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June 25, 2007

Via Hand Delivery

Marlene H. Dortch, Secretary
Federal Communications Commission
236 Massachusetts Avenue, N.E., Suite 110
Washington, D.C. 20002

FILED/ACCEPTED

JUN 25 2007

Federal Communications Commission
Office of the Secretary

ATTENTION: Melanie Godschall
Investigations and Hearings Division
Enforcement Bureau, Room 4-C330

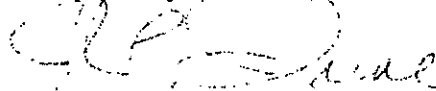
RE: KMSP-TV, Minneapolis, Minnesota
File No. EB-06-IH-3709

Dear Ms. Godschall:

On behalf of Fox Television Holdings, Inc. and Fox Television Stations, Inc. (together, "Fox"), enclosed herewith please find Fox's response to the letter, dated April 26, 2007, from Hillary S. DeNigro, Chief, Investigations and Hearings Division, Enforcement Bureau, to Fox Television Stations, Inc., with respect to the above-referenced matter.

Should you have any questions concerning this submission, please contact the undersigned.

Respectfully submitted,



John C. Quale
Counsel to Fox

Enclosures

RESPONSE OF FOX TELEVISION HOLDINGS, INC. AND FOX TELEVISION STATIONS, INC. TO FCC LETTER OF INQUIRY*

Fox Television Holdings, Inc. and Fox Television Stations, Inc. (collectively, "Fox"),¹ object to the issuance of the LOI and to the Commission's attempt to encroach upon broadcasters' discretion in making editorial choices about what news to cover and how to produce local newscasts. Under the aegis of an inquiry into alleged violations of the Commission's sponsorship identification rules based on a so-called "study" by the Center for Media and Democracy, the LOI really amounts to government second-guessing of the news judgment of broadcast journalists nationwide. News content lies at the very heart of the First Amendment, however, and the LOI's intrusive inquiries tread heavily on the core constitutional principles of freedom of speech and freedom of the press.

The Commission has long recognized that broadcast licensees have a great deal of latitude when it comes to news programming decisions. Absent evidence of actual news distortion, the "Commission will not substitute its judgment for that of a licensee in determining what news is of prime interest to its . . . audience and *the manner in which it should be presented.*"² Moreover, "because journalistic or editorial discretion in the presentation of news and public information is the core concept of the First Amendment's Free Press guarantee, the Commission has very little authority to interfere with a license's selection and presentation of news and editorial programming."³ Thus, the Commission has repeatedly held that "[t]he choice of what is or is not to be covered in the presentation of broadcast news is a matter committed to the licensee's good faith discretion" and that "the Commission will not review the licensee's news judgments."⁴

Inasmuch as the LOI seeks to delve into the process by which Fox has selected news content and prepared it for broadcast, the Commission's investigation constitutes a serious threat to the First Amendment. Much like the

* See Letter, Dated April 26, 2007, to KMSP-TV, from Hillary S. DeNigro, Chief, Investigations and Hearings Division, Enforcement Bureau ("LOI").

¹ Fox wholly-owns Fox Television Stations, Inc. and 14 other subsidiaries which together are the licensees of 35 full-power television stations, including KMSP-TV, Minneapolis, Minnesota ("KMSP-TV").

² See Letter from Peter H. Doyle, Chief, Audio Division, Media Bureau, to Mr. V. Alex, 2006 WL 2129086 (rel. July 31, 2006) (*citing Columbia Broadcasting System, Inc.*, 51 F.C.C.2d 273 (1975)) (emphasis supplied).

³ See Letter from Barbara A. Kreisman, Chief, Video Division, Media Bureau, 2006 WL 1736600 (rel. June 23, 2006) (*citing National Broadcasting System, Inc. v. Democratic National Committee*, 412 U.S. 94, 124 (1973)).

⁴ See *In re Dr. Paul Klite*, 12 Comm. Reg. (P&F) 79, 82 (1998) (*citing American Broadcasting Companies, Inc.*, 83 F.C.C.2d 302, 305 (1980)).

Commission's aggressive enforcement scheme in the area of broadcast indecency, this LOI carries the significant risk of chilling speech. Faced with invasive inquiries into the newsgathering process, broadcasters likely will self-censor and eschew perfectly legitimate speech, rather than expose themselves to governmental interference. Even worse, the Commission's investigation here is based on a quite innocuous practice whereby Fox stations receive video news releases and determine, on the basis of their good faith news judgment, whether to incorporate some of the video footage or other information contained in the release into a news story – a practice substantively identical to the way that newspapers use printed press releases in their reporting.

In sum, if the government is permitted to scrutinize the process by which news is gathered, edited, prepared for broadcast and presented to viewers, the negative effect on programming will be profoundly harmful. The ultimate injury will be felt by viewers of free, over-the-air television, who will have fewer options for free and vibrant broadcast journalism.

Nonetheless, in the interest of bringing this matter to a prompt conclusion (but without waiving its objections identified in this Response), Fox hereby provides the following Responses to the Commission's inquiries.

- 1. For each VNR programming segment identified above, state whether Licensee's station listed above aired the VNR program material as alleged in the CMD Study. If so, provide the following information:**

Fox has broadcast information and video footage contained in a video news release ("VNR") as described in more detail below. Fox, however, does not concede that its broadcast of any VNR footage or information occurred "as alleged in the CMD Study." On the contrary, the CMD Study contains a number of unsupported assertions and conclusory allegations.

Among other things, the CMD Study pejoratively labels all uses of VNR material as "fake news." Yet the study wholly ignores that VNR content is used by Fox in local newscasts only after professional journalists, in the reasonable exercise of their news judgment, determine that the content is newsworthy. The authors of the CMD Study may disagree with those editorial decisions, but neither the Commission nor the authors have authority under the Constitution to substitute their news judgment for that of broadcast licensees.⁵

⁵ See *In re American Broadcasting Companies, Inc.*, 86 F.C.C.2d 3, 12 (1981). See also *In re CIA*, 58 Rad. Reg. 2d (P&F) 1544, 1549 (1985) ("[w]e possess neither the expertise nor the desire to look over the shoulder of broadcast journalists and inquire why a particular piece of information was reported or not reported, or for that matter, why it was placed in a news story in a particular way. Such choices are the very essence of the journalistic process.").

Indeed, broadcast stations, including KMSP-TV, receive offers of VNRs from production companies on a regular basis. Although Fox incorporates some of the ideas and materials contained in these offers into its local newscasts, Fox stations discard or ignore the vast majority of this content. Most of the footage and information contained in VNRs never wind up being broadcast. Rather, the news directors and broadcast journalists at each of Fox's stations, including KMSP-TV, make independent determinations, using their news judgment, as to whether any particular VNR material should be included as part of a news story.

VNR content, however, does play an important role in helping Fox's journalists compile news stories for local audiences. In determining what news to cover, all journalists rely, to some extent, upon press releases, news releases and news events coordinated by people or entities, including the FCC and other governmental agencies, seeking to disseminate a message to the public. The essence of journalism is sifting through a multitude of materials and passing through to the audience only that content which a journalist deems worthy of dissemination in a newscast. In this sense, VNRs play the same role for broadcast stations as printed press releases play for newspapers. News should not be judged as *per se* "fake" or even misleading simply because a portion of the news content originated with a third party.

In any event, during its 9 p.m. newscast on June 19, 2006, KMSP-TV broadcast a news report relating to new car designs that included VNR content described in the LOI.

a. the date(s) on which the Licensee received the VNR program material;

KMSP-TV obtained a news story relating to new car designs from Fox News Edge on June 19, 2006.⁶

b. any materials the Licensee received that accompanied the VNR;

KMSP-TV does not believe that it received any materials accompanying the news story that it obtained from Fox News Edge.

⁶ Fox News Edge is a state-of-the-art news service for broadcast stations affiliated with the Fox Network, including KMSP-TV, and other subscribers. Fox News Edge uses a digital server hosted by an intranet from which customers can search and download a variety of audio and video footage as well as packaged news content. Fox News Edge also offers its customers live feeds for breaking stories from Fox News Channel, American's top-rated 24-hour cable news network, and excerpts from *Fox News Sunday*, a Sunday morning news-maker program. Fox News Edge serves a role for its broadcast station customers similar to the role played by the Associated Press for newspapers.

- c. **the person(s) from whom the Licensee received the VNR program material;**

KMSP-TV obtained a news story relating to new car designs from Fox News Edge.

- d. **state whether the Licensee broadcast the VNR program material as received, without changes or editing.**

Fox objects to Inquiry 1(d) to the extent that it seeks to further inquire into the process by which a licensee creates and acquires content. Again, the newsgathering process and editing of news content lie at the heart of the First Amendment's protections.⁷ The request in Inquiry 1(d) seriously impinges upon Fox's First Amendment rights, and the government's effort to compel a licensee to divulge information about the newsgathering and editing process threatens to chill the speech of members of the news community.

If broadcasters are faced with governmental interference in the newsgathering process, including the means by which news stories are selected, reported and edited, they will undoubtedly engage in self-censorship. The intrusive question posed by Inquiry 1(d) thrusts the government into the inner workings of the newsgathering process, threatening to stifle editorial discretion and the use of independent judgment as to newsworthiness, while breeding an atmosphere of mistrust. Rather than expose themselves to governmental interference, broadcasters may sacrifice their First Amendment right to make independent determinations of what is or is not newsworthy.

The threat is especially great where, as here, the government attempts to insert itself into the editorial realm even though there has been no violation of the Communications Act or the Commission's rules. Indeed, as Fox's Response to Inquiry 1(h) below makes clear, neither the Communications Act nor the Commission's rules requires a sponsorship identification announcement in connection with the broadcast of the news report that is the subject of the LOI. The FCC's invasive approach stands in direct conflict with the Supreme Court's admonition that the government's "exercise of the power of compulsory process be carefully circumscribed when the investigative process tends to impinge upon such highly sensitive areas as freedom of speech or press"⁸

⁷ See *National Broadcasting System*, 421 U.S. at 124.

⁸ See *Sweezy v. New Hampshire*, 354 U.S. 234, 245 (1957); see also *Federal Election Commission v. Machinists Non-Partisan Political League*, 655 F.2d 380, 389 (D.C. Cir. 1981) (*cert. denied*, 454 U.S. 897 (1981)) ("[B]efore a state or federal body can compel disclosure of information which would trespass upon first amendment freedoms, a 'subordinating interest of the State' must be proffered and it must be 'compelling.'") (citing *NAACP v. Alabama*, 357 U.S. 449, 463 (1958)).

In sum, if the government is permitted to scrutinize the newsgathering process, the negative effect on news and informational programming will be profound. The government's scrutiny greatly intrudes upon Fox's First Amendment rights to freedom of speech and the press, and the ultimate harm will be felt by viewers who will not receive the full benefit of diverse news and informational content.

In any event, as part of its effort to bring this matter to a prompt conclusion, Fox informs the Commission that, before broadcasting the news report that is the subject of the LOI, KMSP-TV made certain changes to the VNR content described in the LOI.

- i. If the response to 1(d) above is "no," describe specifically what content of the VNR program material was edited;**

KMSP-TV deleted all of the graphic and textual information contained in the news report that it obtained from Fox News Edge, and inserted in their place the station's own graphics and on-screen informational text. In certain instances, KMSP-TV inserted new graphical or textual information into the news report (for example, to provide viewers with additional identifications of the individuals interviewed as part of the report).

- e. the date(s) and time(s) that the Licensee aired any portion of the VNR program material;**

KMSP-TV aired a news report relating to new car designs on June 19, 2006 during the 9 p.m. newscast.

- f. two recordings in VHS videotape format of the program(s) containing the VNR program material;**

Two recordings in VHS videotape format of the news story identified in the general Response to Inquiry 1, above, are enclosed.

- g. a written transcript of the segment(s) containing the VNR program material;**

The script of the news story identified in the general Response to Inquiry 1, above, is attached hereto as Exhibit A.

- h. the steps, if any, the Licensee took to determine whether the VNR program material required sponsorship identification, and the information the Licensee learned through taking any such steps;**

Fox does not believe that its broadcast of the news report described herein required any sponsorship identification. Sections 317 and 508 of the

Communications Act of 1934, as amended (the “Act”), and Section 73.1212 of the Commission’s rules, require that sponsorship identification be included in broadcast programming material in three instances:⁹

(i) when matter is broadcast by a station “for which any money, service or other valuable consideration is directly or indirectly paid, or promised to or charged or accepted by, the station so broadcasting, from any person”;¹⁰

(ii) when, in the case of any political broadcast matter or any broadcast matter involving the discussion of a controversial issue of public importance, a broadcaster receives content for free or at nominal charge as an inducement to broadcast the content;¹¹ or

(iii) in any case where, pursuant to Section 508 of the Act, a station has received a report of circumstances where consideration has been paid to a third party in connection with the “production or preparation of any . . . program matter which is intended for broadcasting over any . . . station” and that would have required an announcement had the consideration been received by the station.¹²

In the case of the news report broadcast by KMSP-TV as described above, none of these three tests has been met. As confirmed in the Response to Inquiry 2, below, neither KMSP-TV nor any of its employees received any consideration of any kind whatsoever in exchange for the broadcast of the content. In addition, none of the content constitutes political broadcast matter or broadcast matter relating to any controversial issues of public importance.¹³ Finally, as confirmed in the Response to Inquiry 1(i), below, KMSP-TV does not believe that it received any reports from any third party, including the provider of the VNR content, that such party had received consideration in connection with the preparation of the content.

⁹ See 47 U.S.C. §§ 317, 508; 47 C.F.R. § 73.1212.

¹⁰ See 47 U.S.C. § 317(a); see also 47 C.F.R. § 73.1212(a).

¹¹ See 47 C.F.R. § 73.1212(d).

¹² See 47 U.S.C. §§ 508(b), (c); see also 47 C.F.R. § 73.1212(c).

¹³ For broadcast matter to constitute a controversial issue of public importance, it must relate to a subject of “vigorous debate with substantial elements of the community in opposition to one another.” See *In re Complaint of Barry G. Silverman Against Station KOOL-TV, Phoenix, Arizona*, 63 F.C.C.2d 507 (1977). Not even the CMD Study suggests that the Fox newscasts that included VNR content related to controversial issues of public importance. Moreover, “[m]erely because a story is newsworthy does not mean that it contains a controversial issue of public importance.” See *Healey v. FCC*, 460 F.2d 916, 922 (D.C. Cir. 1972).

In fact, because the vast majority of VNR content that is produced is rejected without ever being broadcast, Sections 508 (b) and (c) of the Act are inapposite. At the time VNR content is produced, the content cannot reasonably be considered to be “*intended for broadcasting over any . . . station*,”¹⁴ especially since the decision whether to air any particular VNR material rests solely within the discretion of each station’s professional journalists.¹⁵ When Fox receives VNR footage, it is under no obligation – explicitly or implicitly – to utilize any of the content in any broadcast.

As a practical matter, Fox’s use of VNR content is not substantively different from a newspaper’s use of editorial content gleaned from press releases. And the Commission has specifically recognized that a broadcaster is not required to make a sponsorship announcement in cases where “[n]ews releases are furnished to a station by Government, business, labor and civic organizations . . . with respect to their activities, and editorial comment therefrom is used on a program”¹⁶ There is no logical reason for the Commission to distinguish between content culled from a written news release and a release that includes video content geared toward the visual medium of television. In both cases, if a station uses the material in a newscast, it does so based on its editorial discretion and news judgment.

Given that the facts outlined above did not warrant any sponsorship identification, Fox was not obligated to make a specific determination as to whether the news report that is the subject of the LOI required a sponsorship announcement.¹⁷ Nonetheless, Fox does take reasonable steps to determine whether a sponsorship announcement is required in connection with the use of any VNR content. In particular, Fox has put in place a written policy

¹⁴ See 47 U.S.C. §§ 508(b), (c) (emphasis supplied).

¹⁵ As the Commission noted when it promulgated rules implementing Section 508 of the Act, Congress intentionally used different legislative language in Section 508 than it used in Section 317 – namely, the phrase “intended for broadcasting.” “[T]he exclusion of the phrase intended for broadcasting in section 317(b) and its inclusion in section 508(b) had a valid and rational purpose. For, a careful reading of section 317 in its entirety reveals that that section applies to all program matter *which is being broadcast*, regardless of the intent of the producer at the time the program was produced; section 508(b), on the other hand, relates to that program matter which is intended for broadcast in the future.” See *In re Amendment of Sections 3.119, 3.289, 3.654 and 3.789 of the Commission’s Rules*, 34 F.C.C. 829, 837 (1963) (emphasis in original).

¹⁶ See *Applicability of Sponsorship Identification Rules*, 40 FCC 141 (1963) as modified 40 Fed. Reg. 41936, 41938 (1975), at Example 11.

¹⁷ See *In re Metroplex Communications, Inc.*, 1989 WL 512629, *14 (1989) (holding that when there is no underlying violation of the sponsorship identification rules, a licensee has no duty to use reasonable diligence to prevent a potential violation of the rules. “Like the eggs and the omelet, the former does seem a logical predicate for the latter.”).

relating to the use of footage from VNRs (see Exhibit B, attached hereto). That policy requires station management to approve in advance the use of any VNR footage in a local newscast, so that supervisory personnel can evaluate whether a sponsorship announcement is required. For example, a sponsorship announcement always would be required under the policy if VNR content addresses political matters or controversial issues of public importance. The policy also mandates that an announcement be made if the VNR footage received "is of more than nominal value" to a station. Fox emphasizes, however, that its policy is designed to provide news viewers with a level of information and disclosure that Fox journalists believe is appropriate, regardless of whether a sponsorship announcement would be required by the Commission's rules. In any event, KMSP-TV determined that, based on the relevant facts and circumstances, no sponsorship announcement was required, even under the terms of the Fox policy.

- i. whether the Licensee was aware of or had reason to believe that any person involved in the production of the VNR segment paid or received consideration for the inclusion of material in the segment; and**

KMSP-TV was not aware, nor did it have any reason to believe, that any person involved in the production of the news report described herein paid or received any consideration for inclusion of material in any segment. KMSP-TV does not believe that it received any report from any third party, including the provider of the VNR content, that such party had received any consideration in connection with the preparation of the content.

- j. whether the Licensee identified the VNR program material as sponsored, and if so, the manner in which that identification took place.**

For the reasons set forth in the Response to Inquiry 1(h), above, KMSP-TV did not identify as "sponsored" the news report described herein.

- 2. For each VNR programming segment identified above, state whether the Licensee, or any of its employees or representatives, received or were promised any consideration, from any source, in exchange for airing the VNR program material. If so, provide the following information:**

Neither KMSP-TV nor any of its employees or representatives received or was promised any consideration of any kind from any source in exchange for broadcasting the news report described herein.

- a. the person(s) from whom such consideration was received or was promised;**

Not applicable.

- b. **the consideration involved;**
Not applicable.
- c. **the dates on which the payment was promised and/or received;**
Not applicable.
- d. **the circumstances surrounding each such payment or promise to pay; and**
Not applicable.
- e. **any pertinent documents relating thereto.**
Not applicable.

3. **State the policies and procedures of the Licensee relating to:**

- a. **compliance with 47 U.S.C. § 317 of the Communications Act of 1934, as amended, and the Commission's sponsorship identification rules; and**

It is the policy of Fox and its wholly-owned broadcast licensee subsidiaries to operate in full compliance with Section 317 of the Communications Act, as amended, and the Commission's sponsorship identification rules.

- b. **provide a copy of any written policies and procedures that the Licensee uses or used during the relevant period to train its employees or representatives about compliance with sponsorship identification laws; and**

Attached hereto as Exhibit B is a copy of Fox's formal written policy with respect to the broadcast of material containing VNR footage. As noted above, however, Fox believes that when VNR content is incorporated into news stories under the circumstances described herein, neither the statute nor the Commission's rules requires the broadcast of a sponsorship identification notice (see Response to Inquiry 1(h), above).

- c. **the handling and use of VNR program material.**

See Response to Inquiry 3(a), above.

4. **To the extent not otherwise specifically requested, provide copies of all Documents that otherwise provide the basis for, support or otherwise relate to the responses to Inquiries 1 through 4 above.**

Other than: (i) the script attached hereto as Exhibit A and (ii) Fox's written policy with respect to the broadcast of material containing VNR footage (attached hereto as Exhibit B), Fox does not have any other documents responsive to the LOI.

Dated: June 25, 2007

DECLARATION

I, Molly Pauker, hereby state as follows:

1. I am Vice President of Fox Television Holdings, Inc. and Fox Television Stations, Inc.
2. I have read the foregoing "Response of Fox Television Holdings, Inc. and Fox Television Stations, Inc. to FCC Letter of Inquiry," dated June 25, 2007 (the "Response"), which is responsive to the letter, dated April 26, 2007, to Fox Television Stations, Inc., from Hillary S. DeNigro, Chief, Investigations and Hearings Division, Enforcement Bureau.
3. To the best of my knowledge, information and belief, the facts contained in the Response are true and correct.

I declare under penalty of perjury that the foregoing is true and correct. Executed on June 25, 2007.

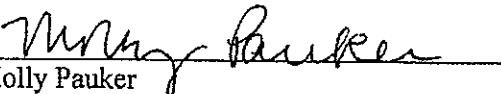

Molly Pauker
Vice President, Fox Television Holdings, Inc. and Fox
Television Stations, Inc.
5151 Wisconsin Ave., N.W.
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EXHIBIT A

THINKING OF GETTING A CONVERTIBLE NOW THAT SUMMER IS HERE? WELL THINK FAST. THE BUZZ AROUND THIS YEAR'S CONVERTIBLES, MANY BRAND-NEW AND AFFORDABLE, MEANS THERE MAY NOT BE MANY LEFT.

SOT: Bob Lutz, General Motors (("The Solstice is sold out. The Sky is sold out. The Pontiac G6 convertible is sold out."))

BOB LUTZ, WHO HAS WORKED AT ALL THREE DOMESTIC MANUFACTURERS, IS NOW THE HEAD OF PRODUCT DEVELOPMENT AT GENERAL MOTORS. HE WAS HIRED 5 YEARS AGO TO REVIVE GM'S MUCH CRITICIZED PRODUCT LINE - AND THE HOPE IS THAT THE SUCCESS HE'S HAD BRINGING THESE NEW CONVERTIBLES TO MARKET WILL CONTINUE ACROSS THE ENTIRE COMPANY.

SOT: Jean Jennings, editor, Automobile Magazine (("Does General Motors have the ability to make cars that people want? Yes they do. It's absolutely clear. This is the key to their survival and on top of that, I have seen, as many journalists have, cars that are scheduled for the next couple of years and I'll tell you that if those cars were on the road right now today, I don't think they'd be in this jam at all."))

BUT LUTZ KNOWS MAKING HIGHER QUALITY AUTOMOBILES IS ONLY PART OF THE EQUATION - CHANGING A GENERATIONS WORTH OF LESS-THAN-FAVORABLE OPINIONS IS THE REAL BATTLE.

SOT: Bob Lutz, General Motors (("What we're seeing is the old beliefs about General Motors, which we probably earned over twenty, twenty-five years. The old beliefs of all our cars look the same, our quality isn't very good, the vehicles use a lot of gas, none of that stuff is true anymore but these perceptions linger."))

HOWEVER THE GOOD LOOKING CONVERTIBLES COMING FROM GM MAY BE CHANGING THAT PERCEPTION, AS WELL AS THE COMPANY'S FORTUNES. AMERICA'S LARGEST MANUFACTURING COMPANY ACTUALLY TURNED A PROFIT IN THE FIRST QUARTER OF '06. I'M ANDREW SCHMERTZ.

EXHIBIT B

4/28/05

USE OF FOOTAGE FROM VIDEO NEWS RELEASES

A "video news release" is footage that announces political, legal, product or other developments, generally sent out on an unsolicited basis by a governmental entity, political party, product manufacturer or other corporate organization with whom FTS does not have any contractual relationship for the use of such footage. Use of VNR footage in news broadcasts must be approved by station news management in every instance.

The following policy addresses when the supplier of a VNR must be identified on-air pursuant to the FCC's sponsorship identification rule, if a Fox O&O uses footage from it in a news story. This does not mean that use of VNR footage, even with proper sponsor identification, is acceptable in all instances; as indicated above, that is a separate, preliminary, question. In either of the following situations, the source of VNR footage must be identified on air:

- If the material used addresses political or other controversial issues of public importance (if more than five minutes of third-party material airs, the supplier must be identified both at the beginning and the end of the broadcast); and
- If the footage used is of more than nominal value to the station, its supplier must be identified on air. For example, if unedited VNR footage comprises a significant portion of the video in a news story, this would be of greater than nominal value, in terms of the resources that would have had to be expended if the station had shot the footage itself. On the other hand, use of a few seconds of VNR footage as innocuous "b-roll" would constitute nominal value, and the VNR supplier would not have to be identified on air.

The above policies apply **whether or not** the station solicited or paid for the VNR footage.

In addition to the above, please note that use of VNR footage other than as intended by its supplier may require the consent of the VNR provider.

If there is any question regarding any of the above, please consult with the Legal Department.



FOX TELEVISION STATIONS, INC.
A UNIT OF FOX ENTERTAINMENT GROUP

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May 23, 2011

Joseph M. Di Scipio
Vice President
Legal and FCC Compliance

By Hand Delivery and Electronic Mail

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TW-A325
Washington, DC 20002

Attn: Melanie A. Godschall
Attorney Advisor
Investigations and Hearings Division
Enforcement Bureau, Room 4-C330
Federal Communications Commission
Washington, DC 20002

Re: Station KMSP-TV, Minneapolis, Minnesota
File No. EB-06-IH-3709

Dear Ms. Dortch:

Enclosed herewith is the response of Fox Television Stations, Inc., the licensee of KMSP-TV/68883, Minneapolis, Minnesota, to the letter dated April 21, 2011, from Theresa Z. Cavanaugh, Deputy Chief, Investigations and Hearing Division, Enforcement Bureau, with respect to the above-referenced matter.

Should you have any questions regarding this matter, please contact me at the number listed above.

Respectfully submitted,

Joseph M. Di Scipio

Enclosures

cc: Anjali K. Singh

RESPONSE OF FOX TELEVISION STATIONS, INC. TO FCC LETTER OF INQUIRY
DATED APRIL 21, 2011

Fox Television Stations, Inc. ("FTS"), the licensee of KMSP-TV, Minneapolis, Minnesota provides the following response to the Letter of Inquiry ("LOI") issued by the Commission on April 21, 2011.¹

1. Identify Fox News Edge.

Fox News Edge is a subscription video news service owned and operated by Fox News Network, LLC. Fox News Edge is based in New York City in the Fox News Channel newsroom.² Fox News Edge combines the newsgathering forces of Fox News Channel, over 150 FOX Network Affiliates, and over 450 Network News Service affiliates to produce the most comprehensive news service available.³ In addition, the resources of Fox Sports, 20th Century Fox, Fox Entertainment and the Fox Business Network combine to support subscribers to the service with exclusive news, sports and entertainment news. The Fox News Edge service is licensed to subscribers for a fee. The Fox News Edge service may include packaged news stories, items, features, sports, sports news and other produced video materials, and may also include graphics and raw video footage, all selected at the sole discretion of Fox News Edge. Fox News Edge is a server-based delivery system that uses the Wegener iPump to send digital material to clients. Through the iPump, Fox News Edge sends over 300 stories a day, over 170,000 stories a year and produces over 11,000 custom live shots a year. Subscribing stations have the right, but not the obligation, to utilize the materials provided by the Fox News Edge service in their regularly scheduled news programs, regularly scheduled news inserts, coverage of live breaking news events or other news magazine or news-related programs, or in promotional announcements for any of the foregoing.

FILED/ACCEPTED

MAY 23 2011

Federal Communications Commission
Office of the Secretary

¹ The first Letter of Inquiry in this matter was issued by the Bureau on April 26, 2007. The *Notice of Apparent Liability* in this matter was issued almost four years after FTS filed its response to the April 26, 2007 Letter of Inquiry. The Bureau gave FTS just 15 days to respond to and oppose the NAL; half the time respondents are usually given. The Bureau then issued the instant LOI and gave FTS only six calendar days over Easter to respond. Because FTS could not reasonably respond to the LOI in such a short period (a mere four business days over a holiday weekend), and in order to get a reasonable amount of time to respond, FTS was forced to enter into a Tolling Agreement with the Enforcement Bureau whereby the Enforcement Bureau granted FTS until May 23, 2011 (a 30-day extension) to respond to the LOI in return for FTS agreeing to toll the relevant statute double the amount of time (60 days) of the extension granted to FTS to respond. As such, the instant response is timely filed.

² A copy of the most recent Fox News Edge "One Page" that was used to draft the answer to Inquiry 1 is attached at Exhibit A.

³ The Network News Service Affiliates are not subscribers to Fox News Edge, but rather are suppliers of news content. ABC, CBS, an FOX, and their participating affiliates all provide content to the Network News Service.

2. **The *NAL Response* and relevant 10-k filing indicate that Fox News Edge and the Licensee are commonly owned and controlled. Confirm whether or not this is correct and explain fully the basis for such answer.**

The Fox News Edge service is owned and operated by Fox News Network LLC, which is a wholly owned subsidiary of FTS. FTS is the licensee of KMSP-TV.

3. **List and describe all categories of subscribers to Fox News Edge (e.g., television stations owned and operated by Fox, television stations affiliated with the Fox Television Network, television stations not affiliated with the Fox Television Network, cable operators, cable systems, individuals, etc.), and explain whether all affiliates of the Fox Television Network have subscription agreements with Fox News Edge.**

There are four categories of subscribers to Fox News Edge: (i) Fox Owned and Operated Television Stations (“O&Os”), which are licensed to Fox Television Stations, Inc., and various other licensees (“FTS”); (ii) independently owned FOX Network Affiliates; (iii) stations affiliated with other broadcast networks that are located in markets where the FOX Affiliate does not produce a newscast; and (iv) a small number of domestic cable channels and international broadcasters.⁴ All FOX Affiliates that broadcast local news programming enter into subscription agreements with Fox News Edge. That agreement is a separate “Exhibit” to the affiliation agreement between Fox Broadcasting Company and the Affiliate. A copy of the form Fox News Edge subscription agreement is attached as Exhibit B⁵.

- a. **If all affiliates do not have subscription agreements with Fox News Edge, describe the terms on which such affiliates were permitted to refuse to subscribe.**

FOX Affiliates that do not provide local news generally do not have Fox News Edge subscriptions. The O&Os do not have a written subscription agreement with Fox News Edge. Although the O&Os do not have a written subscription agreement, they generally abide by the terms of the agreement.

- b. **State whether affiliates of the Fox Television Network that are owned and operated by Fox received discounts or other preferential terms in their subscription agreements that were not offered or available to other affiliates, and if so, fully describe the nature of those discounts or preferences.**

The O&Os receive no preferential treatment, terms, or discounts.

⁴ Fox News Edge does have a complete subscriber list, but that list is highly confidential and commercially sensitive and is not provided herein.

⁵ Some Fox News Edge Agreements may differ slightly from the form agreement because they are negotiated individually. The form attached as Exhibit B is a sample and confidential information has been redacted.

4. **Describe the intercompany transfers, as the term is used in the *NAL Response*, relating to the Station's payment for its subscription to Fox News Edge as of June 19, 2006.**

The O&Os make monthly intercompany payments to the FTS corporate office ("FTS Home Office") general ledger account. The O&O stations each have a Fox News Edge expense account that they use to pay for the Fox News Edge service. Each month the stations debit their accounts and credit the FTS Home Office account. The FTS Home Office then makes payment to the intercompany account between FTS Home Office and Fox News. Fox News similarly debits the intercompany account to settle the payment related to the Fox News Edge service.⁶

- a. **State how the intercompany transfers are debited from the Station and/or Licensee's balance sheet and credited on Fox News Edge's balance sheet.**

See the answer to Inquiry 4, above.

- b. **State whether the intercompany transfers are cleared by a cash payment from the Station and/or Licensee to Fox News Edge, and if so, how often this cash payment is entered on Fox News Edge's balance sheet and debited from the Licensee's balance sheet.**

No cash payment is made.

- c. **If the response to 4.b., above, is "no," explain how the transfer is cleared.**

See the answer to 4 above.

5. **Describe the circumstances of Fox News Edge's acquisition of the General Motors VNR; including but not limited to Identifying the individual or entity from which Fox News Edge acquired the General Motors VNR; specifying which individual or entity initiated discussions regarding the General Motors VNR; stating the purpose for which Fox News Edge acquired the General Motors VNR; and describing the type and amount of any Consideration exchanged between Fox News Edge and the individual or entity that provided the General Motors VNR or any other individual or entity in connection with the acquisition of the General Motors VNR.**

The General Motors VNR was a video news release that was sent unsolicited to Fox News Edge from a company called Medialink. The General Motors VNR, just like other press releases, was presumably sent to several media/news outlets at the time it was sent to Fox News Edge. There was no Consideration exchanged between Medialink and Fox News Edge regarding the General Motors VNR.

⁶ The ledger entries are made electronically and the amounts are confidential and commercially sensitive. Therefore, printouts of the ledger entries are not provided herein.

- a. **Fully describe the circumstances surrounding any exchange of or promise to exchange such Consideration, including the date(s) such Consideration was exchanged, the individual or entity that promised or provided the Consideration, and the individual or entity that received or was promised the Consideration.**

No Consideration was promised or exchanged. It is important to note that in paragraph 14.3 of the Fox News Edge subscription agreement, Fox News Edge certifies and agrees that it has no knowledge that any Fox News Edge material (including material received from third parties) requires a sponsorship identification disclosure, and that Fox News Edge agrees to make any such disclosure to the subscriber if it gains such knowledge. (See Exhibit B). Even though no Consideration was promised or exchanged between Fox News Edge and General Motors or any third party for the General Motors VNR, Fox News Edge did identify the General Motors VNR as a VNR when it was delivered to subscribers.

- b. **Provide all Documents relating to the circumstances of Fox News Edge's acquisition of the General Motors VNR and any exchange of or promise to exchange Consideration related thereto.**

No documents were found relating to the circumstances of Fox News Edge's acquisition of the VNR. No Consideration was made or promised to Fox News Edge for the General Motors VNR.

6. **Describe the circumstances of Fox News Edge's offering of the General Motors VNR to the Station or with any other entity or individual, including but not limited to Identifying the entity(ies) or individual(s) to whom Fox News Edge offered or provided the General Motors VNR; stating the terms of all such offers, including any instructions or restrictions on the use of the General Motors VNR by the recipient; describing the intended purpose and use of the General Motors VNR for which it was offered or acquired; describing any Consideration exchanged by Fox News Edge and any such entity(ies) or individual(s) in connection with the use of the General Motors VNR; and specifying whether it was the Station or Fox News Edge that initiated contact regarding the Station's acquisition and use of the General Motors VNR.**

The General Motors VNR was offered to the Station and all other Fox News Edge subscribers in the same manner: as part of the Fox News Edge service and identified as a VNR. Subscription payments for the Fox News Edge service included the delivery of the VNR; there was no separate payment for this material. Fox News Edge initiated the contact to the Station as it delivered the General Motors VNR as part of the service. There were no instructions or restrictions on the use of the General Motors VNR, as it is left to each subscriber's First Amendment protected editorial discretion to determine whether to use all, part, or none of the VNR.

- a. **Specify whether the Station's use of the General Motors VNR was restricted to certain types of programming, certain times of day, a specified number of times it could be broadcast; and explain whether there were limitations or**

specifications on the introduction to or commentary about the General Motors VNR or use of additional content in conjunction with the broadcast of the General Motors VNR.

There were no restrictions, limitations or specifications on the use of the General Motors VNR.

- b. Fully describe the circumstances surrounding any exchange of or promise to exchange Consideration in connection with the use of the General Motors VNR, including the date(s) such Consideration was exchanged, the individual or entity that promised or provided the Consideration, and the individual or entity that received or was promised the Consideration.**

Except for the regular monthly subscription paid by the Station and other subscribers to the Fox News Edge service, no Consideration was exchanged or promised in connection with the use of the General Motors VNR by either Fox News Edge or the Station.

- c. Provide all Documents relating to the circumstances of Fox News Edge's offering of the General Motors VNR to the Station and any exchange of or promise to exchange Consideration related thereto.**

See Exhibit C. The General Motors VNR was sent unsolicited to Fox News Edge just like any other press release. The General Motors VNR was provided to the Station as part of its regular monthly Fox News Edge subscription.

- 7. Did Fox News Edge provide the General Motors VNR to the Station as part of the Station's subscription or did the Station pay a separate fee for the General Motors VNR? If the latter, what was the amount of the separate fee and did such fees and other terms differ for affiliates of the Fox Television Network that are owned and operated by Fox as compared with other affiliates of the Fox Television Network or entities that are not affiliated with Fox? Fully describe the nature of any differences among the fees and other terms.**

Fox News Edge provided the General Motors VNR as part of the Station's regular monthly subscription. There was no separate fee.

- 8. Provide copies of all Documents that provide the basis for or otherwise support your responses to Inquiries 1-7, above.**

See Exhibits A, B, and C attached hereto and footnotes 4, 5, and 6.

- 9. To the extent not otherwise provided in response to the preceding Inquiries, provide any additional information that the Licensee believes may be helpful in our consideration and resolution of this matter.**

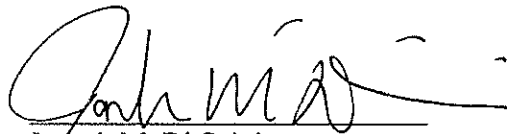
In sum, the General Motors VNR was sent to Fox News Edge by Medialink unsolicited and for no Consideration. Fox News Edge provided the General Motors VNR to all of its subscribers, including the Station, with no instructions or restrictions on its use, other than to identify it as a VNR. The Station paid a fee for the Fox News Edge service. Consequently, no sponsorship identification was required.

Dated: May 23, 2011

DECLARATION

Under penalty of perjury, Joseph M. Di Scipio hereby states as follows:

1. I am Vice President of Fox Television Stations, Inc. ("FTS"), licensee of KMSP-TV, Minneapolis, Minnesota.
2. I have read the foregoing Response of FTS to the Letter of Inquiry, dated April May 23, 2011 (the "Response"), which is responsive to the letter dated April 21, 2011, to FTS from Teresa Z. Cavanaugh, Acting Chief, Investigations and Hearings Division, Enforcement Bureau.
3. To the best of my knowledge, information and belief, the facts contained in the Response are true and correct. To the best of my knowledge, information and belief, Licensee has no documents in its possession, custody or control responsive to the Letter of Inquiry other than the documents attached hereto or as identified in the Response as existing but not being provided.



Joseph M. Di Scipio
Vice President, Fox Television Stations, Inc.
444 North Capitol Street, NW, Suite 740
Washington, DC 20001
(202) 715-2350

Dated: May 23, 2011



Fox News Edge is the number one news service in the world. The power of all News Corps entities comes together to support Fox News affiliates through Fox News Edge. News Edge is designed to support Fox affiliate news operations with live breaking news coverage from around the world.

News Edge is based in New York City in the Fox News Channel newsroom. Fox News Channel is the foundation of News Edge. The Edge combines the newsgathering forces of FNC, over 150 Fox Affiliates and over 450 Network News Service affiliates to produce the most comprehensive news service available. In addition, the resources of Fox Sports, 20th Century Fox, Fox Entertainment and the Fox Business Network combine to support affiliates with exclusive news, sports and entertainment news that cannot be found on any other news service in the world.

News Edge supports news clients with live breaking news coverage, custom reporter live shots from major breaking news stories, support for local crews out in the field and organizational support for major news stories such as political conventions, hurricane coverage and the Super Bowl.

Fox News is noted for our political coverage and News Edge has a team in Washington to cover local politicians for our affiliates. Local affiliates who come to Washington are invited to use our facility as a base to work and do live broadcasts.

Fox News Edge is created to support Fox affiliates with branded exclusive material. On no other news service will local broadcasters receive American Idol tie-in stories, House medical material and many more network tie-in video and interviews to drive local viewers to Fox prime time programming.

Fox News Edge is a server based delivery system that uses the Wegener iPump to send digital material to clients. Through the iPump the Edge sends over 300 stories a day, over 170,000 stories a year and produces over 11,000 custom lives shots a year. The combined resources of News Corps produces the exclusive news, sports and entertainment content that support the number 1 Fox news operations in the world.

For more information on Fox News Edge contact the Director of Fox News Edge, Dave Winstrom at 212-301-5493.

EXHIBIT E

FOX NEWS NETWORK L.L.C.
NEWS SERVICE AGREEMENT

This Agreement is made and entered into this 31st day of January 2001, by and between _____, ("Licensee"), for Licensee's Television Station _____ ("Station"), in _____, Texas ("Market") and Fox News Network, L.L.C. ("FNN"). Upon execution by Licensee and FNN, this Agreement shall be incorporated into the Station Affiliation Agreement between Licensee and Fox Broadcasting Company as Exhibit E.

1. NEWS SERVICES.

1.1 FNS Service: FNN shall provide a news service (the "FNS Service"), presently entitled "News Edge," which may include, to the extent FNN elects from time to time and at any time, compiling and/or producing packaged news stories, items, features, sports, sports news and other materials all as determined by FNN at any time or times in its sole discretion and may also include graphics and raw video footage in connection therewith (collectively "FNS Materials") for incorporation by Licensee into certain of Station's programming as described in Paragraph 2 below. FNS Materials may consist of materials produced by FNN and materials acquired by FNN from third-party providers ("Third-Party Materials"). Unless otherwise specified, all references to "FNS Materials" shall be deemed to include both FNN-produced materials and Third-Party Materials.

2. GRANT OF LICENSE.

2.1 Grant of License. FNN hereby grants to Licensee during the Term (as defined in Paragraph 6 below), and Licensee hereby accepts, a non-exclusive license to use the FNS Service and to telecast FNS Materials over Station's facilities, only in accordance with the terms and conditions of this Agreement, including without limitation, paragraph 2.2 below. The selection, substitution and withdrawal of any FNS material or portion thereof shall at all times remain within the sole discretion and control of FNN. During the Term, Licensee shall have the right, to the extent expressly provided in this Agreement, to use the FNS Service and to broadcast FNS Materials in and only in Station's regularly-scheduled news programs, regularly scheduled news inserts, special news programs, coverage of live breaking news events or other news magazine or news-related programs or in promotional announcements for any of the foregoing or in sports programming, but only if produced by Station's news department,

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and subject to such restrictions as are set forth herein or of which FNN may notify Licensee at any time hereafter. Subject to paragraph 2.2.2 below, Station shall have the right to make reasonable and customary edits in any FNS Material unless otherwise notified by FNN; provided, however, that in no event shall such edits change or distort the meaning of any FNS Materials or adversely affect or compromise the integrity of the FNS Service or impair FNN's ownership and copyright rights in and to the FNS Materials.

2.1.1. In addition to the grant of license set forth in paragraph 2.1 above, Station shall have the right to excerpt coverage of live-breaking news events from Fox's 24-hour Cable News Channel for broadcast only over Station, provided Station shall adhere to any restrictions or definitions of live-breaking coverage as set forth by FNN sufficiently in advance of Station's broadcast of such news events.

2.2 Restrictions on License.

2.2.1. Except as herein specifically provided, Licensee shall not otherwise broadcast or use, disseminate, redistribute nor authorize any other person or party, including without limitation its employees, to broadcast, use, disseminate or redistribute any FNS Materials (or part(s) thereof), nor provide any FNS Materials (or part(s) thereof) to any other person or party, including specifically, but without limitation, any news organization with which Licensee may have a reciprocal arrangement. Without limiting the foregoing, Licensee's rights shall extend only to broadcasting FNS Materials during the Term hereof (as defined below) in the English language by free over-the-air television broadcasting on Licensee's Station licensed to Market. Because of restrictions in agreements between FNN and third-party providers, certain FNS Materials may be broadcast only during a specified number of days after delivery by FNN to Station or as otherwise expressly specified by FNN; FNN shall notify Station in writing or orally of each and every of the foregoing restrictions.

2.2.2. Licensee shall not delete or change any copyright, trademark, logo or other notice, or any credit, included in any FNS Materials delivered to Licensee hereunder or otherwise, and Licensee shall not exhibit, display, distribute or otherwise use any trademark, logo or other material or item delivered hereunder, except as specifically instructed by FNN at the time and from time to time. To the extent that FNN instructs, Station shall add, delete or otherwise modify any copyright, trademark, logo or other notice or any credit included in any FNS Materials at FNN's sole cost and expense.

2.2.3. FNN shall have the right, exercisable in its sole discretion for any reason, to deny, limit or restrict access to or use of any FNS Material by oral or written notice to Licensee, at any time for any period of time. Licensee shall use such FNS Material only in accordance with FNN's instructions unless and until otherwise expressly notified by FNN. If FNN deems it necessary or advisable, Station shall, upon notice by FNN, broadcast any retractions, corrections or follow-up stories as furnished by FNN.

2.2.4. FNN retains and reserves to itself, all rights not expressly granted to Licensee under this Agreement. The provisions of this paragraph 2.2 are of the essence of this Agreement and any breach thereof will give FNN the right to forthwith terminate this Agreement for cause, including without limitation, the right to damages and equitable relief.

2.3 Licensee's Responsibilities. Licensee shall be solely responsible for acquiring and paying any necessary license fees for broadcast over Licensee's Station of copyrighted materials, including without limitation music, movie clips, sports materials or any other materials owned by a third party except to the extent that FNN has entered into agreements with other news organizations for the licensing of materials for use within the FNS Service.

3. DELIVERY OF FNS MATERIALS. FNN will distribute FNS Materials hereunder by satellite (or other means) and shall keep Licensee apprised of both the satellite and transponder (or other facilities) being used for such distribution. Licensee shall not downlink or otherwise intercept any satellite or other transmission of FNS Materials unless such transmission has been specifically designated by FNN for reception by Station, which agreement is of the essence of this Agreement. Licensee shall be solely responsible for the reception of FNS Service including, without limitation, all costs incurred in connection therewith; however, Licensee shall not be responsible for any costs involved in uplinking the FNS Service. Any and all costs of whatever kind or nature incurred with respect to the pickup or downlinking of the FNS Service and FNS Materials from the satellite (or other means) and its rebroadcast by the Station shall be borne by and shall be the sole responsibility of Licensee.

4. CONSIDERATION. In full consideration for all services rendered and all rights and licenses granted by FNN, Licensee agrees that:

4.1. Commencing on ("Start Date") Licensee agrees to pay FNN a monthly license fee ("License Fee"), subject to paragraph

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4.3 below, in the amount of \$ _____ for the period commencing on Start Date and continuing through ("End Date"), payable in advance on the first day of each month. Thereafter, commencing on _____ and ending _____, Licensee shall pay a License Fee of \$ _____ under the same terms and conditions as set forth herein. During the Term, FNN and Licensee agree that License Fees for subsequent periods will be timely negotiated by the parties in good faith prior to the end of the then-current End Date.

4.2. [Redacted]

4.3. [Redacted]

5. CHANGE NOTICES.

5.1 FNN shall have the right at any time, upon not less than ninety (90) days prior written notice to Licensee ("Change Notice"), to impose, determine, change or otherwise modify (i) the amount of the license fee for the rights granted to Licensee hereunder and the conditions and basis upon which such fee is payable by Licensee; and (ii) if applicable, the number, length, type, format and other elements of commercial announcements that FNN has required Station to broadcast; provided, however, that in the event the new formula(s) to which the Change Notice relates, including the amount of the license fee, ("New Formula") is different from the then-current formula(s), including license fee, then Licensee shall have the right, by written notice to FNN given within thirty (30) days of Licensee's receipt of Change Notice, to reject the New Formula. In the event of such rejection, Licensee and FNN shall negotiate in good faith for a New Formula acceptable to both parties, provided that if such New Formula is not agreed upon prior to the designated effective date of the New Formula as set forth in the Change Notice, either party has the right to terminate this Agreement effective as of said date.

5.1.1 Subject to paragraph 4.3 above, in any event FNN shall not change the license fee and/or commercial format within any 12-month period following such a change, except during a renegotiation for a renewal of this Affiliation Agreement.

6. TERM.

6.1 [Redacted]

6.2 FNN shall be entitled to terminate this Agreement effective upon at least sixty (60) days notice in the event that FNN ceases to offer a news service to affiliated and other

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stations (it being understood that such cessation shall not be deemed a breach of this Agreement).

6.3 FNN shall also be entitled to terminate this Agreement in the event FBC terminates the Affiliation Agreement between Licensee and FBC for any cause or reason. Any termination under the immediately preceding sentence shall be effective on such date as FNN may elect.

6.4 Notwithstanding anything to the contrary contained in this Agreement, upon the expiration of the Term or sooner termination of this Agreement, all of Licensee's rights to broadcast or otherwise use any Third Party Materials included in the FNS Service or any trademark, logo or similar material furnished hereunder by FNN shall immediately cease and Licensee shall not have any further rights whatsoever with respect to any of the foregoing. Licensee, however, shall have the right to continue to use FNS Materials, exclusive of Third Party Materials, following the end of the Term, but only at Licensee's sole responsibility and only in accordance with all of the restrictions set forth in section 2 hereof.

7. LICENSEE PROVIDED MATERIALS.

7.1 Grant of Rights. Licensee hereby grants to FNN the right to use written, video and/or audio news reports and other materials that are produced by, produced for or acquired by Station and that are either owned or controlled by Licensee or are of live-breaking news events ("Station Materials"). Station, upon FNN's request, shall promptly submit such Station Materials to FNN for use as part of the FNS Service or as otherwise hereinafter provided. The prompt submission of such Station Materials when requested, particularly the immediate submission of reports of live-breaking news events, subject to paragraph 7.5.2 below, is of the essence.

7.2 No License Fees. Licensee shall not charge any fee to FNN for the rights granted by Licensee hereunder. FNN shall not be obligated to incorporate any Station Materials into the FNS Service and shall have the right, exercisable in its sole discretion, to accept or reject said Station Materials.

7.2.1. Reimbursement to Station for Out-of-Pocket Costs. To the extent that Station is required because of a collective bargaining agreement or license agreement with a third party provider to make any additional payments which obligation(s) arose solely by reason of FNN's use of Station Materials, FNN will reimburse Station for its aforesaid out-of-pocket expenses. Reimbursement will be made annually upon Station's submitting to

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FNN documentation of its said out-of-pocket expenses subject to FNN's reasonable approval.

7.3 Editing. FNN shall have the right at any time or times to make reasonable and customary edits and alterations in Station Materials before inclusion in the FNS Service or before making any other uses of Station Materials as hereinafter provided, provided, however, that in no event shall such edits change or distort the meaning of any Station Materials or adversely affect or compromise the integrity of the Station Materials.

7.4 Extent of Rights. Subject only to paragraph 7.6 below, once FNN elects to incorporate Station Materials or parts thereof into the FNS Service, it is understood and agreed that such Station Materials may be made available, to the extent that FNN elects (if any) to other licensed users of the FNS Service, including FBC for use in news or news related programming only. FNN shall also have the right to use and reuse and to grant other licensed users of the FNS Service, the Fox 24-hour cable news channel and/or any other person or entity located anywhere throughout the world affiliated in any way with FNN or with any FNN-related entity, including without limitation any FNN parent, the license to use and reuse Station Materials in any and all media and forums of any kind whatsoever, whether now known or hereafter devised provided said use is limited to news-related programming purposes only (including, but not limited to, the creation, development and syndication of news, public affairs, sports and information programming for commercial distribution by any means) in any and all languages, throughout the Universe, in perpetuity.

7.5 Licensee's obligations.

7.5.1. Station shall on a continuing basis communicate with FNN concerning breaking or major news events in its market and shall cover and promptly furnish to FNN at FNN's request reports of such news events provided Station was itself planning to cover such news event. Station's obligation to communicate on an on-going basis with FNN concerning such breaking or major news events and its prompt submission to FNN of such Station Materials on a priority basis is of the essence of this Agreement.

7.5.2. Notwithstanding the foregoing, if Station has no uplinking capabilities, Station shall nevertheless continue to cooperate with FNN to cover news events occurring in its market, and FNN will work with Station to arrange for the transmission of the materials to FNN at FNN's cost, whether it be by delivery to the nearest Fox satellite truck or Fox Station with uplinking facilities or whatever is the most expeditious means of

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transmission, and Licensee will cooperate to the fullest with FNN to effectuate the transmission.

7.6 Embargo.

7.6.1 FNN shall not authorize any other Licensee of the FNS Service licensed by the FCC to a community in Station's DMA to broadcast any Station Materials reporting a live-breaking news event on a "live" basis unless Station has given its prior consent.

7.6.2 Additionally, subject to the prior approval of FNN, which shall not be unreasonably withheld, Station shall have the right to designate any Station Materials submitted to FNN as being "exclusive" or "enterprised" and shall clearly identify or label such Material(s) accordingly. FNN shall not authorize the use of any Station Materials so designated, by any other licensee of the FNS Service licensed by the FCC to a community in Station's DMA, without Station's prior consent.

7.6.3 Notwithstanding the foregoing, any Station Materials reporting live-breaking news events on a "live" basis as referenced in paragraph 7.6.1 above and any Station Materials designated as "exclusive" or "enterprised," as referenced in paragraph 7.6.2 above, may still be used on a timely basis, without restriction, by other FNN licensees licensed to or operating in a different DMA than Station. No inadvertent failure by FNN to comply with the provisions of this paragraph 7.6, and no failure of any third party to comply with said provisions, shall be deemed a breach of this Agreement.

8. REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION.

8.1 Unless otherwise provided in the Addendum attached hereto, Licensee represents, warrants and agrees that throughout the Term Station will (a) have the capability to gather, report and produce news coverage and (b) in any event will continuously broadcast regularly-scheduled news programming or news inserts.

8.2 Licensee represents, warrants and agrees that:

- (i) It is the licensee and operator of the Station and has the full right, power and authority to enter into this Agreement for Station;
- (ii) The Station Materials and each element thereof delivered to FNN hereunder are free and clear of all liens and encumbrances of every kind and nature except

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for any residual payments, if any, due to any talent appearing in Station Materials; and

- (iii) The Station Materials and each element thereof delivered to FNN hereunder and the use thereof by FNN, FBC, any other FNN Licensee, other users of the FNS Service and any other persons or parties to whom FNN has licensed use thereof, and each of their respective successors, licensees and assigns, shall not constitute a libel or slander under the laws of the state of origination, nor violate the trade name, trademark, copyright, literary or dramatic rights, statutory, common law or otherwise, of any person, firm, corporation or other entity whatsoever.

The foregoing representations and warranties shall not apply: (i) to public performance rights in music that is available for license through ASCAP, BMI or SESAC, (ii) to any material furnished or added by any party other than Licensee after delivery of Station Materials to FNN or (iii) to the extent Station Materials have been affected by any modification, addition, deletion or other change made by any party other than Licensee or Station after delivery to FNN.

8.3 FNN represents, warrants and agrees that:

- (i) The broadcasting by Licensee, in accordance with the provisions of this Agreement, of any FNS Material provided by FNN to Licensee, ("FNS Material," for purposes of this paragraph 8, shall exclude any Third-Party Materials, as defined in paragraph 1.1 above, any footage or other matter or materials supplied to FNN by Licensee or any other licensee of the FNS Service) shall not violate or infringe upon the trade name, trademark, copyright, literary or dramatic right, or right of privacy or publicity or any other rights, statutory, common law or otherwise, of any party, or constitute a libel or slander of any party; and
- (ii) The FNS Materials are free and clear of all liens and encumbrances of every kind and nature whatsoever, including without limitation any residual payments due to talent appearing in FNS Materials.

The foregoing representations and warranties shall not apply: (i) to public performance rights in music that are available for license through ASCAP, BMI or SESAC; (ii) to any material furnished or added by Licensee or any party other than FNN after delivery of the FNS Materials to Licensee; or (iii) to the extent

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FNS Materials have been affected by any modification, addition, deletion or other change made by Licensee or any party other than FNN after delivery of the FNS Materials to Licensee.

8.4 Indemnification.

8.4.1. Licensee Indemnification. Licensee agrees to indemnify and hold harmless FNN, and its parents, affiliates, subsidiaries, licensees, successors and assigns, other licensees of the FNS Service and the respective owners, officers, directors, agents and employees of each from and against any and all liability, actions, claims, demands, losses, damages or expenses (including reasonable attorneys' fees, but excluding lost profits or consequential damages, if any) caused by or arising out of (A) any use of the FNS Service and/or FNS Materials except as expressly permitted under this Agreement; (B) any use of the FNS Service and/or FNS Materials after the end of the Term hereof; (C) the telecast, publication, dissemination or other use of any Station Materials and other materials (other than FNS Materials or programming provided by FNN) in or in connection with FNS Materials; (D) the public performance rights in any music, contained in any FNS Materials, that is available for license through ASCAP, BMI or SESAC; (E) any modification, addition, deletion, or other change made to any FNS Materials by Licensee or any party other than FNN after delivery of the FNS Materials to Licensee; and (F) any breach of Licensee's representations, warranties or agreements set forth herein. Notwithstanding the foregoing, Licensee's indemnification will not apply to Station Materials used by FNN if FNN has received specific notice from Licensee given in good faith not to use said Station Materials and such notice was received in a timely fashion so as to give FNN sufficient time to delete said Station Materials from the FNS Service.

8.4.2. FNN Indemnification. FNN agrees to indemnify and hold harmless Licensee, and its parents, affiliates, subsidiaries, successors and assigns and the respective owners, officers, directors, agents and employees of each, from and against any and all liability, actions, claims, demands, losses, damages or expenses (including reasonable attorney's fees, but excluding lost profits or consequential damages, if any) caused by or arising out of: (A) the telecast, publication, dissemination or other use but only during the Term of any FNS Materials (excluding Third-Party Materials) by FNN in connection with Station Materials; (B) any modification, addition, deletion or other change made to Station Materials by FNN after delivery of the Station Materials to FNN; and (C) any breach of FNN's representations and warranties set forth herein. Notwithstanding the foregoing, FNN's indemnification will not apply to FNS

May 23, 2011

Materials used by Licensee if Licensee has received notice from FNN given in good faith not to use said FNS Materials and such notice was received in a timely fashion so as to give Licensee sufficient time to delete said FNS Materials. To the extent that FNN is indemnified by third-party providers for use of Third-Party Materials, FNN shall extend said indemnity to Licensee to the extent that FNN has the right to do so.

8.4.3. The indemnitor may assume, and if the indemnitee requests in writing, shall assume the defense of any claim, demand or action covered by indemnity hereunder, and upon written request of indemnitee, shall allow the indemnitee to cooperate in the defense at the indemnitee's sole cost and expense. The indemnitee shall give the indemnitor prompt written notice of any claim, demand or action covered by indemnity hereunder. If the indemnitee settles any claim, demand or action without prior written consent of indemnitor, the indemnitor shall be released from the indemnity in that instance.

9. LIMITATIONS OF LIABILITY. Without limitation to the provisions of Paragraph 10 below, FNN shall not be liable for any failure to deliver, distribute or otherwise provide any video, audio or other materials or information including, without limitation, any such failure due to the breakdown or failure of any satellite (or other method of delivery or distribution) used in connection with the FNS Service. This limitation includes any loss or damage incurred by reason of or incidental to any delay or interruption of use of any satellite (or other method of delivery or distribution), or for any mistakes, omissions, delays, errors or defects in transmission occurring in the course of FNN's use of such satellite (or other method of delivery or distribution) in delivering the FNS Service or FNS Materials hereunder. Notwithstanding anything to the contrary in this Agreement, FNN shall not be liable for (a) any claims arising out of any act or omission of Licensee in connection with the use of the FNS Service or Materials; and (b) unlawful or unauthorized use of FNS Service, Materials or any part thereof, unless such use results solely from the willful misconduct of FNN.

10. FORCE MAJEURE. FNN shall not be liable to Licensee for failure to supply the FNS Service, FNS Materials or any part thereof nor shall Licensee be liable to FNN for failure to broadcast the FNN required commercial or promotional announcements by reason of any Act of God, labor dispute, non-delivery by FNS Material suppliers or others, failure or breakdown of satellite or other facilities, legal enactment, governmental order or regulation or any other similar or dissimilar cause beyond its control ("Force Majeure Event").

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11. ASSIGNMENT. This Agreement shall inure to the benefit of FNN's successors, assigns and affiliated entities. Licensee shall not assign this Agreement without the prior written consent of FNN, and any permitted assignment shall not relieve Licensee of its obligations hereunder. Any purported assignment by Licensee without such consent shall be null and void and not enforceable against FNN. Licensee also agrees that if any application is made to the FCC pertaining to an assignment or a transfer of control of Station, or any interest therein, Licensee shall immediately notify FNN in writing of the filing of such an application. For any transfer or assignment other than a "short form" assignment or transfer of control made pursuant to Section 73.3540(f) of the Rules and Regulations of the FCC, FNS shall have the right to terminate this Agreement, effective upon thirty (30) days notice to Licensee and the transferee or assignee of such termination, which notice may be given at any time within ninety (90) days after the later occurring of: (a) the date on which FNN learns that such assignment or transfer has become effective or (b) the date on which FNN receives written notice of such assignment or transfer. If Licensee fails to notify FNN of the proposed assignment or transfer of control of said Station's authorization, then such failure shall be deemed a material breach of this Agreement.

12. TAXES. Licensee shall pay all taxes or charges imposed upon Licensee by any laws, ordinances or requirements of any governmental body in connection with the licensing, delivery, telecasting, possession or use of the FNS Service as provided in this Agreement.

13. CONFIDENTIALITY. Neither Licensee nor FNN shall disclose to any third party (other than its respective employees, in their capacity as such) any information with respect to the terms and provisions of this Agreement, except: (a) to the extent necessary to comply with any law or the valid order of a court of competent jurisdiction, and in any such event the party making such disclosure shall seek confidential treatment of such information; (b) to its parent company and its attorneys as part of its normal reporting or review procedure, and in any such event, such parent company and attorneys agree to be bound by the provisions of this paragraph 13; or (c) in order to enforce its rights pursuant to this Agreement.

14. COMMUNICATIONS ACT SECTION 507.

14.1 To enable each party to fulfill its obligations under Section 507 of the Communications Act of 1934, as amended, concerning broadcast matter and disclosures required thereunder,

May 23, 2011

insofar as that Section applies to persons furnishing program material for television broadcasting, it be agreed as follows:

14.2 Licensee hereby certifies and agrees that Licensee has no knowledge of any information relating to any Station Materials that is required to be disclosed by Licensee under Section 507, that Licensee will promptly disclose to FNN any such information of which Licensee hereafter acquires knowledge and that Licensee shall not, without FNN's prior approval, include in any Station Materials hereunder any matter for which any money, service or other valuable consideration (as such terms are used in Section 507) is directly or indirectly paid or promised to Licensee by a third party, or accepted from or charged to a third party by Licensee. Licensee shall exercise reasonable diligence to inform its employees and all other persons with whom it deals directly in connection with any Station Materials of the requirements of Section 507. Notwithstanding anything to the contrary contained herein, Licensee shall properly complete, execute and deliver to FNN an Affidavit of Disclosure pursuant to the Federal Communications Act, in a form satisfactory to FNN, when requested to do so by FNN.

14.3 FNN hereby certifies and agrees that FNN has no knowledge of any information relating to any FNS Materials that is required to be disclosed by FNN under Section 507, that FNN will promptly disclose to Licensee any such information of which FNN hereafter acquires knowledge. FNN shall exercise reasonable diligence to inform its employees and all other persons with whom it deals directly in connection with any FNS Materials of the requirements of Section 507. The inclusion in FNS Materials of the announcement required by Section 317 of the Communications Act of 1934, as amended, shall constitute disclosure to Licensee as required by this paragraph.

15. NOTICES. All notices or communications to each party required or permitted hereunder shall be in writing and shall be deemed given when personally delivered or upon date of dispatch by overnight courier or by U.S. Mail, postage prepaid, return receipt requested, addressed as set forth below, or to such other address as such party may hereafter specify in a notice sent as provided herein. U.S. Mail, post prepaid, as above referenced shall immediately follow any service by facsimile.

If to Licensee:

If to FNN:

Fox News Network, L.L.C.
1211 Avenue of the Americas
New York, NY 10036
Attn.: Vice President
and copies to: Legal Affairs

16. APPLICABLE LAW. The obligations of Licensee and FNN under this Agreement are subject to all applicable federal, state and local laws, rules and regulations (including, but not limited to, the Communications Act of 1934, as amended, and the rules and regulations of the FCC) and this Agreement and all matters or issues collateral thereto shall be governed by the law of the State of California applicable to contracts negotiated, executed and performed entirely therein excluding conflict of law provisions. All actions, proceedings and litigation brought against FNN and/or FBC by Licensee shall be instituted and prosecuted solely within the County of Los Angeles, California. Licensee hereby consents to the jurisdiction of the state courts of California and the federal courts located in the Central District of California as to any matter arising out of, or related to this Agreement.

17. MISCELLANEOUS.

17.1 Nothing contained in this Agreement shall be deemed to create a joint venture or an agent and principal relationship.

17.2 No waiver of any failure of any condition or of the breach of any obligation hereunder shall be deemed to be a waiver of any preceding or succeeding failure of the same or any other condition, or a waiver of any preceding or succeeding breach of the same or any other obligation.

17.3 This Agreement constitutes the entire understanding between FNN and Licensee concerning the subject matter hereof and shall not be amended, modified, changed, renewed, extended or discharged except as specifically provided herein, or by an instrument in writing signed by the party against whom enforcement of such amendment, modification, change, renewal, extension or discharge is sought. FNN and Licensee each hereby acknowledges that neither is entering into this Agreement in reliance upon any term, condition, representation or warranty not stated herein, and that this Agreement replaces any and all prior and contemporaneous agreements, whether oral or written, pertaining to the subject matter hereof.

May 23, 2011

17.4 Each and all of the several rights, remedies and options of each party hereto under or contained in or by reason of this Agreement shall be cumulative, and the exercise of one or more of said rights or remedies shall not preclude the exercise of any other right or remedy under this Agreement, at law, or in equity. Notwithstanding anything to the contrary contained in this Agreement, in no event shall either party hereto be entitled to or recover any lost profits or consequential damages because of a breach or failure by the other party, and except as expressly provided in this Agreement to the contrary, neither FNN nor Licensee shall have any right against the other with respect to claims by any third person or other entity.

17.5 If any of the provisions of this Agreement, as applied to either Licensee or FNN or to any circumstances, shall be adjudged void or unenforceable, or in conflict with any applicable law, the same shall in no way affect any other provision of this Agreement, the application of such provisions in any other circumstances or the validity or enforcement of the balance of this Agreement.

17.6 Paragraph headings are inserted for convenience only and shall not be used to interpret this Agreement or any of the provisions hereof or given any legal or other effect whatsoever.

17.7 Either party may terminate this Agreement upon written notice to the other party of a material breach hereof, provided that if the breach is curable, the breaching party has failed to cure the breach within 24 hours of such notice.

17.8 The parties to this Agreement agree that this Agreement was negotiated fairly between them at arm's length and that the final terms of this Agreement are the product of the parties' negotiations. Each party warrants and represents that it has sought and received legal counsel of its own choosing with regard to the contents of this Agreement and the rights and obligations affected hereby. The parties agree that this Agreement shall be deemed to have been jointly and equally drafted by them, and that the provisions of this Agreement therefore should not be construed against a party on the grounds that the party or parties drafted or was responsible for drafting a provision(s).

As to any matter not specifically covered in this Agreement, industry custom and practice shall be controlling to the extent not inconsistent with this Agreement.

FTS LOI Response

Exhibit B

May 23, 2011

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

FOX NEWS NETWORK, L.L.C.

By: _____

Title: _____

Date: _____

LICENSEE

for its Station

By: _____

Title: _____

Date: _____

DELETE 717452

ITEM	SOURCE	Topic	TRT	TIME	CODE	NOTES
ML3	VNR					
Feed	Date Of Feed	SLUG				
	6/29/2006 12:00:00 AM	CONVERTIBLES: SOLD OUT! (SCHMERTZ PKG)				
<p>/bc-fox-ML3-CONVERTIBLES:-SOLD-OUT!-(SCHMERTZ PKG) ^bc-fox-ML3-CONVERTIBLES:-SOLD-OUT!-(SCHMERTZ PKG)< <</p> <p>TOPIC: ITEM: ML3 BLOCK: SLUG: CONVERTIBLES: SOLD OUT! (SCHMERTZ PKG) SOURCE: VNR TRT: 1:52 NOTES: EMBARGO: SCRIPT: CHYRONS: VIDEO INFORMATION:</p> <hr/> <p>SUBJECT: CONVERTIBLES: SOLD OUT! New Convertibles Helping To Fuel GM's Success</p> <p>ATTN: News Producers/Assignment Editors/Satellite News Coordinators/Auto/Feature/Consumer Reporters</p> <p>KEYWORDS: Automobiles Cars General Motors Convertible Consumer Bob Lutz</p> <p>The following is a satellite newsfeed advisory:</p> <hr/> <p>STORY SUMMARY:</p> <p>Summer is here, and there's nothing like putting the top down on a convertible and driving in the sun. But if you're thinking of buying a convertible soon, you may have to think again - many are selling out.</p> <p>Three very popular General Motors convertibles - the Solstice, Sky and Pontiac G6 are sold out, according to Bob Lutz, GM's head of product development. Lutz was hired 5 years ago to revive GM's product line - and the new convertibles are the start of what he hopes is more success.</p> <p>Lutz says the key to GM's future is making higher quality automobiles and changing old beliefs about their vehicles. With GM turning a profit so far in 2006, Lutz's plan may be working.</p> <p>THIS SATELLITE FEED CONTAINS a package featuring: SOT: - Bob Lutz, General Motors - Jean Jennings, Editor, Automobile Magazine</p> <p>Produced for General Motors</p> <p>STORY SCRIPT:</p> <p>SUGGESTED ANCHOR LEAD: IF YOU'VE BEEN WATCHING THE ECONOMIC NEWS LATELY, YOU KNOW THAT AMERICAN CARMAKERS ARE HAVING THEIR PROBLEMS. BUT LATELY THE SUN'S BEEN SHINING A LITTLE BRIGHTER OVER placeCityDETROIT AND THEY'RE CRUISING WITH THE TOP DOWN. ANDREW SCHMERTZ EXPLAINS.</p> <hr/> <p>THINKING OF GETTING A CONVERTIBLE NOW THAT SUMMER IS HERE? WELL THINK FAST. THE BUZZ AROUND THIS YEAR'S CONVERTIBLES, MANY BRAND-NEW AND AFFORDABLE, MEANS THERE MAY NOT BE MANY LEFT. SOT: Bob Lutz, General Motors (("The Solstice is sold out. The Sky is sold out. The Pontiac G6 convertible is sold out."))</p> <p>BOB LUTZ, WHO HAS WORKED AT ALL THREE DOMESTIC MANUFACTURERS, IS NOW THE HEAD OF PRODUCT DEVELOPMENT AT GENERAL MOTORS. HE WAS HIRED 5 YEARS AGO TO REVIVE GM'S MUCH CRITICIZED PRODUCT LINE - AND THE HOPE IS THAT THE SUCCESS HE'S HAD BRINGING THESE NEW CONVERTIBLES TO MARKET WILL CONTINUE ACROSS THE ENTIRE COMPANY.</p> <p>SOT: Jean Jennings, editor, Automobile Magazine (("Does General Motors have the ability to make cars that people want? Yes they do. It's absolutely clear. This is the key to their survival and on top of that, I have seen, as many journalists have, cars that are scheduled for the next couple of years and I'll tell you that if those cars were on the road right now today, I don't think they'd be in this jam at all."))</p> <p>BUT LUTZ KNOWS MAKING HIGHER QUALITY AUTOMOBILES IS ONLY PART OF THE EQUATION - CHANGING A GENERATIONS WORTH OF LESS-THAN-FAVORABLE OPINIONS IS THE REAL placeCityBATTLE.</p>						

SOT: Bob Lutz, General Motors (("What we're seeing is the old beliefs about General Motors, which we probably earned over twenty, twenty-five years. The old beliefs of all our cars look the same, our quality isn't very good, the vehicles use a lot of gas, none of that stuff is true anymore but these perceptions linger."))

HOWEVER THE GOOD LOOKING CONVERTIBLES COMING FROM GM MAY BE CHANGING THAT PERCEPTION, AS WELL AS THE COMPANY'S FORTUNES. placecountry-regionAMERICA'S LARGEST MANUFACTURING COMPANY ACTUALLY TURNED A PROFIT IN THE FIRST QUARTER OF '06. I'M ANDREW SCHMERTZ.

Produced for General Motors

FOR STORY INFORMATION, CONTACT:
Scott Michaeloff, 212-812-7171

FOR TECHNICAL INFORMATION, CONTACT:
MediaLink, 212-682-8300 / 800-843-0677

FOR ALL HARD COPY (TAPE NUMBER DT4237) & SCRIPT REQUESTS, CONTACT:
Richard Petz or Allison Keller, 212-812-7171

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FEDERAL COMMUNICATIONS COMMISSION
Enforcement Bureau
Investigations and Hearings Division
445 12th Street, S.W., Suite 4-C330
Washington, D.C. 20554

April 21, 2011

VIA CERTIFIED MAIL - RETURN RECEIPT REQUESTED
AND BY FACSIMILE 202-824-6510

Fox Television Stations, Inc.
c/o Joseph M. Di Scipio, Esq.
444 North Capitol Street, N.W.
Suite 740
Washington, D.C. 20001

Re: Station KMSP-TV, Minneapolis, Minnesota
File No. EB-06-IH-3709

Dear Licensee:

The Enforcement Bureau is investigating potential violations of section 317 of the Communications Act of 1934, as amended (the "Act") and section 73.1212 of the Commission's rules¹ by Fox Television Stations, Inc., ("FTS" or the "Licensee"), licensee of Station KMSP-TV, Minneapolis, Minnesota (the "Station"). We have received the Licensee's Response and Opposition² to the *Notice of Apparent Liability*³ issued in this case and have additional inquiries concerning FTS's new assertion therein that the Station paid for the General Motors VNR material at issue through its subscription to and payment for the Fox News Edge service.⁴

The Instructions for responding to this letter and the Definitions for certain terms used in this letter are contained in the attachment hereto. We direct the Licensee, pursuant to sections 4(i), 4(j), 308(b) and 403 of the Act⁵ to provide the information and Documents specified below within six (6) calendar days from the date of this letter. **Requests for confidential treatment or claims of attorney-client privilege or attorney work product must meet the requirements stated in the attached Instructions.**

¹ See 47 U.S.C. § 317; 47 C.F.R. § 73.1212(a).

² See Response and Opposition of Fox Television Stations, Inc., to Notice of Apparent Liability for Forfeiture, filed April 8, 2011 ("NAL Response").

³ See *Fox Television Stations, Inc.*, Notice of Apparent Liability for Forfeiture, DA 11-521 (rel. Mar. 24, 2011) ("NAL").

⁴ See *NAL Response* at 2 & Attachment A (noting in part that "Fox News Edge is a fee-based news service for broadcast stations affiliated with the Fox Broadcasting Company, including KMSP-TV").

⁵ See 47 U.S.C. §§ 154(i), 154(j), 308(b), 403.

Unless otherwise indicated, the period of time covered by these inquiries is January 1, 2006, to July 1, 2006.

Documents and Information to be Provided

1. Identify Fox News Edge.
2. The *NAL Response* and relevant 10-K filing indicate that Fox News Edge and the Licensee are commonly owned and controlled.⁶ Confirm whether or not this is correct and explain fully the basis for such answer.
3. List and describe all categories of subscribers to Fox News Edge (e.g., television stations owned and operated by Fox, television stations affiliated with the Fox Television Network, television stations not affiliated with the Fox Television Network, cable operators, cable systems, individuals, etc.), and explain whether all affiliates of the Fox Television Network have subscription agreements with Fox News Edge. In addition,
 - a. If all affiliates do not have subscription agreements with Fox News Edge, describe the terms on which such affiliates were permitted to refuse to subscribe.
 - b. State whether affiliates of the Fox Television Network that are owned and operated by Fox received discounts or other preferential terms in their subscription agreements that were not offered or available to other affiliates, and if so, fully describe the nature of those discounts or preferences.
4. Describe the intercompany transfers, as the term is used in the *NAL Response*, relating to the Station's payment for its subscription to Fox News Edge as of June 19, 2006. In addition,
 - a. State how the intercompany transfers are debited from the Station and/or Licensee's balance sheet and credited on Fox News Edge's balance sheet.
 - b. State whether the intercompany transfers are cleared by a cash payment from the Station and/or Licensee to Fox News Edge, and if so, how often this cash payment is entered on Fox News Edge's balance sheet and debited from the Licensee's balance sheet.
 - c. If the response to 4.b., above, is "no," explain how the transfer is cleared.
5. Describe the circumstances of Fox News Edge's acquisition of the General Motors VNR; including but not limited to identifying the individual or entity from which Fox News Edge acquired the General Motors VNR; specifying which individual or entity initiated discussions regarding the General Motors VNR; stating the purpose for which Fox News Edge acquired the General Motors VNR; and describing the type and amount of any Consideration exchanged between Fox News Edge and the individual or entity that provided the General Motors VNR or any other individual or entity in connection with the acquisition of the General Motors VNR. In addition,
 - a. Fully describe the circumstances surrounding any exchange of or promise to exchange such Consideration, including the date(s) such Consideration was exchanged, the individual or entity that promised or provided the Consideration, and the individual or entity that received or was promised the Consideration.
 - b. Provide all Documents relating to the circumstances of Fox News Edge's acquisition of the General Motors VNR and any exchange of or promise to exchange Consideration related thereto.

⁶ See *NAL Response* at 2 n.4. See also News Corp, Annual Report (Form 10-K) at 9 (Aug. 6, 2010).

6. Describe the circumstances of Fox News Edge's offering of the General Motors VNR to the Station or any other entity or individual, including but not limited to Identifying the entity(ies) or individual(s) to whom Fox News Edge offered or provided the General Motors VNR; stating the terms of all such offers, including any instructions or restrictions on the use of the General Motors VNR by the recipient; describing the intended purpose and use of the General Motors VNR for which it was offered or acquired; describing any Consideration exchanged by Fox News Edge and any such entity(ies) or individual(s) in connection with the use of the General Motors VNR; and specifying whether it was the Station or Fox News Edge that initiated contact regarding the Station's acquisition and use of the General Motors VNR;. In addition,
 - a. Specify whether the Station's use of the General Motors VNR was restricted to certain types of programming, certain times of day, a specified number of times it could be broadcast; and explain whether there were limitations or specifications on the introduction to or commentary about the General Motors VNR or use of additional content in conjunction with the broadcast of the General Motors VNR.
 - b. Fully describe the circumstances surrounding any exchange of or promise to exchange Consideration in connection with the use of the General Motors VNR, including the date(s) such Consideration was exchanged, the individual or entity that promised or provided the Consideration, and the individual or entity that received or was promised the Consideration.
 - c. Provide all Documents relating to the circumstances of Fox News Edge's offering of the General Motors VNR to the Station and any exchange of or promise to exchange Consideration related thereto.
7. Did Fox News Edge provide the General Motors VNR to the Station as part of the Station's subscription or did the Station pay a separate fee for the General Motors VNR? If the latter, what was the amount of the separate fee and did such fees and other terms differ for affiliates of the Fox Television Network that are owned and operated by Fox as compared with other affiliates of the Fox Television Network or entities that are not affiliated with Fox? Fully describe the nature of and differences among the fees and other terms.
8. Provide copies of all Documents that provide the basis for or otherwise support your responses to Inquiries 1- 7, above.
9. To the extent not otherwise provided in response to the preceding Inquiries, provide any additional information that the Licensee believes may be helpful in our consideration and resolution of this matter.

Filing Requirements

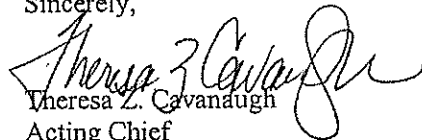
We direct the Licensee to support its responses with an affidavit or declaration under penalty of perjury, signed and dated by an authorized officer of the Licensee with personal knowledge of the representations provided in the Licensee's response, verifying the truth and accuracy of the information therein and that all of the information requested by this letter that are in the Licensee's possession, custody, control or knowledge have been produced. If multiple Licensee employees contribute to the response, and/or if the authorized officer of the company (or any other affiant or declarant) is relying on the personal knowledge of any other individual, rather than his or her own knowledge, then in addition to such general affidavit or declaration of the authorized officer of the company noted above, the Licensee must provide separate affidavits or declarations of each such individual with personal knowledge that identify clearly to which responses the affiant or declarant with such personal knowledge is attesting. All

such declarations provided must comply with section 1.16 of the Commission's rules,⁷ and be substantially in the form set forth therein.

To knowingly and willfully make any false statement or conceal any material fact in reply to this inquiry is punishable by fine or imprisonment.⁸ Failure to respond appropriately to this letter of inquiry may constitute a violation of the Communications Act and our rules.⁹

The Licensee shall direct its response, if sent by messenger or hand delivery, to Marlene H. Dortch, Secretary, Federal Communications Commission, 445 12th Street, S.W., Room TW-A325, Washington, D.C. 20554, to the attention of Melanie A. Godschall, Attorney Advisor, Investigations and Hearings Division, Enforcement Bureau, Room 4-C330, with a copy to Anjali K. Singh, Assistant Chief, Investigations and Hearings Division, Enforcement Bureau, Room 4-C330, Federal Communications Commission. If sent by commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail), the response should be sent to the Federal Communications Commission, 9300 East Hampton Drive, Capitol Heights, Maryland 20743. If sent by first-class, Express, or Priority mail, the response should be sent to Melanie A. Godschall, Attorney Advisor, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, 445 12th Street, S.W., Room 4-C330, Washington, D.C. 20554, with a copy to Anjali K. Singh, Assistant Chief, Investigations and Hearings Division, Enforcement Bureau, Federal Communications Commission, 445 12th Street, S.W., Room 4-C330, Washington, D.C. 20554. The Licensee shall also, to the extent practicable, transmit a copy of the response via email to Melanie.Godschall@fcc.gov, Anjali.Singh@fcc.gov, and Terry.Cavanaugh@fcc.gov.

Sincerely,



Theresa Z. Cavanaugh
Acting Chief
Investigations and Hearings Division
Enforcement Bureau

Attachment

⁷ See 47 C.F.R. § 1.16.

⁸ See 18 U.S.C. § 1001. See also 47 C.F.R. § 1.17.

⁹ See *SBC Communications, Inc.*, Forfeiture Order, 17 FCC Rcd 7589 (2002); *Globcom, Inc.*, Notice of Apparent Liability for Forfeiture and Order, 18 FCC Rcd 19893, 19898 n.36 (2003); *World Communications Satellite Systems, Inc.*, Forfeiture Order, 19 FCC Rcd 2718 (Enf. Bur. 2004); *Donald W. Kaminski, Jr.*, Forfeiture Order, 18 FCC Rcd 26065 (Enf. Bur. 2003).

ATTACHMENT

Instructions

Request for Confidential Treatment. If the Licensee requests that any information or Documents responsive to this letter be treated in a confidential manner, it shall submit, along with all responsive information and Documents, a statement in accordance with section 0.459 of the Commission's rules. 47 C.F.R. § 0.459. Requests for confidential treatment must comply with the requirements of section 0.459, including the standards of specificity mandated by section 0.459(b). Accordingly, "blanket" requests for confidentiality of a large set of Documents, and casual requests, including simply stamping pages "confidential," are unacceptable. Pursuant to section 0.459(c), the Bureau will not consider requests that do not comply with the requirements of section 0.459.

Claims of Privilege. If the Licensee withholds any information or Documents under claim of privilege, it shall submit, together with any claim of privilege, a schedule of the items withheld that states, individually as to each such item: the numbered inquiry to which each item responds and the type, title, specific subject matter and date of the item; the names, addresses, positions, and organizations of all authors and recipients of the item; and the specific ground(s) for claiming that the item is privileged.

Format of Responses. The response must be organized in the same manner as the questions asked, *i.e.*, the response to Inquiry 1 should be labeled as responsive to Inquiry 1.

Method of Producing Documents. Each requested Document, as defined herein, shall be submitted in its entirety, even if only a portion of that Document is responsive to an inquiry made herein. This means that the Document shall not be edited, cut, or expunged, and shall include all appendices, tables, or other attachments, and all other Documents referred to in the Document or attachments. All written materials necessary to understand any Document responsive to these inquiries must also be submitted.

Identification of Documents. For each Document or statement submitted in response to the inquiries stated in the cover letter, indicate, by number, to which inquiry it is responsive and identify the individual (s) from whose files the Document was retrieved. If any Document is not dated, state the date on which it was prepared. If any Document does not identify its author(s) or recipient(s), state, if known, the name(s) of the author(s) or recipient(s). The Licensee must identify with reasonable specificity all Documents provided in response to these inquiries.

Documents No Longer Available. If a Document responsive to any inquiry made herein existed but is no longer available, or if the Licensee is unable for any reason to produce a Document responsive to any inquiry, identify each such Document by author, recipient, date, title, and specific subject matter, and explain fully why the Document is no longer available or why the Licensee is otherwise unable to produce it.

Retention of Original Documents. With respect only to Documents responsive to the specific inquiries made herein and any other Documents relevant to those inquiries, the Licensee is directed to retain the originals of those Documents for twelve (12) months from the date of this letter unless: (a) the Licensee is directed or informed by the Enforcement Bureau in writing to retain such Documents for some shorter or longer period of time; or (b) the Enforcement Bureau or the Commission releases an item on the subject of this investigation, including, but not limited to, a Notice of Apparent Liability for Forfeiture or an order disposing of the issues in the investigation, in which case, the Licensee must retain all such Documents until the matter has been finally concluded by payment of any monetary penalty,

satisfaction of all conditions, expiration of all possible appeals, conclusion of any collection action brought by the United States Department of Justice or execution and implementation of a final settlement with the Commission or the Enforcement Bureau.

Continuing Nature of Inquiries. The specific inquiries made herein are continuing in nature. The Licensee is required to produce in the future any and all Documents and information that are responsive to the inquiries made herein but not initially produced at the time, date and place specified herein. In this regard, the Licensee must supplement its responses: (a) if the Licensee learns that, in some material respect, the Documents and information initially disclosed were incomplete or incorrect; or (b) if additional responsive Documents or information are acquired by or become known to the Licensee after the initial production. The requirement to update the record will continue for twelve (12) months from the date of this letter unless: (a) the Licensee is directed or informed by the Enforcement Bureau in writing that the Licensee's obligation to update the record will continue for some shorter or longer period of time; or (b) the Enforcement Bureau or the Commission releases an item on the subject of this investigation, including, but not limited to, a Notice of Apparent Liability for Forfeiture or an order disposing of the issues in the investigation, in which case the obligation to update the record will continue until the release of such item.

Construction. As used herein, the word "any" shall be construed to include the word "all," and the word "all" shall be construed to include the word "any." Additionally, the word "or" shall be construed to include the word "and," and the word "and" shall be construed to include the word "or." The word "each" shall be construed to include the word "every," and the word "every" shall be construed to include the word "each."

Definitions

For purposes of this letter, the following definitions apply:

"Broadcast," when used as noun, shall mean images or sounds or language transmitted or disseminated over a station during the course of a radio or television broadcast.

"Broadcast," when used as a verb, shall mean the transmission or dissemination of radio or television communications intended to be received by the public. The verb "broadcast" may be used interchangeably with the verb "air."

"Consideration" shall mean anything of value, including, but not limited to, cash, checks, salary, fees, commissions, management fees, consulting fees, honoraria, per diem allowance, payment of third-party invoices, travel and/or hotel expenses, meals, gifts, bonuses, services, and/or any other thing of value, from any source, or given by third parties to Fox, Fox News Edge, and/or its employees, contractors, agents, or designees.

"Document" shall mean the complete original (or in lieu thereof, exact copies of the original) and any non-identical copy (whether different from the original because of notations on the copy or otherwise), regardless of origin or location, of any taped, recorded, transcribed, written, typed, printed, filmed, punched, computer-stored, or graphic matter of every type and description, however and by whomever prepared, produced, disseminated, or made, including but not limited to any broadcast, radio program, advertisement, book, pamphlet, periodical, contract, correspondence, letter, facsimile, e-mail, file, invoice, memorandum, note, telegram, report, record, handwritten note, working paper, routing slip, chart, graph, photograph, paper, index, map, tabulation, manual, guide, outline, script, abstract, history, calendar, diary, agenda, minute, marketing plan, research paper, preliminary drafts, or versions of all of

the above, and computer material (print-outs, cards, magnetic or electronic tape, disks and such codes or instructions as will transform such computer materials into easily understandable form).

“Fox” shall mean Fox Television Holdings, Inc. and any predecessor-in-interest, affiliate, parent company, wholly or partially owned subsidiary, other affiliated company or business, including News Corporation, Fox Entertainment Group, Fox Television Stations, Inc., and Fox Broadcasting Company, and all owners, including but not limited to, partners or principals, and all directors, officers, employees, or agents, including consultants and any other individuals working for or on behalf of the foregoing at any time during the period covered by this inquiry.

“General Motors VNR” shall mean the video news release material referenced in: the Enforcement Bureau’s April 26, 2007, letter of inquiry to Fox Television Stations, Inc., File No. EB-06-IH-3709; Fox Television Station, Inc.’s June 25, 2007, response to the Enforcement Bureau’s April 26, 2007 letter of inquiry, File No. EB-06-IH-3709; and the Bureau’s *Notice of Apparent Liability for Forfeiture* issued March 24, 2011, to Fox Television Stations, Inc., DA 11-521 and Fox Television Station Inc.’s Response and Opposition to the Enforcement Bureau’s *Notice of Apparent Liability for Forfeiture*, dated April 8, 2011.

“Identify,” when used with reference to an individual or individuals shall mean to state his/her full legal name, job title (if any), current business address, and business phone number. If business address and/or telephone number are not available, state the individual’s home address and/or telephone number.

“Identify,” when used with reference to a Document, shall mean to state the date, author, addressee, type of Document (*e.g.*, the types of Document, as described above), a brief description of the subject matter, its present or last known location, and its custodian.

“Identify,” when used with reference to an entity other than an individual, shall mean to state its name, current or last known business address, and current or last known business telephone number.

“Licensee” shall mean Fox Television Stations, Inc. and any predecessor-in-interest, parent company, wholly or partially owned subsidiary, and all owners, including but not limited to, partners or principals, and all directors, officers, employees, or agents, including consultants and any other individuals working for or on behalf of the foregoing at any time during the period covered by this letter.

“Station” shall mean Station KMSM-TV, Minneapolis, Minnesota.