority Notes Claim or an Unsecured Claim of Warrants is not treated as a recapitalization, then a Holder of such a surrendered Claim should be treated as exchanging its Claim for Warrants in a fully taxable exchange. In that case, a Holder should recognize (a) gain or loss equal to the difference between (i) the fair market value as of the Effective Date of the Warrants received that is not allocable to accrued interest and (ii) the Holder's tax basis in the debt instruments constituting the Claim surrendered therefor. Such gain or loss should be capital in nature (subject to the rules described in "--Market Discount" above) and should be long

term capital gain or loss if the surrendered Claim was held for more than one year by the Holder. To the extent that any amount of Warrants received in the exchange is allocable to accrued but unpaid interest on the debt instruments constituting the surrendered Claim, the Holder may recognize ordinary interest income (see "--Accrued Interest" above). A Holder's tax basis in its Warrants received on the Effective Date should equal the fair market value of such Warrants as of the Effective Date, and a Holder's holding period for its Warrants received on the Effective Date should begin on the day following the Effective Date.

If a Holder of a Claim allows the Warrants received under the Plan to expire, such Holder should recognize a capital loss equal to its basis (if any) in such expiring Warrants.

(iii) Consequences to Holders of Other Secured Claims

A Holder of an Other Secured Claim who receives Cash pursuant to the Plan generally will recognize income, gain, or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the amount of Cash received and (ii) the Holder's tax basis in the debt instruments underlying its Claim. The character of such income, gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Claim in such Holder's hands, whether the Claim constitutes a capital asset in the hands of the Holder, whether the Claim was purchased at a discount, whether and to what extent the Holder has either previously claimed a bad debt deduction with respect to its Claim, and whether and to what extent a portion of the Cash received represents accrued but unpaid interest that the Holder has not already taken into income. See "--Accrued Interest" and "--Market Discount" above.

(iv) Consequences to Holders of Equity Interests

Pursuant to the Plan, a Holder of Equity Interests will receive no distribution and its Equity Interests will be cancelled and extinguished, whether surrendered for cancellation or otherwise. Section 165(g) of the Tax Code permits a "worthless security deduction" for any security that is a capital asset that becomes worthless within the taxable year. Thus, a Holder of Equity Interests may be entitled to a worthless security deduction. The rules governing the timing and amount of worthless security deductions place considerable emphasis on the facts and circumstances of the Holder, the issuer, and the instrument with respect to which the deduction is claimed. Holders are therefore urged to consult their tax advisors with respect to their ability to take such a deduction.

(v) Limitation on Use of Capital Losses

A Holder of a Claim who recognizes capital losses as a result of the distributions under the Plan will be subject to limits on the use of such capital losses. For a non-corporate Holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the lesser of (1) $3,000 ($1,500 for married individuals filing separate returns) or (2) the excess of the capital losses over the capital gains. A non-corporate Holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate Holders, capital losses may only be used to offset capital gains. A corporate Holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year, but may carry over unused capital losses for the five years following the capital loss year.

(vi) Information Reporting and Back-up Withholding

Payments in respect of Allowed Claims under the Plan may be subject to applicable information reporting and backup withholding (currently at a rate of 28%). Backup withholding of taxes will generally apply to Payments in respect of an Allowed Claim under the Plan if the Holder of such Allowed Claim fails to provide an accurate taxpayer identification number or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a Holder's U.S. federal income tax liability, and a Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a federal income tax return).

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XVIII. RECOMMENDATION

In the opinion of ION and each of the Debtors, the Plan is preferable to the alternatives described in this Disclosure Statement because it provides for a larger distribution to the Debtors' creditors than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than Confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to Holders of Allowed Claims than proposed under the Plan. Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan support Confirmation of the Plan and vote to accept the Plan.

Dated: August 19, 2009

Respectfully submitted,

ION MEDIA NETWORKS, INC.
(for itself and on behalf of each of the Debtors)

By: */s/ R. Brandon Burgess*
Name: R. Brandon Burgess
Title: Chairman, Chief Executive Officer and President of ION Media Networks, Inc.

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Attorneys for the Debtors and Debtors in Possession

EXHIBIT A

Joint Plan of Reorganization

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
ION MEDIA NETWORKS, INC., *et al*.,	)	Case No. 09-13125 (JMP)
Debtors.	)	Jointly Administered

DEBTORS' JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

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Attorneys for the Debtors and Debtors in Possession

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INTRODUCTION

ION Media Networks, Inc. and its Debtor Subsidiaries in the above-captioned Chapter 11 Cases respectfully propose the following joint plan of reorganization under chapter 11 of the Bankruptcy Code. Capitalized terms used in the Plan and not otherwise defined herein shall have the meanings ascribed to such terms in Article I.A hereof.

ARTICLE I.

DEFINED TERMS, RULES OF INTERPRETATION,

COMPUTATION OF TIME, AND GOVERNING LAW

A. Defined Terms

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

1. "*11% Series A Notes Indenture*" means the Indenture, dated as of August 3, 2007 with respect to the 11% Series A Mandatorily Convertible Senior Subordinated Notes due 2013, between ION, as borrower, and U.S. Bank National Association (as successor to The Bank of New York Trust Company, N.A.), as trustee (as amended, restated, supplemented or otherwise modified from time to time).

2. "*11% Series B Notes Indenture*" means the Indenture, dated as of May 4, 2007 with respect to the 11% Series B Mandatorily Convertible Senior Subordinated Notes due 2013, between ION, as borrower, and U.S. Bank National Association (as successor to The Bank of New York Trust Company, N.A.), as trustee (as amended, restated, supplemented or otherwise modified from time to time).

3. "*Accrued Professional Compensation*" means, at any given moment, all accrued, contingent and/or unpaid fees and expenses (including, without limitation, success fees) for legal, financial advisory, accounting and other services and reimbursement of expenses that are awardable and allowable under sections 328, 330(a) or 331 of the Bankruptcy Code or otherwise rendered allowable before the Effective Date by any retained Professional in the Chapter 11 Cases, or that are awardable and allowable under section 503 of the Bankruptcy Code, that the Bankruptcy Court has not denied by a Final Order, all to the extent that any such fees and expenses have not been previously paid (regardless of whether a fee application has been Filed for any such amount). To the extent that the Bankruptcy Court or any higher court denies or reduces by a Final Order any amount of a professional's fees or expenses, then those reduced or denied amounts shall no longer constitute Accrued Professional Compensation.

4. "*Additional Consenting First Lien Lender*" means any Holder of a First Lien Debt Claim, other than an Initial Consenting First Lien Lender, who becomes a DIP Lender.

5. *"Administrative Claim*" means a Claim for costs and expenses of administration pursuant to sections 503(b), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors; (b) compensation for legal, financial advisory, accounting, and other services and reimbursement of expenses Allowed pursuant to sections 328, 330(a), or 331 of the Bankruptcy Code or otherwise for the period commencing on the Petition Date; (c) all fees and charges assessed against the Estates pursuant to chapter 123 of the Judicial Code; and (d) all requests for compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), and (5) of the Bankruptcy Code.

6. "*Affiliate*" has the meaning set forth in section 101(2) of the Bankruptcy Code and the DIP Credit Agreement.

7. "*Allowed*" means with respect to Claims: (a) any Claim proof of which is timely Filed by the applicable Claims Bar Date (or for which Claim under the Plan, the Bankruptcy Code, or Final Order of the Bankruptcy Court a Proof of Claim is or shall not be required to be Filed); (b) any Claim that is listed in the Schedules as not contingent, not unliquidated, and not disputed, and for which no Proof of Claim has been timely Filed; or (c) any Claim Allowed pursuant to the Plan; *provided, however,* that with respect to any Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that with respect to any Claim no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or such an objection is so interposed and the Claim shall have been Allowed for voting purposes only by a Final Order. Except for any Claim that is expressly Allowed herein, any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated or disputed, and for which no Proof of Claim has been Filed, is not considered Allowed and shall be expunged without further action by the Debtors and without further notice to any party or action, approval, or order of the Bankruptcy Court.

8. *"Avenue Capital"* means Avenue International Master, L.P., Avenue Investments, L.P., Avenue Special Situations Fund V, L.P., Avenue Special Situations Fund IV, L.P., and Avenue-CDP Global Opportunities Fund, L.P. and each of the foregoing entities' Affiliates.

9. *"Avoidance Actions"* means any and all claims and causes of action which any of the Debtors, the debtors in possession, the Estates, or other appropriate party in interest has asserted or may assert under sections 502, 510, 542, 544, 545, or 547 through 553 of the Bankruptcy Code or under similar or related state or federal statutes and common law, including fraudulent transfer laws. All Avoidance Actions shall be released pursuant to the Plan, unless otherwise listed in the retained Causes of Action filed as part of the Plan Supplement, which shall be subject to the consent of the Requisite Initial Lenders, which consent shall not be unreasonably withheld.

10. "*Balloting Agent*" means Financial Balloting Group LLC, located at 757 Third Avenue, 3rd Floor, New York, NY 10017, (646) 282-1800.

11. "*Ballots*" means the ballots accompanying the Disclosure Statement upon which certain Holders of Impaired Claims entitled to vote shall, among other things, indicate their acceptance or rejection of the Plan in accordance with the Plan and the procedures governing the solicitation process, and which must be actually received by the Balloting Agent on or before the Voting Deadline.

12. "*Bankruptcy Code*" means title 11 of the United States Code, 11 U.S.C. §§ 101–1532.

13. "*Bankruptcy Court*" means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Cases, and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157 and/or the order of the United States District Court for the Southern District of New York, the United States District Court for the Southern District of New York.

14. "*Bankruptcy Rules*" means the Federal Rules of Bankruptcy Procedure, as applicable to the Chapter 11 Cases, promulgated under section 2075 of the Judicial Code and the general, local, and chambers rules of the Bankruptcy Court.

15. *"Black Diamond"* means BDCM Opportunity Fund II, L.P., Black Diamond International Funding, Ltd., Black Diamond CLO 2005-1 Ltd., Black Diamond CLO 2005-2 Ltd., BDC Finance L.L.C. and Black Diamond CLO 2006-1 (Cayman) Ltd. and each of the foregoing entities' Affiliates.

16. "*Business Day*" means any day, other than a Saturday, Sunday, or "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

17. *"Canyon"* means The Canyon Value Realization Fund (Cayman), Ltd, Canyon Value Realization Fund, L.P., Canyon Balanced Equity Master Fund, Ltd, Canpartners Investments IV, LLC and each of the foregoing entities' Affiliates.

18. "*Cash*" means the legal tender of the United States of America or the equivalent thereof.

19. "*Causes of Action*" means any action, claim, cause of action, controversy, demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license, and franchise of any kind or character whatsoever, known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on, or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law. Cause of Action also includes: (a) any right of setoff, counterclaim, or recoupment and any claim on contracts or for breaches of duties imposed by law or in equity; (b) the right to object to Claims or Interests; (c) any claim pursuant to sections 362 or chapter 5 of the Bankruptcy Code; (d) any claim or defense including fraud, mistake, duress, and usury, and any other defenses set forth in section 558 of the Bankruptcy Code; (e) any state law fraudulent transfer claim; and (f) any claim listed in the Plan Supplement; *provided, however,* that notwithstanding anything herein, the Causes of Action shall not include Avoidance Actions unless otherwise listed as retained Causes of Action filed as part of the Plan Supplement.

20. "*Certificate"* means any instrument evidencing a Claim or an Interest.

21. "*Chapter 11 Cases*" means (a) when used with reference to a particular Debtor, the chapter 11 case pending for that Debtor under chapter 11 of the Bankruptcy Code in the Bankruptcy Court and (b) when used with reference to all Debtors, the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court under Case No. 09-13125 (JPM).

22. *"Citadel Directors"* means John C. Baylis, Rod Chay, Todd Gjervold and Joe Russell, each of whom formerly served on ION's Board of Directors before the Petition Date.

23. "*Claim*" means any claim against a Debtor as defined in section 101(5) of the Bankruptcy Code.

24. *"Claims Bar Date"* means the dates to be established by the Bankruptcy Court by which Proofs of Claim must be Filed.

25. "*Claims Objection Bar Date*" means, for each Claim, the later of (a) 180 days after the Effective Date and (b) such other period of limitation as may be specifically fixed by an order of the Bankruptcy Court for Filing such Claims.

26. *"Claims Register"* means the official register of Claims maintained by the Notice and Claims Agent.

27. "*Class*" means a category of Holders of Claims or Interests as set forth in Article III hereof pursuant to section 1122(a) of the Bankruptcy Code.

28. "*Committee*" means the official committee of unsecured creditors of the Debtors appointed by the U.S. Trustee in the Chapter 11 Cases on June 22, 2009, pursuant to section 1102 of the Bankruptcy Code, the members of which may be reconstituted from time to time.

29. "*Communications Act*" means Chapter 5 of Title 47 of the United States Code, 47 U.S.C. § 151 et seq., as amended.

30. "*Confirmation*" means the entry of the Confirmation Order on the docket of the Chapter 11 Cases, subject to all conditions specified in Article X.A hereof having been: (a) satisfied; or (b) waived pursuant to Article X.C hereof.

31. "*Confirmation Date*" means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

32. *"Confirmation Hearing"* means the hearing held by the Bankruptcy Court on Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.

33. "*Confirmation Order*" means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

34. *"Consenting First Lien Lenders"* means the Initial Consenting First Lien Lenders and the Additional Consenting First Lien Lenders.

35. "*Consummation*" means the occurrence of the Effective Date.

36. "*Conversion Equity*" means 62.5% (subject to any future stock re-allocations as set forth in the DIP Credit Agreement and the New Shareholders Agreement) of New Common Stock (or beneficial interests in the FCC Trust, if applicable) on a fully diluted basis after giving effect to all (i) New Common Stock (or beneficial interests in the FCC Trust, if applicable) and (ii) New Common Stock issuable upon exercise of the Special Warrants, in each case issued on the Effective Date.

37. "*Corporate Governance Documents*" means the (i) New Certificates of Incorporation, (ii) New By-Laws, (iii) New Shareholders Agreement, (iv) Registration Rights Agreement, (v) Warrants; (vi) Special Warrants; and (vii) FCC Trust Agreement; each of which shall be filed with the Bankruptcy Court by the Corporate Governance Documents Deadline.

38. "*Corporate Governance Documents Deadline*" means no later than two (2) days before the Voting Deadline, unless the Corporate Governance Documents Deadline is extended by each of the Initial Consenting First Lien Lenders or prior thereto brought before the Bankruptcy Court to determine the reasonableness thereof.

39. *"Cure Claim"* means a Claim based upon a monetary default, if any, by any Debtor on an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the Debtors pursuant to sections 365 or 1123 of the Bankruptcy Code.

40. *"D&O Liability Insurance Policies"* means all insurance policies for directors', managers', and officers' liability maintained by the Debtors as of the Petition Date.

41. "*Debtor*" means one of the Debtors, in its individual capacity as a debtor and debtor in possession in the Chapter 11 Cases.

42. "*Debtor Subsidiary*" means any of: America 51, L.P.; ION Media Akron License, Inc.; ION Media Albany License, Inc.; ION Media Atlanta License, Inc.; ION Media Battle Creek License, Inc.; ION Media Boston License, Inc.; ION Media Brunswick License, Inc.; ION Media Buffalo License, Inc.; ION Media Charleston License, Inc.; ION Media Chicago License, Inc.; ION Media Dallas License, Inc.; ION Media Denver License, Inc.; ION Media Des Moines License, Inc.; ION Media Entertainment, Inc.; ION Media Greensboro License, Inc.; ION Media Greenville License, Inc.; ION Media Hartford License, Inc.; ION Media Hawaii License, Inc.; ION Media Hits, Inc.; ION Media Holdings, Inc.; ION Media Houston License, Inc.; ION Media Indianapolis License, Inc.; ION Media Jacksonville License, Inc.; ION Media Kansas City License, Inc.; ION Media Knoxville License, Inc.; ION Media Lexington License, Inc.; ION Media License Company, LLC; ION Media Los Angeles License, Inc.; ION Media LPTV, Inc.; ION Media Management Company.; ION Media Martinsburg License, Inc.; ION Media Memphis License, Inc.; ION Media Milwaukee License, Inc.; ION Media Minneapolis License, Inc.; ION Media New Orleans License, Inc.; ION Media of Akron, Inc.; ION Media of Albany, Inc.; ION Media of Atlanta, Inc.; ION Media of Battle Creek, Inc.; ION Media of Birmingham, Inc.; ION Media of Boston, Inc.; ION Media of Brunswick, Inc.; ION Media of Buffalo, Inc.; ION Media of Cedar Rapids, Inc.; ION Media of Charleston, Inc.; ION Media of Chicago, Inc.; ION Media of Dallas, Inc.; ION Media of Denver, Inc.; ION Media of Des Moines, Inc.; ION Media of Detroit, Inc.; ION Media of Fayetteville, Inc.; ION Media of Greensboro, Inc.; ION Media of Greenville, Inc.; ION Media of Hartford, Inc.; ION Media of Honolulu, Inc.; ION Media of Houston, Inc.; ION Media of Indianapolis, Inc.; ION Media of Jacksonville, Inc.; ION Media of Kansas City, Inc.; ION Media of Knoxville, Inc.; ION Media of Lexington, Inc.; ION Media of Los Angeles, Inc.; ION Media of Louisville, Inc.; ION Media of

Martinsburg, Inc.; ION Media of Memphis, Inc.; ION Media of Miami, Inc.; ION Media of Milwaukee, Inc.; ION Media of Minneapolis, Inc.; ION Media of Nashville, Inc.; ION Media of New Orleans, Inc.; ION Media of New York, Inc.; ION Media of Norfolk, Inc.; ION Media of Oklahoma City, Inc.; ION Media of Orlando, Inc.; ION Media of Philadelphia, Inc.; ION Media of Phoenix, Inc.; ION Media of Portland, Inc.; ION Media of Providence, Inc.; ION Media of Raleigh, Inc.; ION Media of Roanoke, Inc.; ION Media of Sacramento, Inc.; ION Media of Salt Lake City, Inc.; ION Media of San Antonio, Inc.; ION Media of San Jose, Inc.; ION Media of Scranton, Inc.; ION Media of Seattle, Inc.; ION Media of Spokane, Inc.; ION Media of Syracuse, Inc.; ION Media of Tampa, Inc.; ION Media of Tulsa, Inc.; ION Media of Washington, Inc.; ION Media of Wausau, Inc.; ION Media of West Palm Beach, Inc.; ION Media Oklahoma City License, Inc.; ION Media Orlando License, Inc.; ION Media Philadelphia License, Inc.; ION Media Portland License, Inc.; ION Media Publishing, Inc.; ION Media Raleigh License, Inc.; ION Media Sacramento License, Inc.; ION Media Salt Lake City License, Inc.; ION Media San Antonio License, Inc.; ION Media San Jose License, Inc.; ION Media Scranton License, Inc.; ION Media Songs, Inc.; ION Media Spokane License, Inc.; ION Media Syracuse License, Inc.; ION Media Television, Inc.; ION Media Tulsa License, Inc.; ION Media Washington License, Inc.; ION Media Wausau License, Inc.; ION Media West Palm Beach Holdings, Inc.; ION Media West Palm Beach License, Inc.; ION Television Net, Inc.; Ocean State Television, L.L.C.; and Open Mobile Ventures Corporation.

43. "*Debtor Subsidiaries*" means each Debtor Subsidiary, collectively.

44. "*DIP Agent*" means Wilmington Trust FSB, in its capacity as administrative and collateral agent under the DIP Facility, together with its successors and assigns in such capacity.

45. "*DIP Commitment*" means the superpriority priming multiple draw term loan facility in an aggregate principal amount of up to $150 million in respect of New Money Loans under the DIP Credit Agreement.

46. "*DIP Credit Agreement*" means that certain Amended and Restated Debtor In Possession Credit Agreement, dated as of July 6, 2009 (as amended, restated, supplemented or otherwise modified from time to time), among ION, as borrower, each of the Debtor Subsidiaries, as subsidiary guarantors, the lenders party thereto and the DIP Agent.

47. "*DIP Facility*" means that certain debtor in possession credit facility entered into pursuant to the DIP Credit Agreement.

48. "*DIP Facility Claims*" means any Claim derived from or based upon the DIP Credit Agreement and the other "Loan Documents," as defined therein.

49. "*DIP Lenders*" means the banks, financial institutions, and other lender parties to the DIP Credit Agreement from time to time, each in their capacity as such, including the Initial Consenting First Lien Lenders and the Additional Consenting First Lien Lenders that participate pursuant to the terms of the DIP Credit Agreement and those certain New Money Commitment syndication procedures dated July 14, 2009.

50. *"DIP Order"* means the Final Order (i) Authorizing Postpetition Secured Financing Pursuant to 11 U.S.C. §§ 105(a), 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e), (ii) Authorizing the Debtors' Use of Cash Collateral Pursuant to 11 U.S.C. § 363 and (iii) Granting Adequate Protection Pursuant to 11 U.S.C. §§ 361, 363 and 364 [Docket No. 142].

51. "*Disbursing Agent*" means the Reorganized Debtors, the Prepetition Agents or the Entity or Entities chosen by the Reorganized Debtors to make or facilitate distributions pursuant to the Plan.

52. "*Disclosure Statement*" means the *Disclosure Statement for the Debtors' Joint plan of reorganization Pursuant to Chapter 11 of the Bankruptcy Code*, dated August 19, 2009, as amended, supplemented, or modified from time to time, including all exhibits and schedules thereto and references therein that relate to the Plan, that is prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules, and any other applicable law.

53. "*Disputed*" means, with respect to any Claim or Interest, any Claim or Interest that is not yet Allowed.

54. *"Distribution Date"* means the date that is as soon as practicable after the Effective Date, but no later than 10 days after the Effective Date.

55. "*Distribution Record Date*" means the date that the Confirmation Order is entered by the Bankruptcy Court.

56. "*Effective Date*" means the later to occur of: (i) the date on which the Confirmation Order becomes a Final Order and (ii) three (3) Business Days after the date that FCC Approval is obtained; *provided, however,* in each case, the conditions specified in Article X.B. have been satisfied or waived.

57. "*Entity*" means an entity as defined in section 101(15) of the Bankruptcy Code.

58. "*Equity Incentive Program"* means that certain post-Effective Date Equity Incentive Program providing for a certain percentage of New Common Stock, not to exceed 10% of the issued and outstanding New Common Stock and New Common Stock issuable upon exercise of the Special Warrants, in each instance on the Effective Date, to be reserved for issuance as options, equity or equity-based grants in connection with the Reorganized Debtors' management equity incentive program and/or director equity incentive program, the terms of which shall be determined by the Requisite Initial Lenders with the Initial Consenting First Lien Lenders working in good faith to set forth the terms of the Equity Incentive Program in the Plan Supplement; but in no event shall the terms of the Equity Incentive Program be determined by the Requisite Initial Lenders and subsequently implemented by the FCC Trustees or the New Board (as applicable) no later than 60 days after the Confirmation Order becomes a Final Order; *provided, however,* that the grant of any awards issued pursuant to the Equity Incentive Program shall not vest until the Transfer of Control occurs.

59. "*Equity Interest*" means any share of common stock, preferred stock or other instrument evidencing an ownership interest in any of the Debtors, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest in a Debtor that existed immediately before the Effective Date, including any Claim subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising therefrom; *provided, however,* that Equity Interest does not include any Intercompany Interest.

60. "*Estate*" means, as to each Debtor, the estate created for the Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

61. *"Exculpated Claim"* means any claim related to any act or omission in connection with, relating to, or arising out of the Debtors' in or out of court restructuring efforts, the Debtors' Chapter 11 Cases, formulation, preparation, dissemination, negotiation or filing of the Disclosure Statement or the Plan or any contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement or the Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance of Plan Securities, or the distribution of property under the Plan or any other agreement; *provided, however,* that Exculpated Claims shall not include any act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct. For the avoidance of doubt, no Claim, obligation or liability expressly set forth in, arising under, or preserved by the Plan or the Plan Supplement constitutes an Exculpated Claim.

62. "*Exculpated Party*" means each of: (a) the Debtors, the Reorganized Debtors and their Affiliates, (b) the DIP Agent and the DIP Lenders, each in their capacity as such; (c) the Creditors' Committee and the members thereof in their capacity as such; (d) the Consenting First Lien Lenders in their capacity as such; (e) the Prepetition Agents, each in their capacity as such; (f) the FCC Trustees, in their capacity as such, (g) Avenue Capital, Black Diamond, Canyon and Trilogy and (h) with respect to each of the foregoing Entities in clauses (a) through (g), such Entities' subsidiaries, affiliates, managed accounts or funds, officers, FCC Trustees, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other Professionals; *provided, however,* that with respect

to officers and directors of the Debtors, only the current directors and officers of the Debtors, any additional officers and directors as of the Effective Date and the Citadel Directors shall be deemed "Exculpated Parties."

63. "*Exculpation*" means the exculpation provision set forth in Article IX.D hereof.

64. "*Executory Contract*" means a contract to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

65. *"Exit Facility"* means the exit facility entered into pursuant to the Exit Facility Agreement.

66. "*Exit Facility Agent*" means the administrative agent to be appointed under the Exit Facility Agreement, which administrative agent may be changed or substituted without further order of the Court.

67. "*Exit Facility Agreement*" means that agreement to be executed by Reorganized ION on or before the Effective Date, including any agreements, amendments, supplements or documents related thereto, which provides for an exit credit facility in an aggregate principal amount of $10 million, to be provided by one or more Initial Consenting First Lien Lenders at their option, the substantially final form of which shall be Filed as part of the Plan Supplement and acceptable to the Requisite Initial Lenders.

68. "*Exit Facility Documents*" means, collectively, all related agreements, documents or instruments to be executed or delivered in connection with the Exit Facility and the Exit Facility Agreement.

69. "*FCC*" means the Federal Communications Commission and any successor governmental agency performing functions similar to those performed by the Federal Communications Commission on the Effective Date.

70. "*FCC Applications*" means the requisite FCC applications to be filed in connection with this restructuring.

71. "*FCC Approval*" means an action by the FCC (including any action duly taken by the FCC's staff pursuant to delegated authority) granting its consent to either the (1) Transfer of Control or (2) transfer of the New Common Stock to the FCC Trust pending FCC approval of the Transfer of Control, whichever comes first.

72. "*FCC Licenses*" means broadcasting and other licenses, authorizations, waivers and permits which are issued from time to time by the FCC.

73. "*FCC Trust*" means the trust or other entity acceptable to the FCC that may be created on or before the Effective Date into which the New Common Stock will be issued if the FCC Trust is utilized as described herein.

74. *"FCC Trust Agreement"* means the liquidating trust agreement to be Filed as part of the Plan Supplement, which will, among other things: (a) establish and govern the FCC Trust and (b) set forth the respective powers, duties and responsibilities of the FCC Trustees and which shall be reasonably acceptable to each of the Initial Consenting First Lien Lenders.

75. *"FCC Trustees"* means those Persons serving as the existing board of directors of ION plus three additional independent Persons who shall be appointed by the Debtors, with the consent of each of the Consenting First Lien Lenders, and identified in the Plan Supplement and retained as of the Effective Date. The FCC Trustees shall be the fiduciaries responsible for implementing the applicable provisions of the Plan relating to the FCC Trust in accordance with the FCC Trust Agreement. If the New Common Stock is transferred to the FCC Trust, the boards of directors of Reorganized ION and the Reorganized Debtor Subsidiaries during the period that the New Common Stock is held by the FCC Trust shall consist of the same individuals as the FCC Trustees.

76. "*Fee Claim*" means a Claim for Accrued Professional Compensation.

77. "*File*," "*Filed*," or "*Filing*" means file, filed, or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

78. "*Final Order*" means, as applicable, an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter, which has not been reversed, stayed, modified, or amended, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be Filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or the new trial, reargument or rehearing shall have been denied, resulted in no modification of such order or has otherwise been dismissed with prejudice.

79. "*First Lien Debt Claims*" means, collectively, the Prepetition Credit Facility Claims, the First Priority Secured Swap Claims and the First Priority Notes Claims.

80. "*First Lien Debt*" means, collectively, the Prepetition Credit Facility, the Prepetition Hedges and the First Priority Notes.

81. *"First Lien Debt Deficiency Claim"* means the portion, if any, of the First Lien Debt Claim that exceeds the value of any Lien securing such indebtedness, including any Lien on collateral.

82. "*First Priority Indenture"* means the Indenture, dated as of December 30, 2005, by and among ION, as borrower, the subsidiary guarantors party thereto and the First Priority Notes Trustee, as amended, providing for the issuance by ION of the First Priority Notes.

83. "*First Priority Notes*" means $400 million aggregate principal amount of ION's Floating Rate First Priority Senior Secured Notes due 2012, issued under the First Priority Indenture.

84. "*First Priority Notes Claims*" means any Claim derived from or based upon the First Priority Indenture; *provided* that First Priority Notes Claims shall not include Section 510(b) Claims.

85. *"First Priority Notes Trustee"* means The Bank of New York Trust Company, NA, in its capacity as trustee under the First Priority Indenture, together with its successors and assigns in such capacity.

86. "*First Priority Secured Swap Claims*" means any Claim derived from or based upon the Prepetition Hedges; *provided* that First Priority Secured Swap Claims shall not include Section 510(b) Claims.

87. *"General Unsecured Claims"* means any: (a) Senior Subordinated Notes Claim; (b) First Lien Debt Deficiency Claim; and (c) unsecured Claim against any of the Debtors that is not an Administrative Claim, a Priority Tax Claim, an Other Priority Claim, a Section 510(b) Claim, a Fee Claim or an Intercompany Claim.

88. "*Governmental Unit*" means a governmental unit as defined in section 101(27) of the Bankruptcy Code.

89. "*Holder*" means any Person or Entity holding a Claim or an Interest.

90. "*Impaired*" means any Claim or Interest in an Impaired Class.

91. "*Impaired Class*" means an impaired Class within the meaning of section 1124 of the Bankruptcy Code.

92. *"Indemnification Provision"* means each of the indemnification provisions currently in place whether in the bylaws, certificates of incorporation or other formation documents in the case of a limited liability company, board resolutions or employment contracts for the current and former directors, officers, members (including *ex officio* members), employees, attorneys, other professionals and agents of the Debtors and such current and former directors, officers and members' respective Affiliates.

93. *"Indemnified Parties"* means, collectively, the Debtors and each of their respective current and former officers, directors, managers and employees, each in their respective capacities as such.

94. *"Initial Consenting First Lien Lenders"* means (i) Avenue Capital, (ii) Black Diamond, (iii) Canyon and (iv) Trilogy.

95. "*Intercompany Claim*" means any Claim held by a Debtor against another Debtor.

96. "*Intercompany Interest*" means an Equity Interest in a Debtor held by another Debtor.

97. "*Intercreditor Agreement*" means Annex 1 to the Prepetition Security Agreement, entitled "The Collateral Agent and Secured Party Acknowledgments."

98. "*Interests*" means, collectively, Equity Interests and Intercompany Interests.

99. "*Interim Compensation Order*" means the *Order Granting Debtors' Motion to Establish Procedures for Interim Compensation and Reimbursement of Expenses for Professionals* [Docket No. 102].

100. "*ION*" means ION Media Networks, Inc., a Delaware corporation.

101. *"ION Equity Interests"* means the Equity Interests in ION and the Debtor Subsidiaries, excluding Intercompany Interests held by ION or the Debtor Subsidiaries.

102. "*Judicial Code*" means title 28 of the United States Code, 28 U.S.C. §§ 1–4001.

103. "*Lien*" means a lien as defined in section 101(37) of the Bankruptcy Code.

104. "*Long Form Application*" means the application filed with the FCC seeking approval for the Transfer of Control.

105. "*Local Bankruptcy Rules*" means the Local Bankruptcy Rules for the Southern District of New York.

106. "*New Board*" means the initial board of directors of Reorganized ION following Transfer of Control.

107. "*New By-Laws*" means the form of the by-laws of each of the Reorganized Debtors, which form will be included in the Plan Supplement and reasonably acceptable to each of the Initial Consenting First Lien Lenders.

108. "*New Certificate of Incorporation*" means the form of the certificates of incorporation of each of the Reorganized Debtors, which form will be included in the Plan Supplement and reasonably acceptable to each of the Initial Consenting First Lien Lenders.

109. "*New Common Stock*" means the new common stock, par value $.001 per share, of Reorganized ION issued on the Effective Date.

110. "*New Employment Agreements*" mean the employment agreement between Reorganized ION and R. Brandon Burgess, in his capacity as President, Chairman and Chief Executive Officer (the "CEO"), and any other employment agreements between Reorganized ION and any other member of the Debtors' current management, which shall be negotiated by the CEO and the Initial Consenting First Lien Lenders, the form of all such agreements (including the new agreement with the CEO) to be included in the Plan Supplement and acceptable to the Requisite Initial Lenders.

111. "*New Money Commitment*" means, with respect to each DIP Lender, the commitment, if any, of such DIP Lender to make a New Money Loan under the DIP Credit Agreement. The initial aggregate amount of the New Money Commitment is $150 million.

112. "*New Money Loans*" means the loans made pursuant to Section 2.01(a) of the DIP Credit Agreement.

113. "*New Shareholders Agreement*" means that certain agreement to be executed on or before the Effective Date providing for, among other things, the rights and obligations of the Holders of the New Common Stock, the form of which will be Filed pursuant to the Plan Supplement and reasonably acceptable to each of the Initial Consenting First Lien Lenders, which shall take into account the possibility that if the final $50 million of the DIP Commitment is not funded or contributed within one year after Consummation, then the Conversion Equity issued shall be reduced, Pro Rata, such that the Conversion Equity shall equal 62.5% of the New Common Stock on a fully diluted basis, multiplied by a fraction, the numerator of which is the sum of the principal amount of New Money Loans advanced plus equity contributions actually made as of such date, and the denominator of which is $150 million.

114. "*Notice and Claims Agent*" means Kurtzman Carson Consultants LLC, located at 2335 Alaska Avenue, El Segundo, California 90245, (866) 967-0678, retained as the Debtors' notice, claims and solicitation agent.

115. "*Ordinary Course Professional Order*" means the *Order Authorizing the Debtors' Retention and Compensation of Certain Professionals Utilized in the Ordinary Course of Business* [Docket No. 107].

116. "*Other Priority Claim*" means any Claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than: (a) an Administrative Claim; or (b) a Priority Tax Claim.

117. "*Other Secured Claim*" means any Secured Claim that is not: (a) a DIP Facility Claim; (b) a First Lien Debt Claim; or (c) a Second Priority Notes Claim.

118. "*Ownership Certification*" means a written certification in form and substance satisfactory to Reorganized ION to the effect that a Person is a U.S. Person and that the direct and indirect voting and economic interests of such Person are held by Persons at least 75% of whom are U.S. Persons for purposes of Section 310(b)(iv) of the Communications Act as interpreted and applied by the FCC.

119. "*Person*" means a "person" as defined in section 101(41) of the Bankruptcy Code.

120. "*Petition Date*" means May 19, 2009.

121. "*Plan*" means this *Debtors' Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code*, as amended, supplemented, or modified from time to time, including the Plan Supplement, which is incorporated herein by reference.

122. "*Plan Securities*" means, collectively, the New Common Stock, the Special Warrants, the Warrants and, if applicable, the beneficial interests in the FCC Trust and the shares of New Common Stock to be issued to the holders of such beneficial interests after FCC approval of the Transfer of Control.

123. "*Plan Supplement*" means the compilation of documents and forms of documents, schedules, and exhibits to the Plan to be Filed by the Debtors no later than ten (10) days before the Confirmation Hearing or such later date as may be approved by the Bankruptcy Court on notice to parties in interest, as it may thereafter be altered, amended, modified, or supplemented from time to time in accordance with the terms hereof and in accordance with the Bankruptcy Code and the Bankruptcy Rules, and additional documents Filed with the Bankruptcy Court before the Effective Date as amendments to the Plan Supplement, comprising, without limitation, the following: (a) to the extent known, the identity of the members of the New Board and the nature and amount of compensation for any member of the New Board who is an "insider" under section 101(31) of the Bankruptcy Code; (b) a list of Executory

Contracts and Unexpired Leases to be assumed; (c) a list of retained Causes of Action, which shall be subject to the consent of the Requisite Initial Lenders, which consent shall not be unreasonably withheld; (d) the form of the Exit Facility Agreement; (e) the New Employment Agreements; and (f) the Corporate Governance Documents; *provided, however,* that the Corporate Governance Documents shall be filed with the Bankruptcy Court by the Corporate Governance Documents Deadline.

124. "*Post-Effective Date Commitment*" means the $50 million portion of the New Money Commitment made pursuant to the DIP Credit Agreement, which is required to be funded by the DIP Lenders on the earlier to occur of (x) the date the board of directors of Reorganized ION determines in its reasonable discretion that such funding is necessary and (y) one (1) year after the Transfer of Control.

125. "*Prepetition Administrative Agent*" means Wells Fargo Bank, N.A., in its capacity as administrative agent under the Prepetition Credit Facility, together with its successors and assigns in such capacity.

126. "*Prepetition Agent*" means the Prepetition Administrative Agent, the Prepetition Collateral Agent and the First Lien Indenture Trustee.

127. "*Prepetition Collateral*" means the "Collateral" as such term is defined in the Prepetition Security Agreement.

128. "*Prepetition Collateral Agent*" means The Bank of New York Trust Company, NA, in its capacity as collateral agent under the Prepetition Credit Facility, together with its successors and assigns in such capacity.

129. "*Prepetition Credit Facility*" means the Term Loan Agreement, dated as of December 30, 2005 (as amended, restated, supplemented or otherwise modified from time to time), among ION (formerly known as Paxson Communications Corporation), as borrower, the subsidiary guarantors party thereto, the lenders party thereto and the Prepetition Administrative Agent.

130. "*Prepetition Credit Facility Claims*" means any Claim derived from or based upon the Prepetition Credit Facility; *provided* that Prepetition Credit Facility Claims shall not include Section 510(b) Claims.

131. "*Prepetition Hedges*" means (a) that certain ISDA Master Agreement, dated February 22, 2006 among Goldman Sachs Capital Markets, L.P., ION, as borrower, and the subsidiary guarantors party thereto, as amended and supplemented by a Schedule to the Master Agreement, dated February 22, 2006 and two Confirmations, each dated February 22, 2006, in the notional amounts of $326,250,000 and $182,250,000 and (b) that certain ISDA Master Agreement, dated February 22, 2006 among UBS AG, ION, as borrower, and the subsidiary guarantors party thereto, as amended and supplemented by a Schedule to the Master Agreement, dated February 22, 2006 and two Confirmations, each dated February 22, 2006, in the notional amounts of $398,750,000 and $222,750,000.

132. "*Prepetition Security Agreement*" means the "Security Agreement" as such term is defined in the Prepetition Credit Facility.

133. "*Priority Tax Claim*" means any Claim of a Governmental Unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

134. "*Priority Tax Claims Bar Date*" means the first Business Day that is 180 days after the Confirmation Date.

135. "*Pro Rata*" means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims in that Class, or the proportion that Allowed Claims in a particular Class bear to the aggregate amount of Allowed Claims in a particular Class and other Classes entitled to share in the same recovery as such Allowed Claim under the Plan.

136. "*Professional*" means an Entity: (a) retained pursuant to a Final Order in accordance with sections 327, 363, or 1103 of the Bankruptcy Code and to be compensated for services rendered before or on the Confirmation Date, pursuant to sections 327, 328, 329, 330, 363, and 331 of the Bankruptcy Code; or (b) awarded compensation and reimbursement by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

137. "*Proof of Claim*" means a proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.

138. *"Registration Rights Agreement"* means the form of registration rights agreement providing for registration rights of the New Common Stock reasonably acceptable to each of the Initial Consenting First Lien Lenders, which form will be included in the Plan Supplement.

139. "*Rejection Claim*" means a Claim arising from the rejection of an Executory Contract or Unexpired Lease.

140. "*Rejection Claims Bar Date*" means the first Business Day that is 30 days after the earlier of: (x) the date of entry of an order of the Bankruptcy Court approving the rejection of the relevant Executory Contract or Unexpired Lease; and (y) the Effective Date.

141. "*Releasing Parties*" means all Entities who have held, hold, or may hold Claims or Interests that have been released pursuant to Article X.B or Article IX.C, discharged pursuant to Article IX.E or are subject to exculpation pursuant to Article X.D.

142. "*Released Party*" means each of: (a) the DIP Agent and the DIP Lenders, each in their capacity as such; (b) the Creditors' Committee and the members thereof in their capacity as such; (c) the Consenting First Lien Lenders in their capacity as such; (d) the Prepetition Agents, each in their capacity as such; (e) the FCC Trustees, in their capacity as such, (f) Avenue Capital, Black Diamond, Canyon and Trilogy; (g) in each case in their capacity as such, with respect to each of the foregoing Entities in clauses (a) through (f), such Entities' subsidiaries, affiliates, managed accounts or funds, officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other Professionals; and (h) in each case in their capacity as such and only if serving in such capacity, the Debtors' and the Reorganized Debtors' officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other Professionals; *provided, however,* that with respect to officers and directors of the Debtors, only the current directors and officers of the Debtors, any additional officers and directors serving as of the Effective Date and the Citadel Directors shall be deemed "Released Parties."

143. "*Reorganized Debtors*" means the Debtors, in each case, or any successor thereto, by merger, consolidation or otherwise, on or after the Effective Date.

144. *"Reorganized ION"* means ION Media Networks, Inc. as reorganized under and pursuant to the Plan, or any successor thereto, by merger, consolidation, transfer of substantially all assets or otherwise, on and after the Effective Date.

145. *"Requisite Initial Lenders"* means three out of four of the Initial Consenting First Lien Lenders.

146. "*Schedules*" means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases, and statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code and in substantial accordance with the Official Bankruptcy Forms, as the same may have been amended, modified, or supplemented from time to time.

147. "*Second Lien Warrants*" means those warrants, which shall be gifted by the Holders of First Lien Debt Claims to the Holders of Second Priority Note Claims pursuant to the terms set forth in Article III.C.4 below, that are issued by Reorganized ION on or as soon as reasonably practicable after the Effective Date to the Holders of Second Priority Notes Claims in full and final satisfaction of all Second Priority Notes Claims to purchase 5% of the New Common Stock with a strike price equivalent to a $1 billion total equity value for Reorganized ION, which will

expire on the five (5) year anniversary of the Effective Date and will not be exercisable before FCC approval of the Transfer of Control, the substantially final form of which shall be reasonably acceptable to the Debtors and to at least two of the four Initial Consenting First Lien Lenders.

148. "*Second Priority Indenture*" means the Indenture, dated as of the December 30, 2005, by and among ION, as borrower, the subsidiary guarantors party thereto and the Second Priority Notes Trustee, as amended, providing for the issuance by ION of the Second Priority Notes.

149. "*Second Priority Notes*" means $448.075 million aggregate principal amount of ION's Floating Rate Second Priority Senior Secured Notes due 2013 issued under the Second Priority Notes Indenture.

150. "*Second Priority Notes Claims*" means any Claim derived from or based upon the Second Priority Indenture; *provided* that Second Priority Notes Claims shall not include Section 510(b) Claims.

151. *"Second Priority Notes Trustee"* means Manufacturers and Traders Trust Company (as successor to The Bank of New York Trust Company, NA), in its capacity as trustee under the Second Priority Indenture, together with its successors and assigns in such capacity.

152. "*Section 510(b) Claims*" means any Claim that is subordinated or subject to subordination under section 510(b) of the Bankruptcy Code, including Claims arising from the recission of a purchase or sale of a security of the Debtors for damages arising from such purchase or sale, or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such a Claim.

153. "*Secured*" means when referring to a Claim: (a) secured by a Lien on property in which the Estate has an interest, which Lien is valid, perfected, and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code; or (b) otherwise Allowed pursuant to the Plan as a Secured Claim.

154. "*Secured Claim*" means a Claim that is Secured.

155. "*Securities Act*" means the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, as amended.

156. "*Securities Exchange Act*" means the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78nn, as amended.

157. "*Senior Subordinated Notes*" means: (a) the 11% Series A Mandatorily Convertible Senior Subordinated Notes issued pursuant to the 11% Series A Notes Indenture; and (b) the 11% Series B Mandatorily Convertible Senior Subordinated Notes issued pursuant to the 11% Series B Notes Indenture.

158. "*Senior Subordinated Notes Indentures*" means: (a) the 11% Series A Notes Indenture; and (b) the 11% Series B Notes Indenture.

159. "*Senior Subordinated Notes Claims*" means any Claim derived from or based upon the Senior Subordinated Notes.

160. "*Special Warrant*" means a 30 year warrant issued by Reorganized ION, with a nominal exercise price, to purchase New Common Stock, the terms of which will provide that it will not be exercisable (i) before FCC approval of the Transfer of Control and (ii) by any Person unless such Person delivers an Ownership Certification to Reorganized ION and such exercise otherwise complies with applicable law, the substantially final form of which shall be Filed with the Court by the Corporate Governance Documents Deadline and shall be reasonably acceptable to each of the Initial Consenting First Lien Lenders.

161. "*Transfer of Control*" means the transfer of control of ION to the Initial Consenting First Lien Lenders or an entity formed by the Initial Consenting First Lien Lenders.

162. *"Trilogy"* means Trilogy Portfolio Company LLC, Mariner LDC and each of the foregoing entities' Affiliates.

163. "*Unexpired Lease*" means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

164. "*Unimpaired*" means, with respect to a Class of Claims or Interests, a Claim or an Interest that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.

165. "*Unsecured Debt Warrants*" means those warrants, which shall be gifted by the Holders of First Lien Debt Claims to the Holders of General Unsecured Claims pursuant to the terms set forth in Article III.C.5 below, to be issued by Reorganized ION on or as soon as reasonably practicable after the Effective Date to the Holders of General Unsecured Claims to purchase 5% of the New Common Stock with a strike price equivalent to a $1.5 billion total equity value of Reorganized ION, which will expire on the five (5) year anniversary of the Effective Date and will not be exercisable before FCC approval of the Transfer of Control, the substantially final form of which shall be reasonably acceptable to the Debtors and to at least two of the four Initial Consenting First Lien Lenders.

166. "*U.S. Persons*" means United States citizens and entities organized under the laws of the United States or any state or political subdivision or territory thereof, as applied and interrupted by the FCC.

167. *"U.S. Trustee"* means the United States Trustee for the Southern District of New York.

168. "*Voting Deadline*" means 5:00 p.m. (prevailing Eastern Time) on [•], 2009.

169. "*Warrants*" means, collectively, the Second Lien Warrants and the Unsecured Debt Warrants.

B. Rules of Interpretation

For purposes herein: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, modified, or supplemented; (d) unless otherwise specified, all references herein to "Articles" are references to Articles hereof or hereto; (e) unless otherwise stated, the words "herein," "hereof," and ''hereto'' refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (h) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

C. Computation of Time

The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

D. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction, and implementation of the Plan, any agreements, documents, instruments, or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control); *provided, however,* that corporate governance matters relating to the Debtors or the Reorganized Debtors, as applicable, not incorporated in New York shall be governed by the laws of the state of incorporation of the applicable Debtor or Reorganized Debtor, as applicable.

E. Reference to Monetary Figures

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

F. Reference to the Debtors or the Reorganized Debtors

Except as otherwise specifically provided in the Plan to the contrary, references in the Plan to the Debtors or to the Reorganized Debtors shall mean the Debtors and the Reorganized Debtors, as applicable, to the extent the context requires.

ARTICLE II.

ADMINISTRATIVE CLAIMS AND PRIORITY TAX CLAIMS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Priority Tax Claims, Other Priority Claims and Intercompany Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III.

A. Administrative Claims

1. General Administrative Claims

Except with respect to Administrative Claims that are Fee Claims and except to the extent that a Holder of an Allowed Administrative Claim and the applicable Debtors agree to less favorable treatment to such Holder, each Holder of an Allowed Administrative Claim shall be paid in full in Cash on the later of: (i) on or as soon as reasonably practicable after the Effective Date, (ii) on or as soon as reasonably practicable after the date such Administrative Claim is Allowed, and (iii) the date such Allowed Administrative Claim becomes due and payable, or as soon thereafter as is practicable; *provided, however,* that Allowed Administrative Claims that arise in the ordinary course of the Debtors' business shall be paid in full in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order, including, without limitation, all Claims by the Prepetition Agents pursuant to the DIP Order and all Claims Allowed under this Plan.

2. Professional Compensation

(a) Fee Claims

Professionals or other Entities asserting a Fee Claim for services rendered before the Confirmation Date must File and serve on the Debtors and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, the Interim Compensation Order or other order of the Bankruptcy Court an application for final allowance of such Fee Claim no later than 45 days after the Effective Date; *provided* that the Reorganized Debtors may pay retained Professionals or other Entities in the ordinary course of business after the Confirmation Date; and

provided, further that any professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation or reimbursement of expenses for services rendered before the Confirmation Date, without further Bankruptcy Court order, pursuant to the Ordinary Course Professional Order. Objections to any Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party no later than 75 days after the Effective Date. To the extent necessary, the Plan and the Confirmation Order shall amend and supersede any previously entered order regarding the payment of Fee Claims.

(b) Post-Confirmation Date Fees and Expenses

Except as otherwise specifically provided in the Plan, from and after the Confirmation Date, the Reorganized Debtors shall, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional, or other fees and expenses related to implementation and Consummation of the Plan incurred by the Reorganized Debtors. Upon the Confirmation Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional for services rendered or expenses incurred after the Confirmation Date in the ordinary course of business without any further notice to any party or action, order, or approval of the Bankruptcy Court; *provided, however,* that counsel to the Initial Consenting First Lien Lenders shall receive notice before any payments being made to Professionals for services rendered or expenses incurred after the Confirmation Date until the Effective Date.

3. Administrative Claim Bar Date

Except as otherwise provided in this Article II.A, requests for payment of Administrative Claims must be filed and served on the Reorganized Debtors pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than 60 days after the Effective Date. Holders of Administrative Claims that are required to, but do not, file and serve a request for payment of such Administrative Claims by such date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be filed and served on the Reorganized Debtors and the requesting party no later than 90 days after the Effective Date.

B. Priority Tax Claims

1. Priority Tax Claims

Each Holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on the Distribution Date, at the option of the Debtors, one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim; (2) Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code; or (3) such other treatment as may be agreed upon by such Holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court.

2. Priority Tax Claims Bar Date

Notwithstanding anything herein to the contrary, any Creditor holding (1) a Priority Tax Claim or (2) a Claim that would otherwise be a Priority Tax Claim but for the fact that such Claim arose before the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code must File a Proof of Claim on account of such Claim, and such Proof of Claim must be Filed with the Bankruptcy Court on or before the Priority Tax Claims Bar Date. All (1) Priority Tax Claims or (2) Claims that would otherwise be Priority Tax Claims but for the fact that such Claims arose before the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates, and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Priority Tax Claims or Claims that would otherwise be Priority Tax Claims but for the fact that such Claims arose before the applicable statutory period set forth by section 507(a)(8) of the

Bankruptcy Code shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article IX.E and Article IX.F hereof.

C. Other Priority Claims

Each Holder of an Allowed Other Priority Claim due and payable on or before the Effective Date shall receive, on the Distribution Date, at the option of the Debtors, one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Other Priority Claim; (2) Cash in an aggregate amount of such Allowed Other Priority Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code; or (3) such other treatment as may be agreed upon by such Holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court.

D. Intercompany Claims

On the Effective Date, or as soon thereafter as is practicable, all Intercompany Claims will be adjusted, continued, or discharged to the extent determined appropriate by the Debtors, with the consent of the Requisite Initial Lenders.

E. Statutory Fees

On the Distribution Date, Reorganized ION shall pay, in full in Cash, any fees due and owing to the U.S. Trustee at the time of Confirmation. On and after the Confirmation Date, Reorganized ION shall pay the applicable U.S. Trustee fees until the entry of a final decree in each Debtor's Chapter 11 Case or until such Chapter 11 Case is converted or dismissed.

ARTICLE III.

CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

A. Classification of Claims and Interests

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims against and Interests in each of the Debtors. A Claim or Interest is placed in a particular Class for the purposes of voting on the Plan and receiving distributions pursuant to the Plan only to the extent that such Claim or Interest has not been paid, released, withdrawn or otherwise settled before the Effective Date.

B. Summary of Classification

This Plan constitutes a separate chapter 11 plan of reorganization for each Debtor and, accordingly, the classifications set forth in Classes 1 to 7 shall be deemed to apply to ION and each of the Debtor Subsidiaries. Class 8 consists of ION Equity Interests. A summary of the classification and treatment of Claims and Interests for each of the 117 Debtors is attached hereto as **Exhibit A**. Open Mobile Ventures Corporation did not issue or guarantee the First Lien Debt, the First Priority Notes, the Second Priority Notes or the Senior Subordinated Notes; therefore Open Mobile Ventures Corporation does not have a Class 3 or 4.

The following chart represents the general classification of Claims and Interests against the Debtors pursuant to the Plan:

Class	Claim	Status	Voting Rights
1	Other Secured Claims	Unimpaired	Deemed to Accept
2	DIP Facility Claims	Impaired	Entitled to Vote
3	First Lien Debt Claims	Impaired	Entitled to Vote
4	Second Priority Notes Claims	Impaired	Entitled to Vote
5	General Unsecured Claims	Impaired	Entitled to Vote

Class	Claim	Status	Voting Rights
6	Intercompany Interests	Unimpaired	Deemed to Accept
7	Section 510(b) Claims	Impaired	Deemed to Reject
8	ION Equity Interests	Impaired	Deemed to Reject

C. Treatment of Claims and Interests

To the extent a Class contains Allowed Claims or Allowed Interests with respect to a particular Debtor, the treatment provided to each Class for distribution purposes is specified below:

1. Class 1 - Other Secured Claims

(a) *Classification*: Class 1 consists of all Other Secured Claims.

(b) *Treatment*: On or as soon as practicable after the Effective Date, Holders of Allowed Claims in Class 1 for each of the Debtors, in full and final satisfaction of their Claims secured by valid Liens on the Debtors' property, shall receive one of the following treatments at the option of the applicable Debtor:

(i) payment of the Allowed Class 1 Claim in full in Cash on the later of the Distribution Date or as soon as practicable after a particular Claim becomes Allowed;

(ii) such other treatment as may be agreed to by the applicable Debtor and the Holder; or

(iii) the Holder shall retain its Lien on such property and be reinstated pursuant to section 1129 of the Bankruptcy Code.

(c) *Voting*: Class 1 is Unimpaired, and Holders of Class 1 Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1 Other Secured Claims are not entitled to vote to accept or reject the Plan.

2. Class 2 - DIP Facility Claims

(a) *Classification*: Class 2 consists of all DIP Facility Claims.

(b) Allowance: The DIP Facility Claims shall be Allowed and deemed to be Allowed Claims in the amount of $150 million, plus interest and fees due and owing under the DIP Credit Agreement.

(c) *Treatment*: Subject to the terms of the DIP Credit Agreement, including Schedules 2.01 and 2.05 thereto, Holders of DIP Facility Claims will receive on or as soon as practicable after the Effective Date (subject to the following proviso), in full and final satisfaction of the DIP Facility Claims, their Pro Rata share of the Conversion Equity, subject to (i) adjustments as contemplated under the DIP Credit Agreement with respect to the Post-Effective Date Commitment and (ii) dilution on account of the Equity Incentive Program and the Warrants; *provided*, *that*, to the extent that any Holder of DIP Facility Claims does not deliver an Ownership Certification to the Debtors and otherwise comply with the Communications Act and FCC implementing rules, on, or within 10 days of, the Effective Date, such Holder shall receive Special Warrants to purchase an equivalent number of shares of New Common Stock; and *provided*, *further*, *that* if the Effective

Date occurs upon an FCC Approval pursuant to clause (2) of such definition of FCC Approval, such Holders shall receive their Pro Rata share of 62.5% of the beneficial interests of the FCC Trust in lieu of any New Common Stock they would have otherwise been entitled to receive pursuant to this provision (subject to receipt of Special Warrants as to any Holder to the extent such Holder does not timely deliver an Ownership Certification and otherwise comply with the Communications Act and FCC implementing rules both (i) in connection with the distribution of beneficial interests in the FCC Trust and (ii) upon distribution of the New Common Stock out of the FCC Trust to holders of beneficial interests).

(d) *Voting*: Class 2 is Impaired. Therefore, Holders of Class 2 DIP Facility Claims are entitled to vote to accept or reject the Plan.

3. Class 3 - First Lien Debt Claims

(a) *Classification*: Class 3 consists of all First Lien Debt Claims.

(b) *Allowance*: The First Lien Debt Claims shall be Allowed and deemed to be Allowed Claims in the following amounts for the following First Lien Debt Claims: (i) Prepetition Credit Facility Claims: $329.9 million, (ii) the First Priority Secured Swap Claims $122.0 million and (iii) the First Priority Notes Claims $406.0 million.

(c) *Treatment*: Holders of First Lien Debt Claims will receive, on or as soon as practicable after the Effective Date (subject to the following proviso), in full and final satisfaction of the First Lien Debt Claims, their Pro Rata share of 37.5% of the New Common Stock to be issued on the Effective Date, subject to dilution on account of the Equity Incentive Program and the Warrants; *provided, that,* to the extent that any Holder of First Lien Debt Claims does not timely deliver an Ownership Certification to the Debtors and otherwise comply with the Communications Act and FCC implementing rules on, or within 10 days of, the Effective Date, such Holder shall receive Special Warrants to purchase an equivalent number of shares of New Common Stock; and *provided, further,* that if the Effective Date occurs upon an FCC Approval pursuant to clause (2) of the definition of FCC Approval, such Holders shall receive their Pro Rata share of 37.5% of the beneficial interests of the FCC Trust in lieu of any New Common Stock they would have otherwise been entitled to receive pursuant to this provision (subject to receipt of Special Warrants as to any Holder to the extent such Holder does not timely deliver an Ownership Certification and otherwise comply with the Communications Act and FCC implementing rules both (i) in connection with the distribution of beneficial interests in the FCC Trust and (ii) upon distribution of the New Common Stock out of the FCC Trust to holders of beneficial interests).

(d) *Voting*: Class 3 is Impaired. Therefore, Holders of Class 3 First Lien Debt Claims are entitled to vote to accept or reject the Plan.

4. Class 4 - Second Priority Notes Claims

(a) *Classification*: Class 4 consists of all Second Priority Notes Claims.

(b) *Allowance*: The Second Priority Notes Claims shall be Allowed and deemed to be Allowed Claims in the amount of $448.075 million, plus interest and fees due and owing under the Second Priority Indenture.

(c) *Treatment*: Holders of Second Priority Notes Claims will receive, on or as soon as practicable after the Effective Date, in full and final satisfaction of the Second Priority Notes Claims, their Pro Rata share of the Second Lien Warrants; *provided*, *however*, if

Class 4 votes to reject the Plan, no distribution shall be made to Holders of Second Priority Notes Claims under the Plan; *provided, further, however,* that (a) if Class 4 votes to accept the Plan, Holders of Senior Subordinated Note Claims shall be entitled to receive their Pro Rata share of the Unsecured Debt Warrants and such distributions shall not be subject to Article 12 of the Senior Subordinated Notes Indentures and (b) if Class 4 votes to reject the Plan, no distribution of the Unsecured Debt Warrants shall be made to Holders of Senior Subordinated Note Claims.

(d) *Voting*: Class 4 is Impaired. Therefore, Holders of Class 4 Second Priority Notes Claims are entitled to vote to accept or reject the Plan.

5. Class 5 - General Unsecured Claims

(a) *Classification*: Class 5 consists of all General Unsecured Claims (including Holders of Senior Subordinated Notes Claims).

(b) *Treatment*: Holders of Allowed General Unsecured Claims will receive, on or as soon as practicable after the Effective Date, in full and final satisfaction of the General Unsecured Claims, their Pro Rata share of the Unsecured Debt Warrants; *provided*, *however*, if Class 5 votes to reject the Plan, no distribution shall be made to Holders of General Unsecured Claims under the Plan; *provided, further, however,* that (a) if Class 4 votes to accept the Plan, Holders of Senior Subordinated Note Claims shall be entitled to receive their Pro Rata share of the Unsecured Debt Warrants and such distributions shall not be subject to Article 12 of the Senior Subordinated Notes Indentures and (b) if Class 4 votes to reject the Plan, no distribution of the Unsecured Debt Warrants shall be made to Holders of Senior Subordinated Note Claims.

(c) *Voting*. Class 5 is Impaired. Therefore, Holders of Class 5 General Unsecured Claims are entitled to vote to accept or reject the Plan.

6. Class 6 - Intercompany Interests

(a) *Classification:* Class 6 consists of all Intercompany Interests.

(b) *Treatment:* Intercompany Interests shall be retained and the legal, equitable and contractual rights to which Holders of such Allowed Intercompany Interests are entitled shall remain unaltered.

(c) *Voting:* Class 6 is Unimpaired, and Holders of Class 6 Intercompany Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 6 Intercompany Interests are not entitled to vote to accept or reject the Plan.

7. Class 7 - Section 510(b) Claims

(a) *Classification*: Class 7 consists of all Section 510(b) Claims.

(b) *Treatment*: Holders of Section 510(b) Claims will not receive any distribution on account of such Claims, and Section 510(b) Claims shall be discharged, cancelled, released, and extinguished as of the Effective Date.

(c) *Voting*: Class 7 is Impaired, and Holders of Class 7 Section 510(b) Claims are not entitled to receive or retain any property under the Plan on account of Class 7 Section 510(b) Claims. Therefore, Holders of Class 7 Section 510(b) Claims are deemed not to

have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 7 Section 510(b) Claims are not entitled to vote to accept or reject the Plan.

8. Class 8 – ION Equity Interests

(a) *Classification*: Class 8 consists of all ION Equity Interests.

(b) *Treatment*: Holders of ION Equity Interests will not receive any distribution on account of such Claims, and all ION Equity Interests shall be discharged, cancelled, released, and extinguished as of the Effective Date.

(c) *Voting*: Class 8 is Impaired, and Holders of Class 8 ION Equity Interests are not entitled to receive or retain any property under the Plan on account of Class 8 ION Equity Interests. Therefore, Holders of Class 8 ION Equity Interests are deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 8 ION Equity Interests are not entitled to vote to accept or reject the Plan.

ARTICLE IV. ACCEPTANCE REQUIREMENTS

Pursuant to section 1126(c) of the Bankruptcy Code and except as otherwise provided in section 1126(e) of the Bankruptcy Code, an impaired class of claims has accepted the applicable Plan if the Holders of at least two-thirds in dollar amount and more than one-half in number of Allowed Claims in such Class actually voting have voted to accept the applicable Plan.

A. Acceptance or Rejection of the Plan

1. Voting Class

Classes 2, 3, 4 and 5 for each of the Debtors (other than Open Mobile Ventures Corporation, which does not have a Class 3 or 4) are Impaired under the Plan and are entitled to vote to accept or reject the Plan.

2. Presumed Acceptance of the Plan

Classes 1 and 6 for each of the Debtors are Unimpaired under the Plan and are, therefore, conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

3. Deemed Rejection of the Plan

Class 7 for each of the Debtors and Class 8 (only with respect to ION) are Impaired and shall receive no distribution under the Plan and are, therefore, deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

B. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class of Claims. The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right to modify the Plan in accordance with Article XI hereof to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

ARTICLE V.

MEANS FOR IMPLEMENTATION OF THE PLAN

A. Conversion of the DIP Facility Into the Conversion Equity

On the Effective Date, and subject to the terms and conditions of the DIP Credit Agreement, including Schedules 2.01 and 2.05 thereto, Reorganized ION will convert the DIP Facility into the Conversion Equity.

B. Exit Facility/Incurrence of New Indebtedness

On the Effective Date, the Reorganized Debtors are authorized to execute and deliver those documents necessary or appropriate to obtain the Exit Facility, the terms, conditions and covenants of which shall be acceptable to the Requisite Initial Lenders, without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order, or rule or vote, consent, authorization, or approval of any person.

C. Sources of Consideration for Plan Distributions

All consideration necessary for the Reorganized Debtors to make payments or distributions pursuant hereto shall be obtained from the New Money Commitment, the Exit Facility (to the extent extended) or other Cash from the Debtors, including Cash from business operations. Further, the Debtors and the Reorganized Debtors will be entitled to transfer funds between and among themselves as they determine to be necessary or appropriate to enable the Reorganized Debtors to satisfy their obligations under the Plan. Except as set forth herein, any changes in intercompany account balances resulting from such transfers will be accounted for and settled in accordance with the Debtors' historical intercompany account settlement practices and will not violate the terms of the Plan.

D. FCC Licenses

The FCC Applications shall be filed with the FCC as promptly as possible, but in no event later than ten (10) Business Days after filing the Plan. The Debtors shall use their best efforts to cooperate in diligently pursuing and in taking all steps necessary to obtain the grant of the requisite FCC Applications and shall provide such additional documents or information requested or needed by the FCC in connection with its review of such applications.

In the event that the Long Form Application is denied or dismissed by the FCC or the Initial Consenting First Lien Lenders reasonably determine, based upon comments received from the FCC and consultation with the Debtors or the Reorganized Debtors, as applicable, that the Long Form Application will not be granted by the FCC, then the FCC Trustees, Reorganized ION and each of the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable) shall negotiate in good faith for a period of up to 60 days to make any changes or modifications that are necessary (to the extent permitted by applicable law) to obtain FCC approval (and make the requisite filings with the FCC to obtain approval to implement such changes to the extent required by the Communications Act); *provided*, *however*, that such modifications shall, to the extent practicable or except as otherwise set forth herein, with respect to the sale or issuance of Special Warrants set forth below, maintain the respective rights of each of the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable). In the event that (i) the FCC does not approve such FCC filings, or approves such FCC filings with conditions that have, or would reasonably be expected to have, a material adverse effect on any of the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable); or (ii) in the event ION or Reorganized ION, as applicable, and the Initial Consenting First Lien Lenders (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable) are unable to reach an agreement as to how to obtain FCC approval for the Transfer of Control then, in each case (i) – (ii), to the extent the failure to obtain FCC approval of the Long Form Application relates to one or more of the Initial Consenting First Lien Lenders (A) not being qualified to hold, directly or indirectly, New Common Stock under the Communications Act and the FCC implementing rules, (B) not meeting all applicable requirements of the Communications Act and the FCC implementing rules, including, without limitation, the FCC's media ownership rules or (C) failing to deliver an Ownership Certification or any other information required to be filed or necessary or appropriate to obtain grant of the Long Form Application, after each of the non-qualified Initial

Consenting First Lien Lenders has been given an opportunity to remedy the issue and the parties have cooperated and negotiated in good faith consistent with the immediately preceding sentence with respect to remedying such qualification or other applicable issue, the applicable non-qualifying Initial Consenting First Lien Lender(s) (in their capacity as holders of First Lien Debt or DIP Facility Claims, as applicable) shall, at such affected Initial Consenting First Lien Lender's option (i) sell, assign or transfer their rights and obligations provided to them pursuant to the Plan to a Person who meets the qualifications and other requirements described in clauses (A) through (C) above; *provided, further, however,* that such Initial Consenting First Lien Lenders shall first be required to offer to sell, assign or transfer such rights and obligations to the other Initial Consenting First Lien Lenders, if any, who meet such qualifications and requirements or (ii) receive Special Warrants in lieu of any Plan Securities such Initial Consenting First Lien Lenders would have otherwise received hereunder.

E. Issuance of Plan Securities

The issuance of the Plan Securities, including the shares of the New Common Stock, Special Warrants, options, or other equity awards reserved for the Equity Incentive Program, Warrants, beneficial interests in the FCC Trust and shares of New Common Stock to be distributed to the holders of such beneficial interests upon receipt of FCC Approval as contemplated by the Plan, by Reorganized ION is authorized without the need for any further corporate action or without any further action by a Holder of Claims or Interests. On the Effective Date, or as soon as reasonably practicable thereafter, the New Common Stock and the Special Warrants shall be issued to (a) Holders of DIP Facility Claims and (b) Holders of First Lien Debt Claims in accordance with the Plan (including, to the extent applicable, the issuance of beneficial interests in the FCC Trust to such holders and the distribution of New Common Stock to the holders of such beneficial interests upon receipt of FCC approval of the Long Form Applications). On the Effective Date, or as soon as reasonably practicable thereafter, Second Lien Warrants shall be issued to Holders of Second Priority Note Claims (provided that Class 4 votes to accept the Plan) and Unsecured Debt Warrants shall be issued to Holders of General Unsecured Claims (provided that Class 5 votes to accept the Plan). The amount of New Common Stock, if any, to be issued pursuant to the Equity Incentive Program, and the terms thereof shall be determined by the Requisite Initial Lenders with the Initial Consenting First Lien Lenders working in good faith to set forth the terms of the Equity Incentive Program in the Plan Supplement; but in no event shall the terms of the Equity Incentive Program be determined by the Requisite Initial Lenders and subsequently implemented by the FCC Trustees or the New Board (as applicable) no later than 60 days after the Confirmation Order becomes a Final Order; *provided*, *however*, that the grant of such awards issued pursuant to the Equity Incentive Program shall not vest until the Transfer of Control occurs. Holders of Special Warrants and Warrants will have the right receive New Common Stock in accordance with the terms of the relevant agreements governing the Special Warrants and the Warrants and the exercise of the Special Warrants and the Warrants.

All of the shares of New Common Stock, Special Warrants and Warrants issued pursuant to the Plan shall be duly authorized, validly issued and fully paid and non-assessable. Each distribution and issuance referred to in Article VII hereof shall be governed by the terms and conditions set forth herein applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

F. Listing of Plan Securities and Transfer Restrictions

Other than as provided in the Registration Rights Agreement, the Reorganized Debtors shall not be obligated to list the Plan Securities on a national securities exchange. The Plan Securities may be subject to certain transfer and other restrictions pursuant to, among other things, the New Shareholders Agreement, the terms of the Special Warrants and the Warrants, the New Certificate of Incorporation and the FCC Trust Agreement. On the Effective Date, Reorganized ION will enter into the Registration Rights Agreement.

G. Cancellation of Securities and Agreements

On the Effective Date, except as otherwise specifically provided for in the Plan: (1) the obligations of the Debtors under the Prepetition Credit Facility, First Priority Indenture, Second Priority Indenture, Prepetition Hedges, 11% Series A Notes Indenture, 11% Series B Notes Indenture, and any other Certificate, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Interest

(except such Certificates, notes, or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan), shall be cancelled solely as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (2) the obligations of the Debtors pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the shares, Certificates, notes, bonds, indentures, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors (except such agreements, Certificates, notes, or other instruments evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan) shall be released and discharged; *provided, however,* notwithstanding Confirmation or the occurrence of the Effective Date, any such indenture or agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of (a) allowing Holders and the Prepetition Agents to receive distributions under the Plan as provided herein, (b) allowing the Prepetition Agents to make distributions under the Plan as provided herein, and deduct therefrom such compensation, fees, and expenses due thereunder or incurred in making such distributions, (c) allowing the Prepetition Agents to exercise their charging liens against any such distributions, and (d) allowing the Prepetition Agents to seek compensation and/or reimbursement of fees and expenses in accordance with the terms of this Plan and the DIP Order, and directly from each of the Holders of First Lien Debt, other than Holders of First Priority Secured Swap Claims, in accordance with the terms of the Prepetition Credit Facility, the First Priority Indenture and the Prepetition Security Agreement, as applicable; provided, further, however, that the preceding proviso shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan, or result in any expense or liability to the Reorganized Debtors. Any reasonable fees and expenses of the Prepetition Agents remaining unpaid on the Effective Date shall be paid in full in cash on the Effective Date, or within ten (10) days after receipt by Reorganized ION of invoices therefor; *provided*, *however*, any disputes over the reasonableness of such fees and expenses shall be determined by the Bankruptcy Court. On and after the Effective Date, all duties and responsibilities of the Prepetition Agents under the Prepetition Credit Facility, the First Priority Indenture and the Prepetition Security Agreement, as applicable, shall be discharged unless otherwise specifically set forth in this Plan.

H. Section 1145 Exemption

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance, and distribution of any Plan Securities contemplated by the Plan and all agreements incorporated herein, including the New Common Stock, the Special Warrants, the Warrants, the beneficial interests in the FCC Trust and the distribution of the New Common Stock from the FCC Trust to holders of beneficial interests in the FCC Trust as contemplated herein shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable law requiring registration before the offering, issuance, distribution, or sale of securities. In addition, under section 1145 of the Bankruptcy Code, any Plan Securities contemplated by the Plan and any and all agreements incorporated therein, including the New Common Stock, will be freely tradable by the recipients thereof, subject to (1) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act; (2) compliance with any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such securities or instruments; (3) the restrictions, if any, on the transferability of such securities and instruments, including those set forth in Article V.F hereof, the New Shareholders Agreement, the New Certificate of Incorporation, the FCC Trust Agreement and the relevant agreements governing the Special Warrants and the Warrants; and (4) applicable regulatory approval, including the required FCC Approval.

I. Corporate Existence

Except as otherwise provided herein, each Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect before the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state law).

J. New Certificate of Incorporation and New By-Laws

On or immediately before the Effective Date, the Reorganized Debtors will file their respective New Certificates of Incorporation with the applicable Secretaries of State and/or other applicable authorities in their respective states of incorporation in accordance with the corporate laws of the respective states of incorporation. After the Effective Date, the Reorganized Debtors may amend and restate their respective New Certificates of Incorporation and New By-Laws and other constituent documents as permitted by the laws of their respective states of incorporation and their respective New Certificates of Incorporation and New By-Laws.

K. Reorganized ION Board of Directors

If the New Common Stock is transferred to the FCC Trust, the boards of directors of Reorganized ION and the Reorganized Debtor Subsidiaries during the period that the New Common Stock is held by the FCC Trust shall consist of the same individuals as the FCC Trustees. To the extent known, the identity of the members of the New Board, which New Board shall only come into effect after the Transfer of Control, and the nature and compensation for any member of the board who is an "insider" under section 101(31) of the Bankruptcy Code will be identified in the Plan Supplement. The members of the New Board shall be determined by the agreement of each of the Initial Consenting First Lien Lenders, but shall always include the then current Chief Executive Officer of ION.

L. Reorganized Debtor Subsidiaries Board of Directors

If the New Common Stock is transferred to the FCC Trust, the boards of directors of the Reorganized Debtor Subsidiaries during the period that the New Common Stock is held by the FCC Trust shall consist of the same individuals as the FCC Trustees. To the extent known, the identity of the members of the board of directors of the Reorganized Debtor Subsidiaries after the Transfer of Control, and the nature and compensation for any member of the board who is an "insider" under section 101(31) of the Bankruptcy Code will be identified in the Plan Supplement. The members of the board of directors of the Reorganized Debtor Subsidiaries after the Transfer of Control shall be determined by agreement of each of the Initial Consenting First Lien Lenders, but shall always include the then current Chief Executive Officer of ION.

M. Officers of Reorganized Debtors

R. Brandon Burgess, President, Chairman and CEO of Reorganized ION, shall serve in accordance with applicable non-Bankruptcy law and the New Employment Agreement with ION, which agreement shall be negotiated with the Initial Consenting First Lien Lenders, and the form of which will be acceptable to the Requisite Initial Lenders and included in the Plan Supplement.

To the extent known, additional officers of Reorganized ION and the Reorganized Debtor Subsidiaries shall be identified in the Plan Supplement, which officers shall be determined in consultation with the Initial Consenting First Lien Lenders, who shall serve in accordance with applicable non-Bankruptcy law and, to the extent applicable, the New Employment Agreements with ION.

N. Employee Benefits

Except as otherwise provided herein, on and after the Effective Date, the Reorganized Debtors may: (1) honor, in the ordinary course of business, any contracts, agreements, policies, programs, and plans for, among other things, compensation (other than equity based compensation related to Equity Interests), health care benefits, disability benefits, deferred compensation benefits, travel benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation insurance, and accidental death and dismemberment insurance for the directors, officers, and employees of any of the Debtors who served in such capacity at any time; and (2) honor, in the ordinary course of business, Claims of employees employed as of the Effective Date for accrued vacation time arising before the Petition Date; *provided, however,* that the Debtors' or Reorganized Debtors' performance under any employment agreement will not entitle any person to any benefit or alleged entitlement under any policy, program, or plan that has expired or been terminated before the Effective Date, or restore, reinstate, or revive any such benefit or alleged entitlement under any such policy, program, or plan. Nothing herein shall limit, diminish, or

otherwise alter the Reorganized Debtors' defenses, claims, Causes of Action, or other rights with respect to any such contracts, agreements, policies, programs, and plans.

O. Equity Incentive Program

The Equity Incentive Program will provide for a certain percentage of New Common Stock, not to exceed 10% of the issued and outstanding New Common Stock and New Common Stock issuable upon exercise of the Special Warrants, in each instance on the Effective Date, to be reserved for issuance as options, equity or equity-based grants in connection with the Reorganized Debtors' management equity incentive program and/or director equity incentive program. The amount of New Common Stock if any, to be issued pursuant to the Equity Incentive Program, and the terms thereof shall be determined by the Requisite Initial Lenders with the Initial Consenting First Lien Lenders working in good faith to set forth the terms of the Equity Incentive Program in the Plan Supplement; but in no event shall the terms of the Equity Incentive Program be determined by the Requisite Initial Lenders and subsequently implemented by the FCC Trustees or the New Board (as applicable) no later than 60 days after the Confirmation Order becomes a Final Order; *provided*, *however*, that the grant of such New Common Stock issued pursuant to the Equity Incentive Program shall not vest until the Transfer of Control occurs.

P. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated therein, on the Effective Date, all property in each Estate, all Causes of Action (except those released pursuant to the Releases by the Debtors), and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances (except for Liens, if any, granted to secure the Exit Facility). On and after the Effective Date, except as otherwise provided in the Plan, and subject to compliance with the applicable provisions of the Communications Act, each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules; *provided, however,* the Bankruptcy Court shall retain jurisdiction with respect to the FCC Trust, if established, as set forth in Article XII hereof.

Q. Restructuring Transactions

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law.

R. Corporate Action

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including (1) entry into the New Employment Agreements; (2) selection of the directors and officers of the Reorganized Debtors; (3) the execution of and entry into the Exit Facility; (4) the distribution of the Plan Securities as provided herein; and (5) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors or officers of the Debtors or the Reorganized Debtors.

On or (as applicable) before the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, shall be authorized and directed to issue, execute and deliver the agreements, documents, securities, certificates of incorporation, operating agreements, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including the Exit Facility and any and all other agreements, documents, securities and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article V.R shall be effective notwithstanding any requirements under nonbankruptcy law.

S. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors and the managers, officers and members of the boards of directors thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

T. Exemption from Certain Taxes and Fees

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (1) the creation of any mortgage, deed of trust, lien or other security interest; (2) the making or assignment of any lease or sublease; (3) any restructuring transaction authorized by Article V.Q hereof; or (4) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation, or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any Restructuring Transaction occurring under the Plan.

U. D&O Liability Insurance Policies

Notwithstanding anything herein to the contrary, as of the Effective Date, the Debtors shall assume (and assign to the Reorganized Debtors if necessary to continue the D&O Liability Insurance Policies in full force) all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' foregoing assumption of each of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained herein, Confirmation of the Plan shall not discharge, impair, or otherwise modify any obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such obligation shall be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be Filed. On or before the Effective Date, the Reorganized Debtors may obtain reasonably sufficient tail coverage (*i.e.*, D&O insurance coverage that extends beyond the end of the policy period) under a directors and officers' liability insurance policy for the current and former directors, officers, and managers for such terms or periods of time, and placed with such insurers, with the consent of the Requisite Initial Lenders, to be reasonable under the circumstances or as otherwise specified and ordered by the Bankruptcy Court in the Confirmation Order.

V. Preservation of Rights of Action

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released (including, for the avoidance of doubt, pursuant to the Releases by the Debtors provided by Article IX.B hereof), the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the

Reorganized Debtors. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against them. Except with respect to Causes of Action as to which the Debtors or Reorganized Debtors have released any Person or Entity on or before the Effective Date (including pursuant to the Releases by the Debtors or otherwise), the Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation. For the avoidance of doubt, and except to the extent listed in the retained Causes of Action filed as part of the Plan Supplement, all Avoidance Actions are released pursuant to this Plan.

W. FCC Trust

1. Generally

On the Effective Date, the FCC Trust will be established and become effective for the benefit of the Holders of Allowed Claims entitled to distributions from the FCC Trust under the Plan. The powers, authority, responsibilities, and duties of the FCC Trust and the FCC Trustees are set forth in and shall be governed by the FCC Trust Agreement. The FCC Trust Agreement shall contain provisions customary to trust agreements utilized in comparable circumstances, including, without limitation, any and all provisions necessary to ensure the continued treatment of the FCC Trust as a grantor trust and the beneficiaries of the FCC Trust as the grantors and owners thereof for federal income tax purposes. The FCC Trust and the FCC Trustees, including any successors, shall be bound by the Plan and shall not challenge any provision of the Plan.

2. Purpose and Establishment of the FCC Trust

On the Effective Date, the FCC Trust shall be established for the purposes set forth in the FCC Trust Agreement.

For all federal income tax purposes, the beneficiaries of the FCC Trust will be treated as grantors and deemed owners of the FCC Trust and it is intended that the FCC Trust be classified as a liquidating trust under Section 301.7701-4(d) of the Regulations and qualify as a "grantor trust" for federal income tax purposes. Accordingly, for all federal income tax purposes, it is intended that the beneficiaries of the FCC Trust be treated as if they had received a distribution of an undivided interest in the assets of the FCC Trust (*i.e.*, the New Common Stock) and then contributed such undivided interest to the FCC Trust. The FCC Trustees shall, in an expeditious but orderly manner, make timely distributions to beneficiaries of the FCC Trust pursuant to the Plan and the FCC Trust Agreement and not unduly prolong its duration. The FCC Trust shall not be deemed a successor in interest of the Debtors for any purpose other than as specifically set forth herein or in the FCC Trust Agreement.

On or before the Effective Date, the FCC Trust Agreement shall be executed and the Debtors shall take all other steps necessary to establish the FCC Trust pursuant to the FCC Trust Agreement and consistent with the Plan.

3. Transferability of Beneficial Interests

Ownership of a beneficial interest shall be uncertificated and shall be in book entry form. The beneficial interests in the FCC Trust will not be registered pursuant to the Securities Act, as amended, or any state securities law. If the beneficial interests constitute "securities," the parties hereto intend that the exemption provisions of section 1145 of the Bankruptcy Code will apply to the beneficial interests. The beneficial interests will be transferable, subject to the terms of the FCC Trust Agreement.

4. Appointment of the FCC Trustees

On the Effective Date, and in compliance with the provisions of the Plan and the FCC Trust Agreement, the Debtors will appoint the FCC Trustees in accordance with the FCC Trust Agreement and, thereafter, any successor FCC Trustees shall be appointed and serve in accordance with the FCC Trust Agreement. The FCC Trustees or any successor thereto will administer the FCC Trust in accordance with the Plan and the FCC Trust Agreement.

5. Funding of the FCC Trust

On the Effective Date, the Reorganized Debtors will deposit with the FCC Trust the minimum amount necessary for federal income tax purposes, with such amount to be determined with the consent of the Requisite Initial Lenders.

6. Implementation of the FCC Trust

On the Effective Date, the FCC Trust will be established and become effective for the benefit of the Holders of Allowed Claims entitled to distributions from the FCC Trust under the Plan.

7. Distributions; Withholding

The FCC Trustees shall make distributions to the beneficiaries of the FCC Trust when and as authorized pursuant to the FCC Trust Agreement in compliance with the Plan. The FCC Trustees may withhold from amounts otherwise distributable to any Entity any and all amounts required by the FCC Trust Agreement, any law, regulation, rule, ruling, directive, treaty, or other governmental requirement.

8. Termination of the FCC Trust

The FCC Trust shall terminate as soon as practicable, but in no event later than the third anniversary of the Effective Date; *provided that*, on or after the date that is less than thirty (30) days before such termination date, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the FCC Trust for a finite period if such an extension is necessary to complete any pending matters required under the FCC Trust Agreement provided that the aggregate of all extensions shall not exceed two years unless the FCC Trustees receive an opinion of counsel or a favorable ruling from the Internal Revenue Service to the effect that any such extension would not adversely affect the status of the FCC Trust as a liquidating trust within the meaning of Section 301.7701-4(d) of the Treasury Regulations for federal income tax purposes. There will be no tax consequences upon the liquidating distribution of assets, *i.e.*, the New Common Stock, by the FCC Trust to Holders of the beneficial interests therein. A Holder of the beneficial interests will carryover its basis and holding period to the distributed assets, *i.e.*, the New Common Stock. Notwithstanding the foregoing, multiple extensions may be obtained so long as the conditions in the preceding sentence are met no more than six months prior to the expiration of the then-current termination date of the FCC Trust.

ARTICLE VI.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption and Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided herein, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, each of the Debtors' Executory Contracts and Unexpired Leases shall be deemed rejected as of the Effective Date, unless such Executory Contract or Unexpired Lease: (1) was assumed or rejected previously by the Debtors; (2) previously expired or terminated pursuant to its own terms; (3) is the subject of a motion to assume filed on or before the Effective Date; or (4) is identified as an Executory Contract or Unexpired Lease to be assumed pursuant to the Plan Supplement, which shall be subject to the approval of the Requisite Initial Lenders, which approval shall not be unreasonably withheld, including any amendments before the Effective Date.

Entry of the Confirmation Order shall constitute a Bankruptcy Court order approving the assumptions or rejections of such Executory Contracts or Unexpired Leases as set forth in the Plan, all pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise indicated, all assumptions or rejections of such Executory Contracts and Unexpired Leases in the Plan are effective as of the Effective Date. Each such Executory Contract or Unexpired Lease assumed pursuant to the Plan or by Bankruptcy Court order but not assigned to a third party before the Effective Date shall revest in and be fully enforceable by the applicable contracting Reorganized Debtor in accordance with its terms, except as such terms may have been modified by such order. Notwithstanding anything to the contrary in the Plan, the Debtors or Reorganized Debtors, as applicable, reserve the right, with the consent of the Requisite Initial Lenders, which consent shall not be unreasonably withheld, to alter, amend, modify or supplement the list of Executory Contracts and Unexpired Leases identified in the Plan Supplement. Notwithstanding the foregoing paragraph, after the Effective Date, the Reorganized Debtors shall have the right to terminate, amend, or modify any intercompany contracts, leases, or other agreements without approval of the Bankruptcy Court.

B. Payments Related to Assumption of Executory Contracts and Unexpired Leases

With respect to any Executory Contracts and Unexpired Leases to be assumed by the Debtors pursuant hereto (including pursuant to Article VI.A hereof) or otherwise, Cure Claims shall be satisfied, pursuant to section 365(b) of the Bankruptcy Code, by payment of the Cure Claims in Cash on the Effective Date or as soon as reasonably practicable thereafter or on such other terms as the parties to each such Executory Contract or Unexpired Lease may otherwise agree. In the event of a dispute regarding: (1) the amount of any Cure Claim; (2) the ability of the Reorganized Debtors to provide "adequate assurance of future performance" (within the meaning of section 365(b) of the Bankruptcy Code), if applicable, under the Executory Contract or the Unexpired Lease to be assumed; or (3) any other matter pertaining to assumption, the Cure Claims shall be paid following the entry of a Final Order resolving the dispute and approving the assumption of such Executory Contracts or Unexpired Leases; *provided, however,* that the Debtors or the Reorganized Debtors may settle any dispute regarding the amount of any Cure Claim without any further notice to or action, order, or approval of the Bankruptcy Court.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time before the effective date of assumption. Any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.

C. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases

Rejection or repudiation of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors under such contracts or leases. In particular, notwithstanding any nonbankruptcy law to the contrary, the Reorganized Debtors expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased by the contracting Debtors or Reorganized Debtors, as applicable, from counterparties to rejected or repudiated Executory Contracts or Unexpired Leases.

D. Contracts and Leases Entered Into After the Petition Date

On and after the Effective Date, the Debtors may continue to perform under contracts and leases entered into after the Petition Date by any Debtor in the ordinary course of business, including any Executory Contracts and Unexpired Leases assumed by such Debtor.

E. Rejection of Indemnification Provisions

Notwithstanding anything herein, the Debtors, and upon the Effective Date, the Reorganized Debtors, shall reject all of the Indemnification Provisions in place on and before the Effective Date for Indemnified Parties for Claims related to or in connection with any actions, omissions or transactions occurring before the Effective Date.

F. Modifications, Amendments, Supplements, Restatements, or Other Agreements

Unless otherwise provided in the Plan, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

G. Reservation of Rights

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Reorganized Debtors, as applicable, shall have 45 days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided herein.

H. Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code.

I. Rejection Claims Bar Date

Notwithstanding anything herein to the contrary, any Creditor holding a Rejection Claim must File a Proof of Claim on account of such Claim with the Bankruptcy Court on or before the Rejection Claims Bar Date. All Rejection Claims for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates, and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Rejection Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article IX.E and Article IX.F hereof.

ARTICLE VII.

PROVISIONS GOVERNING DISTRIBUTIONS

A. Record Date for Distributions

As of the entry of the Confirmation Order, the various transfer registers for each of the Classes of Claims or Interests as maintained by the Debtors or their respective agents shall be deemed closed, and there shall be no further changes made to reflect any new record holders of any Claims or Interests. The Debtors shall have no obligation to recognize any transfer of Claims or Interests occurring on or after the Voting Deadline.

B. Timing and Calculation of Amounts to Be Distributed

Except as otherwise provided in the Plan, on the Effective Date or as soon as reasonably practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim against the Debtors shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class and in the manner provided herein. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VIII hereof. Except as otherwise provided herein, Holders of Claims shall not be entitled to interest, dividends, or accruals on the distributions provided for herein, regardless of whether such distributions are delivered on or at any time after the Effective Date.

C. Disbursing Agent

Except as otherwise provided herein, all distributions under the Plan shall be made by the Reorganized Debtors as Disbursing Agent or such other Entity designated by the Reorganized Debtors as a Disbursing Agent on the Effective Date. A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. In the event that a Disbursing Agent is so ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Reorganized Debtors.

D. Rights and Powers of Disbursing Agent

1. Powers of the Disbursing Agent

The Disbursing Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

2. Expenses Incurred On or After the Effective Date

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

E. Distributions on Account of Claims Allowed After the Effective Date

1. Payments and Distributions on Disputed Claims

Notwithstanding any other provision of the Plan, no distributions shall be made under the Plan on account of any Disputed Claim, unless and until such Claim becomes an Allowed Claim. Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be deemed to have been made on the Effective Date.

2. Special Rules for Distributions to Holders of Disputed Claims

Notwithstanding any provision otherwise in the Plan and except as may be agreed to by the Debtors or the Reorganized Debtors, on the one hand, and the Holder of a Disputed Claim, on the other hand, no partial payments and no partial distributions shall be made with respect to any Disputed Claim until all Disputed Claims held by the Holder of such Disputed Claim have become Allowed Claims or have otherwise been resolved by settlement or Final Order.

F. Delivery of Distributions and Undeliverable or Unclaimed Distributions

1. Delivery of Distributions in General

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be made to Holders of record as of the Distribution Record Date by the Reorganized Debtors or the Disbursement Agent, as appropriate: (a) to the signatory set forth on any of the Proofs of Claim Filed by such Holder or other representative identified therein (or at the last known addresses of such Holder if no Proof of Claim is Filed or if the Debtors have been notified in writing of a change of address); (b) at the addresses set forth in any written notices of address changes delivered to the Reorganized Debtors or the Disbursement Agent, as appropriate, after the date of any related Proof of Claim; (c) at the addresses reflected in the Schedules if no Proof of Claim has been Filed and the Reorganized Debtors or the Disbursement Agent, as appropriate, has not received a written notice of a change of address; or (d) on any counsel that has appeared in the Chapter 11 Cases on the Holder's behalf. Distributions under the Plan on account of Allowed Claims shall not be subject to levy, garnishment, attachment, or like legal process, so that each Holder of an Allowed Claim shall have and receive the benefit of the distributions in the manner set forth in the Plan. The Debtors, the Reorganized Debtors, and the Disbursement Agent, as applicable, shall not incur any liability whatsoever on account of any distributions under the Plan except for gross negligence or willful misconduct.

Except as otherwise provided in the Plan, all distributions to Holders of First Lien Debt Claims shall be governed by the Prepetition Credit Facility, the First Priority Indenture and the Prepetition Hedges, as applicable, and shall be deemed completed when made to the Prepetition Collateral Agent, who shall in turn make distributions in accordance with the Prepetition Security Agreement to the Prepetition Administrative Agent and the First Priority Notes Trustee, as Disbursement Agents hereunder, for further distribution to the Holders of First Lien Debt Claims, but subject to the charging liens of the Prepetition Agents.

2. Minimum Distributions

The Reorganized Debtors shall not be required to make partial distributions or payments of fractions of Plan Securities and such fractions shall be deemed to be zero.

3. Undeliverable Distributions and Unclaimed Property

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Disbursing Agent has determined the then current address of such Holder, at which time such distribution shall be made as soon as practicable after such distribution has become deliverable or has been claimed to such Holder without interest; *provided, however,* such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and forfeited at the expiration of six months from the Effective Date. After such date, all "unclaimed property" or interests in property shall revert to the Reorganized Debtors (notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary), and the Claim of any Holder to such property or Interest in property shall be discharged and forever barred.

G. Withholding and Reporting Requirements

In connection with the Plan and all instruments issued in connection therewith, the Disbursing Agent shall comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority, and all distributions under the Plan shall be subject to any such withholding or reporting requirements.

H. Setoffs

The Debtors and the Reorganized Debtors may withhold (but not set off except as set forth below) from the distributions called for under the Plan on account of any Allowed Claim an amount equal to any claims, equity interests, rights, and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim. In the event that any such claims, equity interests, rights, and Causes of

Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim are adjudicated by Final Order or otherwise resolved, the Debtors may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant hereto on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim) the amount of any adjudicated or resolved claims, equity interests, rights, and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim, but only to the extent of such adjudicated or resolved amount. Neither the failure to effect such a setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such claims, equity interests, rights, and Causes of Action that the Debtors or the Reorganized Debtors may possess against any such Holder, except as specifically provided herein.

I. Claims Paid or Payable by Third Parties

1. Claims Paid by Third Parties

The Debtors or the Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claim objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or Reorganized Debtor. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or a Reorganized Debtor on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution to the applicable Reorganized Debtor, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan.

2. Claims Payable by Third Parties

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

3. Applicability of Insurance Policies

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

ARTICLE VIII.

PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS

A. Prosecution of Objections to Claims

The Debtors (before the Effective Date, in consultation with the Requisite Initial Lenders) or the Reorganized Debtors (on or after the Effective Date), as applicable, shall have the exclusive authority to File, settle, compromise, withdraw, or litigate to judgment any objections to Claims as permitted under the Plan. From and after the Effective Date, the Debtors and the Reorganized Debtors may settle or compromise any Disputed Claim without approval of the Bankruptcy Court. The Debtors reserve all rights to resolve any Disputed Claim outside the Bankruptcy Court under applicable governing law.

B. Allowance of Claims and Interests

Except as expressly provided herein, no Claim shall be deemed Allowed unless and until such Claim is deemed Allowed under the Bankruptcy Code, under the Plan, or the Bankruptcy Court enters a Final Order in the Chapter 11 Cases allowing such Claim under section 502 of the Bankruptcy Code. Except as expressly provided herein or in any order entered in the Chapter 11 Cases before the Effective Date (including the Confirmation Order), the Reorganized Debtors after the Effective Date will have and retain any and all rights and defenses held by the Debtors with respect to any Claim as of the Petition Date. All claims of any Entity that owes money to the Debtors shall be disallowed unless and until such Entity pays, in full, the amount it owes the Debtors.

C. No Distributions Pending Allowance

Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or distribution provided under the Plan shall be made on account of such Disputed Claim unless and until such Disputed Claim becomes an Allowed Claim.

D. Distributions After Allowance

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as reasonably practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim.

E. Estimation of Claims

The Debtors (before the Effective Date, in consultation with the Requisite Initial Lenders) or Reorganized Debtors (on or after the Effective Date) may, at any time, and from time to time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether an objection was previously Filed with the Bankruptcy Court with respect to such Claim, or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim against any party or Entity, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors (before the Effective Date) or the Reorganized Debtors (after the Effective Date), may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim. All of the objection, estimation, settlement, and resolution procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, objected to, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

F. Expungement or Adjustment to Claims Without Objection

Any Claim that has been paid, satisfied or superseded may be expunged on the Claims Register by the Reorganized Debtors, and any Claim that has been amended may be adjusted thereon by the Reorganized Debtors, in both cases without a claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court. Beginning on the end of the first full calendar quarter that is at least 90 days after the Effective Date, the Reorganized Debtors shall File every calendar quarter a list of all Claims or Interests that have been paid, satisfied, superseded or amended during such prior calendar quarter.

G. Deadline to File Objections to Claims

Any objections to Claims shall be Filed no later than the Claims Objection Bar Date.

ARTICLE IX.

SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS

A. Compromise and Settlement of Claims, Interests, and Controversies

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim or Interest, or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against them and Causes of Action against other Entities.

B. Releases by the Debtors

Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or the Plan Supplement, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious reorganization of the Debtors and the implementation of the restructuring contemplated by the Plan, on and after the Effective Date, the Released Parties and the Debtors' former officers and directors are deemed released and discharged by the Debtors, the Reorganized Debtors, and the Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that the Debtors, the Reorganized Debtors, the Estates, or their Affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the purchase, sale, or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation, or preparation of the Plan and Disclosure Statement, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Confirmation Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party or a former officer or director of the Debtors that constitutes willful misconduct (including fraud) or gross negligence.

C. Releases by Holders of Claims and Interests

As of the Effective Date, each Holder of a Claim or an Interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever, released and discharged the Debtors, the Reorganized Debtors, and the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims, asserted on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Debtors' Chapter 11 Cases, the purchase, sale, or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation, or preparation of the Plan, the Disclosure Statement, the Plan Supplement, or related agreements, instruments, or other documents, upon any other act or omission,

transaction, agreement, event, or other occurrence taking place on or before the Confirmation Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct (including fraud) or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

D. Exculpation

Except as otherwise specifically provided in the Plan or Plan Supplement, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from any Exculpated Claim, obligation, cause of action, or liability for any Exculpated Claim, except for gross negligence or willful misconduct, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Debtors and the Reorganized Debtors (and each of their respective Affiliates, agents, directors, officers, employees, advisors, and attorneys) have participated in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distribution of the Plan Securities pursuant to the Plan, and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

E. Discharge of Claims and Termination of Interests

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release, and discharge, effective as of the Effective Date, of all Claims, Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim or Interest based upon such Claim, debt, right, or Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Interest based upon such Claim, debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Interest has accepted the Plan. Except as otherwise provided herein, any default by the Debtors or their Affiliates with respect to any Claim or Interest that existed immediately before or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan.

F. Injunction

FROM AND AFTER THE EFFECTIVE DATE, ALL ENTITIES ARE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER, ANY CAUSE OF ACTION RELEASED OR TO BE RELEASED PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER.

FROM AND AFTER THE EFFECTIVE DATE, TO THE EXTENT OF THE RELEASES AND EXCULPATION GRANTED IN ARTICLE IX HEREOF, THE RELEASING PARTIES SHALL BE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER AGAINST THE RELEASED PARTIES AND THE EXCULPATED PARTIES AND THEIR ASSETS AND PROPERTIES, AS THE CASE MAY BE, ANY SUIT, ACTION OR OTHER PROCEEDING, ON ACCOUNT OF OR RESPECTING ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, INTEREST OR REMEDY RELEASED OR TO BE RELEASED PURSUANT TO ARTICLE IX HEREOF.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS, OR FOR OBLIGATIONS ISSUED PURSUANT TO THE PLAN, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS OR INTERESTS THAT HAVE BEEN RELEASED PURSUANT TO ARTICLE IX.B OR ARTICLE IX.C, DISCHARGED PURSUANT TO ARTICLE IX.E, OR ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE IX.E ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS: (1) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (2) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (3) CREATING, PERFECTING, OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH ENTITIES OR THE PROPERTY OR ESTATE OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (4) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE FROM SUCH ENTITIES OR AGAINST THE PROPERTY OR ESTATE OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS UNLESS SUCH HOLDER HAS FILED A MOTION REQUESTING THE RIGHT TO PERFORM SUCH SETOFF ON OR BEFORE THE CONFIRMATION DATE, AND NOTWITHSTANDING AN INDICATION IN A PROOF OF CLAIM OR INTEREST OR OTHERWISE THAT SUCH HOLDER ASSERTS, HAS, OR INTENDS TO PRESERVE ANY RIGHT OF SETOFF PURSUANT TO SECTION 553 OF THE BANKRUPTCY CODE OR OTHERWISE; AND (5) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED OR SETTLED PURSUANT TO THE PLAN.

THE RIGHTS AFFORDED IN THE PLAN AND THE TREATMENT OF ALL CLAIMS AND EQUITY INTERESTS HEREIN SHALL BE IN EXCHANGE FOR AND IN COMPLETE SATISFACTION OF CLAIMS AND EQUITY INTERESTS OF ANY NATURE WHATSOEVER, INCLUDING, WITHOUT LIMITATION, ANY INTEREST ACCRUED ON CLAIMS FROM AND AFTER THE PETITION DATE, AGAINST THE DEBTORS OR ANY OF THEIR ASSETS, PROPERTY OR ESTATES. ON THE EFFECTIVE DATE, ALL SUCH CLAIMS AGAINST THE DEBTORS SHALL BE FULLY RELEASED AND DISCHARGED, AND THE EQUITY INTERESTS SHALL BE CANCELLED.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR HEREIN OR IN OBLIGATIONS ISSUED PURSUANT HERETO FROM AND AFTER THE EFFECTIVE DATE, ALL CLAIMS AGAINST THE DEBTORS SHALL BE FULLY RELEASED AND DISCHARGED, AND THE EQUITY INTERESTS SHALL BE CANCELLED, AND THE DEBTORS' LIABILITY WITH RESPECT THERETO SHALL BE EXTINGUISHED COMPLETELY, INCLUDING, WITHOUT LIMITATION, ANY LIABILITY OF THE KIND SPECIFIED UNDER SECTION 502(G) OF THE BANKRUPTCY CODE.

ALL ENTITIES SHALL BE PRECLUDED FROM ASSERTING AGAINST THE DEBTORS, THE DEBTORS' ESTATES, THE REORGANIZED DEBTORS, EACH OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, AND EACH OF THEIR ASSETS AND PROPERTIES, ANY OTHER CLAIMS OR EQUITY INTERESTS BASED UPON ANY DOCUMENTS, INSTRUMENTS OR ANY ACT OR OMISSION, TRANSACTION OR OTHER ACTIVITY OF ANY KIND OR NATURE THAT OCCURRED BEFORE THE EFFECTIVE DATE.

G. Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

H. Protection Against Discriminatory Treatment

Consistent with section 525 of the Bankruptcy Code and the Supremacy Clause of the U.S. Constitution, all Entities, including Governmental Units, shall not discriminate against the Reorganized Debtors or deny, revoke, suspend or refuse to renew a license, permit, charter, franchise or other similar grant to, condition such a grant to, discriminate with respect to such a grant against, the Reorganized Debtors or another Entity with whom such Reorganized Debtors have been associated, solely because one of the Debtors has been a debtor under chapter 11, has been insolvent before the commencement of the Chapter 11 Cases (or during the Chapter 11 Cases but before the Debtor is granted or denied a discharge) or has not paid a debt that is dischargeable in the Chapter 11 Cases.

I. Setoff and Recoupment

Except with respect to Claims allowed in the Plan, the Debtors may setoff against or recoup from any Claims of any nature whatsoever that the Debtors may have against the claimant, but the failure to do so shall not constitute a waiver or release by the Debtors or the Reorganized Debtors of any such Claim it may have against such claimant.

In no event shall any Holder of Claims or Interests be entitled to setoff any Claim or Interest against any Claim, right, or Cause of Action of the Debtors or Reorganized Debtors unless such Holder has Filed a motion with the Bankruptcy Court requesting the authority to perform such setoff on or before the Confirmation Date, and notwithstanding any indication in any Proof of Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to section 553 or otherwise.

In no event shall any Holder of Claims or Interests be entitled to recoup any Claim or Interest against any Claim, right, or Cause of Action of the Debtors or the Reorganized Debtors unless such Holder actually has performed such recoupment and provided notice thereof in writing to the Debtors on or before the Confirmation Date, notwithstanding any indication in any Proof of Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of recoupment.

J. Release of Liens

Except as otherwise provided herein or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtor and its successors and assigns.

ARTICLE X.

CONDITIONS PRECEDENT TO CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE

A. *Conditions Precedent to Confirmation*

It shall be a condition to Confirmation hereof that all provisions, terms and conditions hereof are approved in the Confirmation Order.

B. Conditions Precedent to the Effective Date

It shall be a condition to the Effective Date that the following provisions, terms and conditions shall have been satisfied or waived pursuant to the provisions of Article X.C. hereof.

1. The Confirmation Order (a) shall be a Final Order in form and substance acceptable to the Debtors and the Requisite Initial Lenders; *provided, however*, that if the Confirmation Order effects a material change to the

terms of the Plan that are adverse to any of the Initial Consenting First Lien Lenders individually or to the Initial Consenting First Lien Lenders as a group, then those terms in the Confirmation Order must be reasonably acceptable to each of the Initial Consenting First Lien Lenders and (b) shall include a finding by the Bankruptcy Court that the Plan Securities to be issued on the Effective Date will be authorized and exempt from registration under applicable securities law pursuant to section 1145 of the Bankruptcy Code.

2. The Plan, including any amendments, modifications, or supplements thereto shall be reasonably acceptable to: (a) the Debtors and (b) each of the Initial Consenting First Lien Lenders.

3. The Plan Supplement, including any amendments, modifications, or supplements thereto shall be reasonably acceptable to: (a) the Debtors and (b) the Requisite Initial Lenders.

4. The Exit Facility shall have been executed and delivered by all of the Entities that are parties thereto, and all conditions precedent to the consummation thereof shall have been waived or satisfied in accordance with the terms thereof.

5. All actions, documents, certificates, and agreements necessary to implement this Plan shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable governmental units in accordance with applicable laws.

6. The FCC Approval shall have been obtained and the FCC Trust, if applicable, shall have been established in accordance with the provisions hereof and the FCC Trust Agreement.

C. Waiver of Conditions

Except as otherwise provided herein that the consent of each of the Initial Consenting First Lien Lenders is required, the conditions to Confirmation of the Plan and to Consummation of the Plan set forth in this Article X may be waived at any time by the Debtors, with the consent of the Requisite Initial Lenders; *provided, however,* that the Debtors may not waive entry of the Order approving the Disclosure Statement, the Confirmation Order or any condition the waiver of which is proscribed by law; *provided, further, however,* that the consent of each of the Initial Consenting First Lien Lenders is required for the waiver of (i) conditions precedent requiring the consent of each of the Initial Consenting First Lien Lenders and (ii) the conditions precedent set forth in Articles X.B.4 and X.B.6. Any such waivers shall be evidenced by a writing, signed by the waiving parties, served upon the U.S. Trustee and Filed with the Bankruptcy Court. The waiver may be a conditional one, such as to extend the time under which a condition may be satisfied.

D. Effective Date

The Effective Date shall be the later to occur of (i) the date on which the Confirmation Order becomes a Final Order and (ii) three (3) Business Days after the date that FCC Approval is obtained; *provided, however,* in each case, the conditions specified in Article X.B. have been satisfied or waived.

E. Effect of Failure of Conditions

If the Consummation of the Plan does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any claims by or Claims against or Equity Interests in the Debtors; (2) prejudice in any manner the rights of the Debtors, any Holders or any other Entity; or (3) constitute an admission, acknowledgment, offer, or undertaking by the Debtors, any Holders, or any other Entity in any respect.

ARTICLE XI.

MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

A. Modification and Amendments

Except as otherwise specifically provided herein, the Debtors reserve the right to modify the Plan as to material terms and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not re-solicit votes on such modified Plan; *provided, however,* that such modifications shall be subject to the consent of the Requisite Initial Lenders; *provided, further, however*, that material modifications that are adverse to any of the Initial Consenting First Lien Lenders individually or to the Initial Consenting First Lien Lenders as a group shall be subject to the consent of each of the Initial Consenting First Lien Lenders. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtors expressly reserve their rights to alter, amend, or modify materially the Plan with respect to such Debtor, one or more times, after Confirmation, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend, or modify the Plan, or remedy any defect or omission, or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan; *provided, however,* that such alterations, amendments, modifications, remedies or reconciliations shall be subject to the consent of the Requisite Initial Lenders; *provided, further, however*, that material alterations, amendments, modifications, remedies or reconciliations that are adverse to any of the Initial Consenting First Lien Lenders individually or to the Initial Consenting First Lien Lenders as a group or shall be subject to the consent of each of the Initial Consenting First Lien Lenders. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with this Article XI.

B. Effect of Confirmation on Modifications

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

C. Revocation or Withdrawal of the Plan

The Debtors reserve the right to revoke or withdraw the Plan before the Confirmation Date, with the consent of each of the Initial Consenting First Lien Lenders. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of such Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by such Debtor or any other Entity.

ARTICLE XII.

RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Cases and all matters, arising out of, or related to, the Chapter 11 Cases and the Plan including jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate, or establish the priority, secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the secured or unsecured status, priority, amount, or allowance of Claims;

2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;

3. resolve any matters related to: (a) the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Rejection Claims, Cure Claims pursuant to section 365 of the Bankruptcy Code or any other matter related to such Executory Contract or Unexpired Lease; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying, or supplementing, after the Effective Date, pursuant to Article VI, any Executory Contracts or Unexpired Leases to the list of Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory or expired.

4. ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

5. adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;

6. adjudicate, decide, or resolve any and all matters related to Causes of Action;

7. adjudicate, decide, or resolve any and all matters related to section 1141 of the Bankruptcy Code;

8. during the period of time that the FCC Trust is in place, enter and implement such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;

9. enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

10. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the Consummation, interpretation, or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

11. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with or under the Prepetition Security Agreement and related Intercreditor Agreement;

12. issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;

13. resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the discharge, releases, injunctions, exculpations, indemnifications and other provisions contained in Article IX and enter such orders as may be necessary or appropriate to implement such releases, injunctions, and other provisions;

14. resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim for amounts not timely repaid pursuant to Article VII.I.1;

15. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

16. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan or the Disclosure Statement;

17. adjudicate any and all disputes arising from or relating to distributions under the Plan;

18. consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;

19. determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;

20. hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;

21. hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

22. during the period of time that the FCC Trust is in place, enter and implement such orders as are necessary or appropriate to sell, dispose of, liquidate or abandon any assets or properties of the Debtors, the Reorganized Debtors or the FCC Trust, including, without limitation, the New Common Stock. For the avoidance of doubt, the FCC Trustees shall be required to obtain, and the Bankruptcy Court hereby retains jurisdiction to adjudicate and implement, orders, pursuant to section 363 and 365 of the Bankruptcy Code or otherwise, for the sale or other disposition of the New Common Stock or all or a portion of the FCC-related assets including, without limitation, the Debtors' FCC licenses and the Debtors' broadcast television stations;

23. enter and implement such orders as may be necessary regarding the actions of the FCC Trust pursuant to the terms of the Plan and the FCC Trust Agreement including, but not limited to, orders regarding the FCC Trustees' operating decisions and exercise of control over the New Common Stock and the FCC-related assets, including the Debtors' FCC licenses and broadcast television stations;

24. hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred before or after the Effective Date;

25. enforce all orders previously entered by the Bankruptcy Court;

26. hear any other matter not inconsistent with the Bankruptcy Code; and

27. enter an order concluding or closing the Chapter 11 Cases.

ARTICLE XIII.

MISCELLANEOUS PROVISIONS

A. Immediate Binding Effect

Subject to Article X.B, and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, and any and all Holders of Claims or Interests (irrespective of whether such Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges, and injunctions

described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

B. Additional Documents

On or before the Effective Date, the Debtors may File with the Bankruptcy Court, in form and substance acceptable to the Requisite Initial Lenders, such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors or Reorganized Debtors, as applicable, and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

C. Dissolution of Committee

On the Effective Date, the Committee shall dissolve and members thereof shall be released and discharged from all rights and duties from or related to the Chapter 11 Cases.

D. Payment of Fees and Expenses of Initial Consenting First Lien Lenders and the Prepetition Agents

ION shall promptly pay in Cash in full reasonable and documented fees and expenses incurred by (i) Akin Gump Strauss Hauer & Feld LLP and UBS Securities LLC, as counsel and financial advisor, respectively, to the informal committee comprised of the Initial Consenting First Lien Lenders, in accordance with their respective engagement letters and (ii) (a) one (1) counsel for each of Avenue, Trilogy and Canyon, which shall not exceed $200,000 for each counsel and (b) one (1) counsel for Black Diamond which shall not exceed $350,000 for such counsel, and $950,000 in the aggregate incurred under and in connection with the DIP Credit Agreement (including, without limitation, obligations under section 11.05 thereof) and the restructuring, including, without limitation, in connection with the negotiation, documentation and consummation this Plan, the Plan Supplement and all other documents related to the Plan and the restructuring; and (iii) the Prepetition Agents (x) that are payable in accordance with the DIP Order and (y) that are incurred in connection with distributions under the Plan and in accordance with the terms hereof. All amounts distributed and paid to the foregoing parties pursuant to the Plan and DIP Order shall not be subject to setoff, recoupment, reduction or allocation of any kind.

E. Reservation of Rights

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the Plan, any statement or provision contained in the Plan, nor any action taken or not taken by any Debtor with respect to the Plan, the Disclosure Statement, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Interests before the Effective Date.

F. Successors and Assigns

The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, affiliate, officer, director, manager, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

G. Service of Documents

After the Effective Date, any pleading, notice, or other document required by the Plan to be served on or delivered to the Reorganized Debtors shall be served on:

ION Media Networks, Inc.
1330 Avenue of the Americas
New York, New York 10019
Attn: R. Brandon Burgess

with copies to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022
Attn: Jonathan S. Henes and Joshua A. Sussberg

-and-

Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, New York 10036
Attn: Ira S. Dizengoff and Alexis Freeman

After the Effective Date, the Debtors may, in their sole discretion, notify Entities that, in order to continue receiving documents pursuant to Bankruptcy Rule 2002, such Entities must File a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

H. Entire Agreement

Except as otherwise indicated, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

I. Severability of Plan Provisions

If, before Confirmation of the Plan, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without (a) the Debtors' consent and (b) the consent of the Requisite Initial Lenders; *provided, further, however*, that material deletions or modifications that are adverse to any of the Initial Consenting First Lien Lenders individually or to the Initial Consenting First Lien Lenders as a group shall be subject to the consent of each of the Initial Consenting First Lien Lenders; and (3) nonseverable and mutually dependent.

J. Exhibits

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall be available upon written request to the Debtors' counsel or the Bankruptcy Court's web site at *www.nysb.uscourts.gov*. To the extent any exhibit or document is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit or non-document portion of the Plan shall control.

K. Votes Solicited in Good Faith

Upon entry of the Confirmation Order, the Debtors will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code and any applicable non-bankruptcy law, and pursuant to section 1125(e) of the Bankruptcy Code, the Debtors and their respective Affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors, and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code in the offer, issuance, sale, and purchase of Plan Securities offered and sold under the Plan, and, therefore, will have no liability for the violation of any applicable law, rule, or regulation governing the solicitation of votes on the Plan or the offer, issuance, sale, or purchase of the Plan Securities offered and sold under the Plan.

L. Closing of Chapter 11 Cases

The Reorganized Debtors shall, promptly after the full administration of the Chapter 11 Case, File with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Cases.

M. Conflicts

Except as set forth in the Plan, to the extent that any provision of the Disclosure Statement or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements, or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Plan shall govern and control; *provided, however,* that if there is a conflict between this Plan and a Plan Supplement document, the Plan Supplement document shall govern and control.

N. Filing of Additional Documents

On or before the Effective Date, the Debtors may File with the Bankruptcy Court all agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

Dated: August 19, 2009

Respectfully submitted,

ION Media Networks, Inc.

By: /s/ R. Brandon Burgess
Chairman, President and CEO

America 51, L.P.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Akron License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Albany License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Atlanta License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Battle Creek License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Boston License, Inc.
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President and CEO

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President and CEO

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President and CEO

ION Media Denver License, Inc.
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ION Media Des Moines License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Entertainment, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Greensboro License, Inc.
By: /s/ R. Brandon Burgess
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By: /s/ R. Brandon Burgess
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ION Media Hartford License, Inc.
By: /s/ R. Brandon Burgess
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ION Media Hawaii License, Inc.
By: /s/ R. Brandon Burgess
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ION Media Hits, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Holdings, Inc.
By: /s/ R. Brandon Burgess
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ION Media Houston License, Inc.
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ION Media Kansas City License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Knoxville License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Lexington License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media License Company, LLC
By: /s/ R. Brandon Burgess
President and CEO

ION Media Los Angeles License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media LPTV, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Management Company
By: /s/ R. Brandon Burgess
President and CEO

ION Media Martinsburg License, Inc.
By: /s/ R. Brandon Burgess
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ION Media Memphis License, Inc.
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President and CEO

ION Media of Wausau, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media of West Palm Beach, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Oklahoma City License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Orlando License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Philadelphia License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Portland License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Publishing, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Raleigh License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Sacramento License, Inc.
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ION Media Songs, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Spokane License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Syracuse License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Television, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Tulsa License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Washington License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media Wausau License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media West Palm Beach Holdings, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Media West Palm Beach License, Inc.
By: /s/ R. Brandon Burgess
President and CEO

ION Television Net, Inc.
By: /s/ R. Brandon Burgess
President and CEO

Ocean State Television, L.L.C.
By: /s/ R. Brandon Burgess
President and CEO

Open Mobile Ventures Corporation
By: /s/ R. Brandon Burgess
President and CEO

EXHIBIT B

Disclosure Statement Order

(To Come)

EXHIBIT C

REORGANIZED DEBTORS' FINANCIAL PROJECTION

Reorganized Debtors' Financial Projections

Projected Financial Information

The Debtors believe that the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors or any successor under the Plan. In connection with the development of the Plan, and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. Management developed a business plan and prepared financial projections (the "***Projections***") for the period from 2009 through 2014 (the "***Projection Period***").

The Debtors do not, as a matter of course, publish their business plans or strategies, projections or anticipated financial position. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to Holders of Claims or other parties in interest after the Confirmation Date or otherwise make such information public.

In connection with the planning and development of the Plan, the Projections were prepared by the Debtors to present the anticipated impact of the Plan. The Projections assume that the Plan will be implemented in accordance with its stated terms. The Projections are based on forecasts of key economic variables and may be significantly impacted by, among other factors, changes in the competitive environment, regulatory changes and/or a variety of other factors, including those factors listed in the Plan and the Disclosure Statement. Accordingly, the estimates and assumptions underlying the Projections are inherently uncertain and are subject to significant business, economic and competitive uncertainties. Therefore, the Projections, estimates and assumptions are not necessarily indicative of current values or future performance, which may be significantly less or more favorable than set forth herein. The Projections included herein were prepared in June 2009. Management is unaware of any circumstances as of the date of this Disclosure Statement that would require the re-forecasting of the Projections due to a material change in the Debtors' prospects.

The Projections should be read in conjunction with the significant assumptions, qualifications and notes set forth below, as well as the assumptions, qualifications and explanations set forth in the Disclosure Statement and the Plan.

THE DEBTORS' MANAGEMENT DID NOT PREPARE THE PROJECTIONS TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND THE RULES AND REGULATIONS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE DEBTORS' INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE PROJECTIONS THAT ACCOMPANY THE DISCLOSURE STATEMENT AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE PROJECTIONS, ASSUME NO RESPONSIBILITY FOR THE PROJECTIONS, AND DISCLAIM ANY ASSOCIATION WITH THE PROJECTIONS. EXCEPT FOR PURPOSES OF THE DISCLOSURE STATEMENT, THE DEBTORS DO NOT PUBLISH PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS.

MOREOVER, THE PROJECTIONS CONTAIN CERTAIN STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS, INCLUDING THE IMPLEMENTATION OF THE PLAN, THE CONTINUING AVAILABILITY OF SUFFICIENT BORROWING CAPACITY OR OTHER FINANCING TO FUND OPERATIONS, ACHIEVING OPERATING EFFICIENCIES, MAINTAINING GOOD EMPLOYEE RELATIONS, EXISTING AND FUTURE GOVERNMENTAL REGULATIONS AND ACTIONS OF GOVERNMENTAL BODIES, NATURAL DISASTERS AND UNUSUAL WEATHER CONDITIONS, ACTS OF TERRORISM OR WAR, INDUSTRY-SPECIFIC RISK FACTORS (AS DETAILED IN ARTICLE XIII OF THE DISCLOSURE STATEMENT ENTITLED "RISK FACTORS"), AND OTHER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF

CLAIMS AND INTERESTS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS, MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE REORGANIZED DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE OR ARE MADE AS TO THE ACCURACY OF THE PROJECTIONS OR THE REORGANIZED DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL BE INACCURATE. MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE DEBTORS PREPARED THESE PROJECTIONS MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR DISCLOSURE STATEMENT, THE DEBTORS AND REORGANIZED DEBTORS, AS APPLICABLE, DO NOT INTEND AND UNDERTAKE NO OBLIGATION TO UPDATE OR OTHERWISE REVISE THE PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE THE DISCLOSURE STATEMENT IS INITIALLY FILED OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. THEREFORE, THE PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS AND SHOULD CONSULT WITH THEIR OWN ADVISORS.

ION MEDIA NETWORKS, INC. AND ITS AFFILIATED DEBTORS
Projected Pro Forma Consolidated Balance Sheet
As of Dec 31, 2009
($s in thousands)

	Estimated Pre-Effective Date Balance Sheet	Recapitalization Adjustments	Fresh Start Adjustments	Pro Forma Balance Sheet of Reorganized Company
ASSETS				
Current assets:				
Cash and cash equivalents	$ 50,800			$ 50,800
Accounts receivable, net of allowance for doubtful accounts	14,650			14,650
Program rights	18,418			18,418
Prepaid expenses and other current assets	6,760			6,760
Total current assets	90,628		0	90,628
Property and equipment, net	94,045			94,045
Intangible assets, net	230,707		2,155	232,862
Other assets, net	49,702			49,702
Total assets	$ 465,082	$ -	$ 2,155	$ 467,237
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$ 30,042			$ 30,042
Accrued interest	-			-
Obligations for program rights	18,593			18,593
Deferred revenue	119			119
Total current liabilities	48,754			48,754
Obligations for program rights, net of current portion	3,031			3,031
Deferred income taxes	27,236	-	(27,236)	-
DIP Financing	100,000	(100,000)		-
Other long-term liabilities	35,452			35,452
Total liabilities not subject to compromise	214,473	(100,000)	(27,236)	87,237
Liabilities subject to compromise	2,064,999	(2,064,999)		-
Mandatorily redeemable and convertible preferred stock	785,634	(785,634)		-
Total stockholders' (deficit) equity	(2,600,024)	2,950,633	29,391	380,000
Total liabilities and stockholders' (deficit) equity	$ 465,082	$ -	$ 2,155	$ 467,237

Projected Pro Forma Consolidated Balance Sheet Assumptions

The pro forma balance sheet adjustments contained herein account for (i) the reorganization and related transactions pursuant to the proposed Plan and (ii) the implementation of "fresh start" accounting pursuant to Statement of Position 90-7 ("***SOP 90-7***"), Financial Reporting by Entities in Reorganization under the Bankruptcy Code. The main principles of Fresh Start Reporting include the reorganization value of the entity being allocated to the entity's assets in conformity with the procedures specified by Statement of Financial Accounting Standards ("***SFAS***") No. 141R, Business Combinations and any portion of the reorganization value that cannot be attributed to specific tangible or identified assets of the emerging entity should be reported as goodwill in accordance with SFAS No. 142, Goodwill and Other Intangible Assets.

Solely for purposes of preliminary fresh start accounting estimates in these Projections, the reorganization value is based upon a $380 million enterprise value estimate. The reorganization value ultimately used by the Company in implementing Fresh Start Reporting may differ from this estimate. Likewise, the Company's allocation of the reorganization value to individual assets and liabilities is based upon preliminary estimates by the Company, that are subject to change upon the formal implementation of Fresh Start Reporting and could result in material differences to the allocated values included in these Projections.

The significant projected pro forma consolidated balance sheet adjustments reflected in the Projections are summarized as follows:

a) **Property and equipment, net:**
The Company believes net book value approximates fair value.

b) **Intangible assets**:
The allocation of the reorganization value has been adjusted through the intangible assets.

c) **DIP Financing:**
The change in the DIP Financing is a result of the DIP being converted to equity on the Effective Date.

d) **Liabilities subject to compromise:**
Pursuant to the proposed Plan, all liabilities subject to compromise will be either (i) discharged or (ii) converted to equity

e) **Total stockholders' equity (deficit):**
Adopting fresh start reporting results in a new reporting entity with no retained earnings/deficit The balance reflects that all pre-existing stock has been replaced by the proposed new equity structure which includes the issuance of new stock to the pre-petition claimants.

ION MEDIA NETWORKS, INC. AND ITS AFFILIATED DEBTORS
Projected Consolidated Balance Sheet

($s in thousands)

	2009	2010	2011	2012	2013	2014
ASSETS						
Current assets:						
Cash and cash equivalents	$ 50,800	$ 32,181	$ 10,231	$ 50,381	$ 144,037	$ 320,509
Accounts receivable, net of allowance for doubtful accounts	14,650	20,541	33,761	55,398	85,881	105,659
Program rights	18,418	50,058	82,703	114,830	141,991	141,991
Prepaid expenses and other current assets	6,760	6,760	6,760	6,760	6,760	6,760
Total current assets	90,628	109,540	133,455	227,369	378,669	574,919
Property and equipment, net	94,045	78,504	80,309	87,931	95,787	102,698
Intangible assets, net	232,862	221,388	209,996	209,614	209,385	209,156
Other assets, net	49,702	85,631	116,446	143,607	200,119	256,291
Total assets	$ 467,237	$ 495,063	$ 540,206	$ 668,521	$ 883,961	$ 1,143,064
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable and accrued liabilities	$ 30,042	$ 30,026	$ 30,026	$ 30,026	$ 30,026	$ 30,026
Accrued interest	-	-	-	-	-	-
Obligations for program rights	18,593	18,593	18,593	18,593	18,593	18,593
Deferred revenue	119	119	119	119	119	119
Total current liabilities	48,754	48,738	48,738	48,738	48,738	48,738
Obligations for program rights, net of current portion	3,031	3,031	3,031	3,031	3,031	3,031
Deferred income taxes	-	9,628	27,442	77,877	162,693	264,738
Other long-term liabilities	35,452	35,468	35,468	35,969	36,468	36,968
Total liabilities	87,237	96,865	114,679	165,615	250,930	353,475
Total stockholders' equity	380,000	398,198	425,527	502,906	633,031	789,590
Total liabilities and stockholders' equity	$ 467,237	$ 495,063	$ 540,206	$ 668,521	$ 883,961	$ 1,143,064

ION MEDIA NETWORKS, INC. AND ITS AFFILIATED DEBTORS
Projected Consolidated Statement of Operations

($s in thousands)

	2009	2010	2011	2012	2013	2014
Revenues	$ 179,780	$ 205,630	$ 316,280	$ 488,780	$ 682,320	$ 816,700
Operating costs and expenses	77,849	105,083	154,874	222,902	292,907	353,553
Depreciation and amortization	57,020	47,015	31,588	19,760	21,372	24,318
Local operations	-	-	-	23,130	37,940	48,850
Selling, general and administrative	79,229	75,706	84,675	95,174	115,160	131,376
Restructuring	31,800	-	-	-	-	-
Impairment charge	1,425,648	-	-	-	-	-
Total operating expenses	1,671,546	227,804	271,137	360,966	467,378	558,097
Loss on disposal of broadcast and other assets, net	(666)	-	-	-	-	-
Operating (loss) income	(1,492,432)	(22,174)	45,143	127,814	214,941	258,603
Reorganization items	(790,028)	-	-	-	-	-
Other expenses, net	-	-	-	-	-	-
Interest expense	(108,135)	-	-	-	-	-
Other income	2					
Income taxes	506,051	(9,628)	(17,813)	(50,435)	(84,816)	(102,045)
Net (loss) income	(1,884,542)	(31,802)	27,329	77,378	130,125	156,558
Dividends and accretion on redeemable preferred stock	(60,182)	-	-	-	-	-
Net (loss) income attributable to common stockholders	(1,944,724)	(31,802)	27,329	77,378	130,125	156,558
EBITDA	(1,550)	(33,190)	20,270	114,520	152,640	226,750

ION MEDIA NETWORKS, INC. AND ITS AFFILIATED DEBTORS
Projected Statements of Cash Flow

($s in thousands)

	2009	2010	2011	2012	2013	2014
Operating Activities						
Net (loss) income	(1,944,724)	(31,802)	27,329	77,378	130,125	156,558
Depreciation and amortization	57,020	47,015	31,588	19,760	21,372	24,318
Reorganization items	790,028	-	-	-	-	-
Impairment charges	1,425,648	-	-	-	-	-
Other adjustments	(353,877)	(48,386)	(38,647)	17,882	1,642	46,374
Change in working capital	(18,250)	(15,429)	(20,220)	(47,871)	(30,483)	(19,778)
Net cash (used in) provided by operating activities	(44,155)	(48,603)	50	67,150	122,656	207,472
Investing Activities						
Capital expenditures	(16,496)	(20,000)	(22,000)	(27,000)	(29,000)	(31,000)
Investment in unconsolidated affiliate	-	-	-	-	-	-
Net cash used in investing activities	(16,496)	(20,000)	(22,000)	(27,000)	(29,000)	(31,000)
Financing Activities						
Repayments of long-term debt	-	(16)	-	-	-	-
Revolver borrowing	100,000	50,000	-	-	-	-
Restructuring costs	(31,800)	-	-	-	-	-
Net cash provided by financing activities	68,200	49,984	-	-	-	-
Net increase (decrease) in cash & cash equivalents	7,549	(18,619)	(21,950)	40,150	93,656	176,472
Cash & cash equivalents at beginning of period	43,251	50,800	32,181	10,231	50,381	144,037
Cash & cash equivalents at end of period	50,800	32,181	10,231	50,381	144,037	320,509

ASSUMPTIONS TO FINANCIAL PROJECTIONS

Projections

Management prepared the Projections for the fiscal years 2009 through 2014 (the "***Projection Period***"). The Projections are based on a number of assumptions made by management with respect to the future performance of the Reorganized Debtors' operations. Although management has prepared the Projections in good faith and believes the assumptions to be reasonable, it is important to note that the Debtors can provide no assurance that such assumptions will be realized. As described in detail in the Disclosure Statement, a variety of risk factors could affect the Reorganized Debtors' financial results and must be considered. The Projections should be reviewed in conjunction with a review of these assumptions, including the qualifications and footnotes set forth herein.

Key Assumptions

A. General

1. *Methodology*. The Projections incorporate management's assumptions and initiatives, including the Company's strategic vision to develop a business with multiple revenue streams and brands.

2. *Plan Consummation*. The operating assumptions assume that the Plan will be confirmed and consummated by December 31, 2009.

3. *Macroeconomic and Industry Environment*. The Projections reflect a stable economic environment.

B. Projected Statements of Operations

1. *Total Revenue*. From 2010 to 2014, revenues are estimated to increase due to higher advertising revenues resulting from improved ratings and advertising rates as the Debtors continue to enhance their programming line-up with higher quality syndicated programming and original productions where feasible. Further, revenue is enhanced by the Debtors ability to generate retransmissiom/cable subscriber fees from cable distributors as well as the Debtors commencement of local station operations beginning in 2012. Station counts are assumed to remain flat with an increase in diversified programming.

2. *Programming and broadcast operations*. Programming and broadcast operations expenses are estimated to increase by 2.5% in 2010 and every year thereafter.

3. *Program rights amortization*. Program rights amortization is estimated to increase after 2009 as the Debtors continue to enhance their programming line-up with higher quality syndicated programming and original productions where feasible.

4. *Selling, general and administrative expenses*. Selling, general and administrative expenses are estimated to increase by 2.5% in 2010 and every year thereafter due to the increase in programming operations.

5. *Depreciation and amortization*. Depreciation and amortization is estimated to decrease in 2010 and thereafter as the Debtors maintain their capital expenditures at minimal maintenance levels.

6. *Reorganization Items*. The 2009 reorganization charges consist principally of legal and professional fees and gains on discharge of debt. Consolidated restructuring expenses are estimated at zero levels for 2010 and thereafter as the reorganization plan is assumed to be approved and implemented by year end 2009.

7. *Interest expense*. Interest expense is projected on the new revolving facility borrowings only up to date of conversion into newly issued common stock during the first quarter of 2010.

8. *Net Operating Losses*. The Projections assume the Reorganized Debtors will not pay significant taxes based on the utilization of net operating losses, subject to the section 382 limitation under the Internal Revenue Code. The Projections also do not include the effect of potential operating loss carry forwards and the potential reduction in the basis of certain depreciable tax assets as they have not been determined at the time of these Projections.

9. *Income from gain on compromise of indebtedness*. For purposes of the Projections, no income from gain on the exchange of the recapitalization adjustments into equity is included in these Projections. It is anticipated that any such gain on the exchange of these recapitalization adjustments will be largely offset by NOLs but will also reduce the basis of certain depreciable tax assets.

C. Projected Balance Sheets and Statements of Cash Flow

1. *Capital expenditures*. Capital expenditures are expected to range from $20 to $28 million for the years 2010 through 2014. The Debtors anticipate higher expenditures in the projected years to maintain their digital platform and existing infrastructure.

2. *Programming payments*. Programming payments are expected to increase significantly in 2010 and thereafter as the Debtors anticipate continuing their efforts to upgrade their syndicated and original entertainment programming offerings in order to increase ratings. It is assumed that increased programming payments may drive ratings as well as revenue growth in the future.

EXHIBIT D

VALUATION ANALYSIS

Valuation of the Reorganized Debtors

At the Debtors' request, Moelis & Company ("***Moelis***") performed a valuation analysis of the Reorganized Debtors. The total enterprise value of the Reorganized Debtors was assumed for the purposes of the Plan by the Debtors, based on advice from Moelis, to be between approximately $310 million to $445 million with a rounded midpoint of $380 million as of December 31, 2009. Based upon the total enterprise value of the Reorganized Debtors' business, the Debtors have calculated a range of equity values for the Reorganized Debtors of approximately $310 million to $445 million with a rounded midpoint of $380 million. This analysis was based on the Debtors' Financial Forecasts, as well as current market conditions and statistics. The values are based upon information available to, and analyses undertaken by, Moelis as of August 7, 2009. The foregoing reorganization equity value (ascribed as of the date of this Disclosure Statement) reflects, among other factors discussed below, current financial market conditions and the inherent uncertainty as to the achievement of the Financial Forecasts. It should be understood that, although subsequent developments may affect Moelis' conclusions, Moelis does not have any obligation to update, revise or reaffirm its estimate.

The foregoing valuations are based on a number of assumptions, including a successful reorganization of the Debtors' debt obligations in a timely manner, the achievement of the forecasts reflected in the Financial Forecasts, the amount of available cash, the outcome of certain expectations regarding market conditions, and the Plan becoming effective in accordance with its terms. Moreover, the valuations are based on the Projections (as defined in the Disclosure Statement) provided to Moelis by the Debtors for fiscal years 2010-2014, as well as derived unlevered free cash flow ("***UFCF***") between 2015 and 2024 based on (i) management's target perpetual EBITDA margin in 2024 of 35% achieved through ratable increases from 2014; (ii) management's target perpetual revenue growth of 2.5% achieved in 2024 which is achieved on a ratable step-down basis between 2014 and 2024; (iii) management's guidance that capital expenditures and working capital investment would be a constant percentage of revenue between 2015 and 2024 and (iv) a 39.46% tax rate in each year (the "***Extended Projections***").

Moelis assumed that the Projections prepared by the Debtors' management were prepared in good faith and on a basis reflecting the Debtors' most accurate currently available estimates and judgments as to the future operating and financial performance of the Reorganized Debtors. Moelis' estimated total enterprise value range of the Reorganized Debtors assumes the Reorganized Debtors will achieve their Projections in all material respects, including revenue and EBITDA growth and improvements in EBITDA margins and cash flow, as projected. If the business performs at levels below those set forth in the Projections, such performance may have a materially negative impact on the total enterprise value range of the Reorganized Debtors. Conversely, if the business performs at levels above those set forth in the Projections, such performance may have a materially positive impact on the total enterprise value range of the Reorganized Debtors. The Reorganized Debtors' performance is expressly conditioned on the Plan becoming effective by December 31, 2009, and the Debtors' having access to $50 million at exit pursuant to the DIP financing arrangement as described in this Disclosure Statement. The Debtors' performance could be materially impacted if they are unable to consummate the Plan. Failure to consummate the Plan may have a materially negative impact on the total enterprise value range of the Reorganized Debtors.

The estimates of value represent hypothetical total enterprise values of the Reorganized Debtors as the continuing operators of the business and assets, and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. The value of an operating business such as the Debtors' business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such a business.

In preparing a range of the estimated total enterprise value of the Reorganized Debtors and the going concern value of the Debtors' business, Moelis: (i) reviewed certain historical financial information of the Debtors for recent years and interim periods; (ii) reviewed certain internal financial and operating data of the Debtors and their non-debtor affiliates, including financial and operational Financial Forecasts developed by management relating to their business and prospects; (iii) met with certain members of senior management of the Debtors to discuss operations, future prospects and the Extended Projections; (iv) reviewed the Financial Forecasts as prepared by the Debtors; (v) reviewed publicly available financial data; (vi) considered certain economic and industry information relevant to the operating business; and (vii) conducted such other analyses as Moelis deemed appropriate. Although Moelis conducted a review and analysis of the Debtors' business, operating assets and

liabilities and strategic initiatives being pursued by current management, Moelis assumed and relied on the accuracy and completeness of all financial and other information furnished to it by the Debtors and publicly available information. In addition, Moelis did not independently verify the assumptions underlying the Financial Forecasts in connection with such valuation. No independent evaluations or appraisals of the Debtors' assets were sought or were obtained in connection therewith.

Moelis's estimates of value set forth herein do not constitute a recommendation to any Holder of a Claim as to how such person should vote or otherwise act with respect to the Plan. Moelis has not been asked to and does not express any view as to what the trading value of the Reorganized Debtors' securities would be when issued pursuant to the Plan or the prices at which they may trade in the future. The estimates of value set forth herein do not constitute an opinion as to fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan.

Valuation Methodologies. In performing its analysis, Moelis used discounted cash flow, comparable public companies trading multiples and precedent M&A transactions multiples methodologies. These valuation techniques reflect both the market's current view of the Debtors' strategic plan and operations, as well as a longer-term focus on the intrinsic value of the cash flow associated with the Debtors' current strategic initiatives. Moelis primarily relied upon the discounted cash flow methodology given that the early stage of the Debtors' transformation process and risks of achieving profitability limit the relevance of both precedent transactions and comparable company market statistics as valuation benchmarks.

THE FOLLOWING SUMMARY DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE ANALYSES AND FACTORS UNDERTAKEN TO SUPPORT MOELIS' CONCLUSIONS. THE PREPARATION OF A VALUATION IS A COMPLEX PROCESS INVOLVING VARIOUS DETERMINATIONS AS TO THE MOST APPROPRIATE ANALYSES AND FACTORS TO CONSIDER, AS WELL AS THE APPLICATION OF THOSE ANALYSES AND FACTORS UNDER THE PARTICULAR CIRCUMSTANCES. AS A RESULT, THE PROCESS INVOLVED IN PREPARING A VALUATION IS NOT READILY SUMMARIZED.

1. Comparable Company Analysis. The comparable company valuation analysis is based on the enterprise values of publicly traded companies that have operating and financial characteristics similar to the Debtors. Under this methodology, numerous financial multiples and ratios were developed to measure each company's valuation and relative performance. Some of the specific analysis entailed comparing the enterprise value (defined as market value of equity plus market value of debt, book value of preferred stock and minority interests less cash) for each comparable company to their number of subscribers. A key factor to this approach is the selection of companies with relatively similar businesses and operational characteristics to the Debtors. Common criteria for selecting comparable companies for the analysis include, among other relevant characteristics, similar lines of business, business risks, growth prospects, market presence and size and scale of operations. The selection of appropriate comparable companies is often a matter of judgment and subject to limitations due to sample size and the availability of meaningful market-based information.

2. Precedent Transactions Analysis. The precedent M&A transaction analysis is based on the enterprise values of companies involved in merger and acquisition transactions that have operating and financial characteristics similar to the Debtors. Under this methodology, the enterprise value of each such company is determined by an analysis of the consideration paid and the debt assumed in the merger or acquisition transaction. The enterprise value is then applied to the target's available network subscriber information pursuant to announcement to generate an implied value per subscriber. Unlike the comparable company analysis, the enterprise valuation derived using this methodology reflects a "control" premium (i.e., a premium paid to purchase a majority or controlling position in a company's assets). Thus, this methodology generally produces higher valuations than the comparable public company analysis. In addition, other factors not directly related to a company's business operations can affect a valuation based on precedent transactions, including: (a) circumstances surrounding a merger transaction may introduce "diffusive quantitative results" into the analysis (i.e., a buyer may pay an additional premium for reasons that are not solely related to competitive bidding); (b) the market environment is not identical for transactions occurring at different periods of time; (c) the sale of a discrete asset or segment may warrant a discount or premium to the sale of an entire company depending on the specific operational circumstances of the seller and acquirer; and (d) circumstances pertaining to the financial position of the company may have an impact on the resulting purchase

price (i.e., a company in financial distress may receive a lower price due to perceived weakness in its bargaining leverage).

3. Discounted Cash Flow Analysis. The discounted cash flow ("***DCF***") analysis is a forward-looking enterprise valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. The DCF approach takes into account the projected operating cash flows of the subject company by using company projections as the basis for the financial model. The underlying concept of the DCF approach is that debt-free, after-tax cash flows are estimated for a projection period and a terminal value is estimated to determine going concern value of the subject company from the end of the projection period forward. In this case, Moelis used the Debtors' Projections in addition to the Extended Projections as the basis for the DCF. These cash flows are then discounted at an appropriate weighted average cost of capital, which is determined by referring to, among other things the average cost of debt and equity for the selected comparable companies. This approach relies on the company's ability to project future cash flows with some degree of accuracy. Because the Debtors' Projections reflect significant assumptions made by the Debtors' management concerning anticipated results, the assumptions and judgments used in the Projections may or may not prove correct and, therefore, no assurance can be provided that projected results are attainable or will be realized.

Valuation Considerations. An estimate of total enterprise value is not entirely mathematical, but rather it involves complex considerations and judgments concerning various factors that could affect the value of an operating business. Moreover, the value of an operating business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial conditions and prospects of such a business. As a result, the estimate of total enterprise value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Because such estimates are inherently subject to uncertainties, none of the Company, Moelis or any other person assumes responsibility for their accuracy. Depending on the results of the Debtors' operations or changes in the financial markets, Moelis' valuation analysis as of the Effective Date may differ from that disclosed herein. In addition, the valuation of newly issued interests is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated initial securities holdings of prepetition creditors, some of which may prefer to liquidate their investment rather than hold it on a long-term basis, and other factors that generally influence the prices of securities. Actual market prices of such securities also may be affected by the Debtors' history in chapter 11, conditions affecting the Debtors' competitors or the industry generally in which the Debtors participate or by other factors not possible to predict. Accordingly, the total enterprise value estimated by Moelis does not necessarily reflect, and should not be construed as reflecting, values that will be attained in the public or private markets. The value ascribed in the analysis does not purport to be an estimate of the post reorganization market trading value. Such trading value may be materially different from the total enterprise value ranges associated with Moelis' valuation analysis. Indeed, there can be no assurance that a trading market will develop for the new interests issued pursuant to the reorganization.

Furthermore, in the event that the actual distributions to Holders of Claims differ from those assumed by the Debtors in their recovery analysis, the actual recoveries realized by Holders of Claims could be significantly higher or lower than estimated by the Debtors.

EXHIBIT E

LIQUIDATION ANALYSIS

Liquidation Analysis Summary

($ millions)

	Notes	Estimated Book Value	Estimated Recovery Low Case	Estimated Recovery High Case	Estimated Liquidation Low Value	Estimated Liquidation High Value
Assets:						
Current Assets:						
Cash and Cash Equivalents	A	$55.4	100.0%	100.0%	$55.4	$55.4
Accounts Receivable, Net	B	14.7	70.0%	90.0%	10.3	13.2
Program Rights	C	18.4	0.0%	0.0%	--	--
Prepaid Expenses and Other Current Assets	D	6.8	0.0%	0.0%	--	--
Non-Current Assets:						
PP&E, Intangibles and FCC Licenses						
Broadcast Stations	E	303.0	21.1%	34.7%	63.9	105.1
Land	F	3.2	20.0%	40.0%	0.6	1.3
Buildings	F	11.2	20.0%	40.0%	2.2	4.5
Towers	F	7.5	10.0%	30.0%	0.7	2.2
Total PP&E, Intangibles and FCC Licenses		324.8			67.5	113.1
Program Rights, Net	C	45.9	0.0%	0.0%	--	--
Other Assets, Net	G	3.8	40.1%	40.1%	1.5	1.5
Total Estimated Proceeds from Liquidation of All Assets					**134.7**	**183.2**
Estimated Costs Associated with Liquidation	H					
Operating Costs Associated with Wind-Down					34.3	34.3
Restructuring-Related Transaction Costs					5.4	7.3
Total Estimated Costs Associated with Liquidation					39.7	41.6
Net Estimated Liquidation Proceeds from All Assets					**$95.0**	**$141.6**

Estimated Secured Claims as of December 31, 2009	Notes	Claim Amount	Estimated Recovery Low Value	Estimated Recovery High Value
Superpriority DIP Multi-Draw Term Loan	I	$100.0	$95.0	$100.0
Implied Recovery %			***95.0%***	***100.0%***
Total Superpriority Liens		**$100.0**	**$95.0**	**$100.0**
First Priority Term Loan [1]	J	329.9	$0.0	$16.0
Implied Recovery %			***0.0%***	***4.8%***
First Priority Senior Secured Notes [1]	K	406.0	$0.0	$19.7
Implied Recovery %			***0.0%***	***4.8%***
Swap Liability on Term Loan and Senior Secured Notes [1]	L	122.0	$0.0	$5.9
Implied Recovery %			***0.0%***	***4.8%***
Mortgage Loan	M	0.1	$0.1	$0.1
Implied Recovery %			***100.0%***	***100.0%***
Total First Lien		**$858.0**	**$0.0**	**$41.6**
Second Priority Senior Secured Notes [1]	N	451.6	$0.0	$0.0
Implied Recovery %			***0.0%***	***0.0%***
Total Second Lien		**$451.6**	**$0.0**	**$0.0**
Residual Value Available for Unsecured Claims	O			
Series A and B Convertible Sub Debt [1]		755.6	0.0	0.0
Other General and Unsecured Claims		51.8	0.0	0.0
Total Unsecured Claims		**$807.4**	**$0.0**	**$0.0**
Implied Recovery %			*0.0%*	*0.0%*
Total Implied Recoveries:				
DIP Term Loan			*95.0%*	*100.0%*
First Lien			*0.0%*	*4.8%*
Second Lien			*0.0%*	*0.0%*
Unsecured Claims			*0.0%*	*0.0%*

ASSUMPTIONS AND FOOTNOTES
TO HYPOTHETICAL LIQUIDATION ANALYSIS

The Debtors, with the assistance of their financial advisors, have prepared this hypothetical liquidation analysis (the "***Liquidation Analysis***") in connection with the filing of the Plan and Disclosure Statement. The Liquidation Analysis indicates the estimated values that may be obtained by Classes of Claims upon disposition of the Debtors' assets, pursuant to a liquidation under chapter 7 of the Bankruptcy Code, as an alternative to continued operation of the Debtors' business, as contemplated under the Plan. Accordingly, asset values discussed herein differ from amounts referred to in the Plan. The Liquidation Analysis is based upon the assumptions discussed herein and in the Disclosure Statement. All capitalized terms used but not defined in this Liquidation Analysis have the meanings ascribed to them in the Disclosure Statement.

The Liquidation Analysis assumes that the Debtors' current Chapter 11 Cases convert to chapter 7 cases on or about January 1, 2010 (the "***Liquidation Date***") and that the Debtors' operations are wound down in an orderly manner and their assets are liquidated. As sales of the Debtors' stations are subject to the jurisdiction of the FCC, the Debtors believe the liquidation process could last longer than expected or costs could run higher due to the requirement to transfer licenses pursuant to the regulations established by the FCC.

The Liquidation Analysis is based on the projected balance sheet as of December 31, 2009, unless otherwise stated. The book values, except for the intangibles, are assumed to be representative of the Debtors' assets and liabilities as of the Liquidation Date. The book value of the intangible assets is not reflective of current value as of the date of this report, as current value is undetermined. The Liquidation Analysis represents an estimate of recovery values and percentages based upon a hypothetical liquidation of the Debtors if a chapter 7 trustee (the "***Trustee***") were appointed by the Bankruptcy Court to convert assets into cash. The determination of the hypothetical proceeds from the liquidation of assets is an uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by the Debtors' management, are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors and their management. **ACCORDINGLY, NEITHER THE DEBTORS NOR THEIR ADVISORS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS OF A LIQUIDATION OF THE DEBTORS WOULD OR WOULD NOT APPROXIMATE THE ASSUMPTIONS REPRESENTED HEREIN. ACTUAL RESULTS COULD VARY MATERIALLY.**

In preparing the Liquidation Analysis, the Debtors have estimated an amount of Allowed Claims for each Class of Claims based upon a review of the Debtors' Schedules. Additional Claims were estimated to include certain postpetition obligations. The estimate of all Allowed Claims in the Liquidation Analysis is based on the book value of those Claims. No order or finding has been entered or made by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected amounts of allowed claims set forth in the Liquidation Analysis. The estimate of the amount of allowed claims set forth in the Liquidation Analysis should not be relied upon for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan. The actual amount of Allowed Claims could be materially different from the amount of Claims estimated in the Liquidation Analysis. The Liquidation Analysis envisions the orderly wind-down and liquidation of substantially all of the Debtors' operations over a twelve month period (the "***Wind-Down Period***"), consisting of six months to sell the stations and another six months to complete the claims reconciliation, collection of receivables and final tax return.

The Liquidation Analysis does not include estimates for the tax consequences that may be triggered upon the liquidation and sale of assets in the manner described above. Such tax consequences may be material. In addition, the Liquidation Analysis does not include recoveries resulting from any potential preference, fraudulent transfer or other litigation or avoidance actions.

The following notes describe the significant assumptions that were made with respect to assets and wind-down expenses.

Note A – Cash and Cash Equivalents

The Liquidation Analysis assumes that operations during the liquidation period would not generate additional cash available for distribution except for net proceeds from the disposition of non-cash assets. It is assumed that cash and cash equivalents of the Debtors would be 100% collectible and would used to first pay down any outstanding balance under the DIP Facility. The estimated cash balance is before payment of success fees related to the Chapter 11 Cases in the amount of $4.6 million.

Note B – Accounts Receivable

The analysis of accounts receivable assumes that the Trustee would retain certain existing staff of the Debtors to handle an aggressive collection effort of outstanding trade accounts receivable from customers. Collections during a liquidation of the Debtors would likely be significantly compromised as customers may attempt to set-off outstanding amounts owed to the Debtors against alleged damage and breach of contract Claims. The liquidation value of accounts receivable was estimated by applying a recovery factor consistent with the Debtors' experience in collecting accounts receivable and the expectation of additional attempts to setoff. The estimates also consider the inevitable difficulty a liquidating company has in collecting its receivables and any concessions that might be required to facilitate the collection of certain accounts.

Note C – Program Rights

Program Rights include the purchased rights to air content. ION does not believe it would be able to sell these Rights and, therefore, expects no recovery through the sale of any Program Rights.

Note D – Prepaid Expenses and Other Current Assets

Prepaid Expenses and Other Current Assets include prepaid rent, prepaid insurance and miscellaneous other prepaid expenses as well as a de minimis amount due from Qubo. There is no opportunity for recovery through the sale of any of these prepaid assets.

Note E – Broadcast Stations

Broadcast Stations include the 59 owned full-power and 11 owned low-power stations across the United States operated by ION. Broadcast Stations also include the FCC Licenses, tower operating contracts, employment contracts and other intangibles associated with operating a television station. Recovery from the sale of these assets is expected to be low relative to book value due to factors including a deteriorated acquisition market for "stick" assets, difficult credit markets, lack of "stick" buyers for the entire portfolio of stations as well as lack of buyers in each individual market, and the difficulty in liquidating numerous "stick" assets across the country in a constrained time period. Recovery for these assets has been estimated based on recently completed distressed and arms' length "stick" transactions, knowledge of recent failed "stick" transactions, and other factors estimated by the Debtors evaluation of their ability to sell these assets.

Note F – Land, Buildings and Towers

Land, Buildings and Towers include the owned land, buildings and towers not associated with the Broadcast Stations. Land is primarily comprised of property in West Palm Beach, Florida and Clearwater, Florida. Buildings include multiple properties, which primarily consist of ION's offices in West Palm Beach, Florida, and Clearwater, Florida, as well as a studio in Brunswick, Georgia. Towers consist of multiple towers that ION owns across the United States. Only the West Palm Beach, Florida property is subject to a mortgage loan, which is currently estimated at $109,000. It is estimated that the proceeds from the sale of West Palm Beach, Florida Building will exceed the current mortgage balance.

Note G – Other Assets

Other Assets include ION's right to recover premiums paid on the life insurance policy of the former chairman of ION's board of directors and controlling shareholder and various deposits for rent and utilities. ION does not expect that it would recover on rent deposits (approximately $1.3 million), but expects to recover approximately $0.9 million in cash surrender value from the life insurance and $0.6 million on utility deposits.

Note H – Chapter 7 costs

The Liquidation Analysis assumes an orderly wind-down of the Debtors' operations during a twelve-month period. The proceeds from a chapter 7 liquidation would be reduced by administrative costs incurred during the wind-down of operations, the disposition of assets and the reconciliation of claims. These costs include professional and Trustee fees, commissions, salaries, retention costs and certain occupancy costs. If the wind-down of operations, disposition of assets and reconciliation of claims takes longer than the assumed liquidation period, actual administrative costs may exceed the estimate included in this Liquidation Analysis.

Wind-Down Expenses

a) *General and Administrative*. These expenses are based on the Debtors' detailed monthly 2009 expense budgets. As compared to normal going-concern operating expense levels, the liquidation scenario assumes administrative expenses at a reduced headcount. A higher level of expense was assumed necessary during the initial months to support the gradual sale of the stations. Thereafter, administrative expenses would be required to principally support other asset sales, collection of receivables and administration of claims. No provision has been made within the operations budget for a formal severance plan, which could increase the wind-down expenses however the Company has included an estimate for retention bonuses.

b) *Trustee fees*. The Debtors assume they would pay commissions equal to 4% of gross proceeds for the Trustee.

c) *Professional Fees*. The Debtors assume they would pay approximately $0.5 million a month over the liquidation period for legal and consulting fees.

Note I – Superpriority DIP Multi-Draw Term Loan ("DIP Facility")

The DIP Facility is assumed to be repaid from the net liquidation proceeds of its collateral package, which includes substantially all assets of the Company. The total DIP Facility claim is estimated to be $100 million.

Note J – First Priority Term Loan

The First Priority Term Loan is the Term Loan Agreement, dated as of December 30, 2005 (as amended, restated, supplemented or otherwise modified from time to time), among ION (formerly known as Paxson Communications Corporation), as borrower, the subsidiary guarantors party thereto, the lenders party thereto and the Prepetition Administrative Agent.

Note K – First Priority Senior Secured Notes

The First Priority Senior Secured Notes are the notes issued under the Indenture, dated as of December 30, 2005, by and among ION, as borrower, the subsidiary guarantors party thereto and the First Priority Notes Trustee, as amended.

Note L – Swap Liability on First Priority Term Loan and First Priority Senior Secured Notes ("Swap Liability")

The Swap Liability refers to (a) that certain ISDA Master Agreement, dated February 22, 2006 among Goldman Sachs Capital Markets, L.P., ION, as borrower, and the subsidiary guarantors party thereto, as amended and supplemented by a Schedule to the Master Agreement, dated February 22, 2006 and two Confirmations, each dated February 22, 2006, in the notional amounts of $326,250,000 and $182,250,000 and (b) that certain ISDA Master Agreement, dated February 22, 2006 among UBS AG, ION, as borrower, and the subsidiary guarantors party thereto, as amended and supplemented by a Schedule to the Master Agreement, dated February 22, 2006 and two Confirmations, each dated February 22, 2006, in the notional amounts of $398,750,000 and $222,750,000.

Note M – Mortgage Loan

The Mortgage Loan represents a mortgage on property consisting of ION's office in West Palm Beach, Florida. The proceeds generated from any sale of this property is first attributed to the Mortgage Loan balance and then to the First Lien Debt Claims.

Note N – Second Priority Senior Secured Notes

The Second Priority Senior Secured Notes are the notes issued under the Indenture, dated as of December 30, 2005, by and among ION, as borrower, the subsidiary guarantors party thereto and the Second Priority Notes Trustee, as amended.

Note O – Unsecured Claims

The Unsecured Claims include Holders of the Senior Subordinated Notes, Accounts Payable and Other Accrued Liabilities, as well as Program Rights and other claims. Holders of these Claims will receive a *pro rata* recovery following satisfaction in full of the Secured Claims. For purposes of this Liquidation Analysis, total Unsecured Claims are estimated to be $807.4 million.