

PAXSON COMMUNICATIONS CORP

Form DEF 14A

April 28, 2006

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**SCHEDULE 14A
(RULE 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

PAXSON COMMUNICATIONS CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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PAXSON COMMUNICATIONS CORPORATION

April 28, 2006

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Paxson Communications Corporation (the Company), which will be held at the West Palm Beach Marriott Hotel, 1001 Okeechobee Boulevard, West Palm Beach, Florida 33401, on Friday, June 23, 2006, at 11:00 a.m., local time.

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

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

Sincerely,

R. BRANDON BURGESS

Director and Chief Executive Officer

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**PAXSON COMMUNICATIONS CORPORATION
601 Clearwater Park Road
West Palm Beach, Florida 33401-6233**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
JUNE 23, 2006**

The Annual Meeting of Stockholders of Paxson Communications Corporation will be held at the West Palm Beach Marriott Hotel, 1001 Okeechobee Boulevard, West Palm Beach, Florida 33401, on Friday, June 23, 2006, at 11:00 a.m., local time, for the following purposes:

1. To elect one Class III director to serve for a term of three years, and until his successor is elected and qualified;
2. To approve an amendment to our Certificate of Incorporation to change our corporate name from Paxson Communications Corporation to ION Media Networks, Inc. ;
3. To approve an amendment to our Certificate of Incorporation to increase the total number of authorized shares of our Common Stock from 327,500,000 shares to 857,000,000 shares, the number of authorized shares of our Class A common stock from 215,000,000 shares to 505,000,000 shares, and the number of authorized shares of our Class C Non-Voting common stock from 77,500,000 shares to 317,000,000 shares;
4. To approve the adoption of the ION Media Networks, Inc. 2006 Stock Incentive Plan;
5. To ratify the appointment of Rachlin Cohen & Holtz, LLP as our independent registered certified public accountants for 2006; and
6. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on April 24, 2006, as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting.

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

By Order of the Board of Directors

Adam K. Weinstein,
Secretary

West Palm Beach, Florida
April 28, 2006

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**PAXSON COMMUNICATIONS CORPORATION
601 Clearwater Park Road
West Palm Beach, Florida 33401-6233**

PROXY STATEMENT

We are providing this proxy statement and the accompanying proxy card to our stockholders beginning on or about April 28, 2006, in connection with the solicitation of proxies by the Board of Directors of Paxson Communications Corporation (the *Company*), to be voted at the Annual Meeting of Stockholders to be held on June 23, 2006, and at any adjournment thereof (the *Meeting*). The Board of Directors has fixed the close of business on April 24, 2006, as the record date for the determination of stockholders entitled to notice of and to vote at the Meeting. At the close of business on the record date, we had outstanding (i) 64,915,006 shares of \$0.001 par value Class A Common Stock (*Class A Common Stock*), entitled to one vote per share, (ii) 8,311,639 shares of \$0.001 par value Class B Common Stock (*Class B Common Stock*, and with the Class A Common Stock, collectively, the *Common Stock*), entitled to ten votes per share, and (iii) 15,911 shares of 93/4% Series A Convertible Preferred Stock (*Series A Convertible Preferred Stock*), entitled to 625 votes per share.

Voting

Shares represented by duly executed proxies in the accompanying form received by us prior to the Meeting will be voted at the Meeting in accordance with the directions given. If a proxy card is signed and returned without specifying a vote or an abstention on any proposal, it will be voted according to the recommendation of the Board of Directors on that proposal. The Board of Directors recommends a vote FOR the election of the nominee for election as a Class III director, the amendments to our Certificate of Incorporation and the other proposals described in this Proxy Statement. The Board of Directors knows of no business to be transacted at the Meeting other than the proposals set forth in this Proxy Statement. If other matters are properly presented for action, it is the intention of the persons named as proxies to vote on such matters according to their best judgment.

If you hold your shares through an intermediary you must provide instructions on voting as requested by your bank or broker. If you sign and return a proxy, you may revoke it at any time before it is voted by taking one of the following three actions: (i) giving written notice of the revocation to the Secretary of the Company; (ii) executing and delivering a proxy with a later date; or (iii) voting in person at the Meeting. Attendance at the Meeting will not in itself constitute revocation of a proxy.

The presence in person or by proxy of the holders of shares of stock possessing the power to cast a majority of the votes which could be cast by all outstanding shares of stock entitled to vote at the Meeting constitutes a quorum for the transaction of business at the Meeting. The election of directors will require the affirmative vote of a plurality of the votes cast at the Meeting, if a quorum is present. The affirmative vote of holders of shares possessing at least a majority of the total number of votes which could be cast by all outstanding shares entitled to vote is required to approve proposals 2 and 3, while the affirmative vote of at least a majority of the votes cast in person or by properly executed proxy is required to approve each of the other proposals to be considered at the Meeting. Votes cast by proxy or in person at the Meeting will be tabulated by one or more inspectors of election appointed at the Meeting, who will also determine whether a quorum is present for the transaction of business. Abstentions and broker non-votes will be counted as shares present at the Meeting for purposes of determining whether a quorum is present. As to matters to be considered at the Meeting, abstentions will be treated as votes AGAINST, and broker non-votes will not be counted as shares voting for the purpose of determining whether a proposal has been approved. Lowell W. Paxson, our former Chairman and Chief Executive Officer and the beneficial owner of shares of our common stock possessing a majority of the voting power of our outstanding stock, has granted an irrevocable proxy to vote all shares which he is entitled to vote in favor of proposals 3 and 4, therefore approval of proposals 3 and 4 by our stockholders is assured.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information as to our equity securities beneficially owned on April 1, 2006 by (i) each director and nominee for director, (ii) each person identified as a Named Executive Officer below under Executive Compensation, (iii) all of our directors, nominees and executive officers as a group, and (iv) any person we know to be the beneficial owner of more than five percent of any class of our voting securities. Beneficial ownership means sole or shared voting power or investment power with respect to a security. We have been informed that all shares shown are held of record with sole voting and investment power, except as otherwise indicated.

Class of Stock	Name of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	% of Class	Aggregate Voting Power (%)
Class A Common Stock	NBC Universal, Inc.(2)			
	Lowell W. Paxson(3)	15,455,062	23.8%	9.8%
	Directors and Nominees:			
	Henry J. Brandon(4)	80,000	*	*
	R. Brandon Burgess(5)			
	Dean M. Goodman (6)(7)	910,128	1.4%	*
	W. Lawrence Patrick(4)	80,000	*	*
	Raymond S. Rajewski(4)	80,000	*	*
	Frederick M.R. Smith			
	Certain Executive Officers:			
Richard Garcia(6)	177,111	*	*	
Adam K. Weinstein(6)	267,692	*	*	
Stephen P. Appel(6)	208,793	*	*	
Tammy G. Hedge	60,685	*	*	
All directors, nominees and executive officers as a group (10 persons)(8)	1,864,409	2.9%	1.2%	
Class B Common Stock	Lowell W. Paxson	8,311,639	100%	52.6%

* Less than 1%

(1) Unless otherwise specified in the footnotes to this table, the address of each person in this table is c/o Paxson Communications Corporation, 601 Clearwater Park Road, West Palm Beach, Florida 33401-6233.

(2) Does not include (i) 303,035,000 shares of Class A common stock issuable upon conversion of shares of Series B preferred stock held by NBC Palm Beach Investment I, Inc., or (ii) 15,455,062 shares of Class A common stock and 8,311,639 shares of Class B common stock beneficially owned by Mr. Paxson that NBC Palm Beach Investment II, Inc. has the right to acquire. The holders' rights to acquire these securities are subject to material conditions, including compliance with the rules of the FCC, and according to information contained in an

amendment to Schedule 13D filed with the Securities and Exchange Commission, dated November 9, 2005, are not presently exercisable; each of such holders is a subsidiary of NBC Universal, Inc. (f/k/a National Broadcasting Company, Inc.) (NBCU), the address of which is 30 Rockefeller Plaza, New York, New York 10112, and NBCU and its parent entity, General Electric Company, Inc., and each disclaims beneficial ownership of such securities.

- (3) Does not include 8,311,639 shares of Class B Common Stock, each share of which is convertible into one share of Class A common stock. Mr. Paxson is the beneficial owner of all reported shares, other than 100 shares of Class A common stock, through his control of Second Crystal Diamond, Limited Partnership and Paxson Enterprises, Inc.
- (4) Includes, with respect to Mr. Brandon, 48,000 shares subject to vesting in equal annual installments of 16,000 shares over a three year period commencing on October 2, 2005; with respect to Mr. Patrick, 64,000 shares subject to vesting in equal annual installments of 16,000 shares over a four year period commencing March 17, 2006; and with respect to Mr. Rajewski, 80,000 shares subject to vesting in equal annual installments of 16,000 shares over a five year period commencing June 10, 2005. The holders possess voting power with respect to these shares. These shares will vest immediately upon the occurrence of certain events, including a change of control of our company.
- (5) Does not include (i) 8,000,000 restricted stock units, each representing the contingent right to receive one share of our Class A common stock, vesting in four equal installments 18, 24, 36 and 48 months after the November 7, 2005 grant date, subject to termination and acceleration of vesting under specified circumstances and to Mr. Burgess's continued employment with us; or (ii) 16,000,000 shares of our Class A common stock issuable upon the exercise of options that are not presently exercisable.

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- (6) Includes shares which may be acquired within 60 days through the exercise of stock options granted under our Stock Incentive Plans as follows: Mr. Goodman 154,328; Mr. Appel 10,000; Mr. Garcia 6,667; and Mr. Weinstein 3,333.
- (7) Does not include (i) 333,333 restricted stock units with a purchase price of \$.01 per unit, each representing the contingent right to receive one share of our Class A common stock, vesting in four equal installments 18, 24, 36 and 48 months after the November 7, 2005 grant date, subject to termination and acceleration of vesting under specified circumstances, (ii) 1,000,000 restricted stock units with a purchase price of \$.01 per unit and vesting in five equal annual installments from the November 7, 2005 grant date, or (iii) 666,667 shares of Class A common stock issuable upon the exercise of options that are not presently exercisable.
- (8) Includes the shares described in notes 4 and 6 above.

NBCU Transactions

On September 15, 1999, our company, NBC Universal, Inc., or NBCU, and Mr. Paxson, our former Chairman and our controlling stockholder, entered into a series of agreements which created a significant strategic and financial relationship between the two companies and under which, subject to various conditions including FCC approval, NBCU has the ability to acquire voting and operational control of our company. On November 7, 2005, we entered into various agreements with NBCU, Mr. Paxson, and affiliates of each of NBCU and Mr. Paxson, pursuant to which the parties agreed, among other things, to the following:

We and NBCU amended the terms of NBCU's investment in us, including the terms of the Series B preferred stock NBCU holds;

Mr. Paxson granted NBCU the right to purchase all shares of our common stock held by him and his affiliates and resigned as our director and officer;

NBCU agreed that it or its transferee of the right to purchase Mr. Paxson's shares will make a tender offer for all of our outstanding shares of Class A common stock if it exercises or transfers its right to purchase Mr. Paxson's shares or transfers a control block of its Series B preferred stock;

NBCU agreed to return a portion of its preferred stock to us if its right to purchase Mr. Paxson's shares is not exercised, which either NBCU or we will distribute to the holders of our Class A common stock other than Mr. Paxson;

We agreed to purchase all of our common stock held by Mr. Paxson if NBCU's right to purchase expires unexercised or fails to close within a prescribed time frame;

We issued \$188.6 million of additional preferred stock to NBCU in full satisfaction of our obligations through September 30, 2005 for accrued and unpaid dividends on our preferred stock held by NBCU; and

We settled all pending litigation and arbitration proceedings with NBCU.

These transactions are described in greater detail in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission, or SEC, on March 22, 2006, under Item 1. Business - NBCU Relationship.

NBCU has the right to acquire voting and operational control of our company, subject to various conditions including the approval of the Federal Communications Commission. Exercise of these rights by NBCU would result in a change

in control of our company.

PROPOSAL 1 ELECTION OF CLASS III DIRECTOR

Our Board of Directors is divided into three classes. A class of directors is elected each year to serve for a three year term and until their successors are elected and qualified. We have one Class III director (Mr. Smith) whose term expires at the Meeting. The terms of the Class I directors (Messrs. Brandon and Burgess) expire upon the election and qualification of directors at the Annual Meeting of Stockholders to be held in 2007. The terms of the Class II directors (Messrs. Patrick, Goodman and Rajewski) expire upon the election and qualification of directors at the Annual Meeting of Stockholders to be held in 2008.

The size of our Board of Directors is established pursuant to our By-laws, by resolution of the Board. We presently have a nine member Board with three vacancies. The incumbent directors appointed Frederick M. R. Smith as a Class III director effective April 14, 2006. The Board of Directors has nominated Mr. Smith to stand for election as a Class III director at the Meeting. If elected, Mr. Smith will serve for a term of three years expiring upon the election and qualification of his successor at our Annual Meeting of Stockholders to be held in 2009 or until his earlier resignation or removal. As the Board of Directors has nominated only one candidate to stand for election as a

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Class III director, we expect to have at least two vacant Class III director positions following the Meeting. Our By-laws provide that any vacancy on our Board of Directors may be filled by a majority of the remaining members of the Board and, in such event, the new director will serve for the remainder of the unexpired term of the class of directors to which he or she is assigned. The term of any Class III director who may be appointed by the Board of Directors to fill any of these vacancies will expire upon the election and qualification of directors at the Annual Meeting of Stockholders to be held in 2009. We expect that, from time to time after the Meeting, our Board of Directors will consider qualified candidates to fill these vacancies as any such candidates may be identified.

Our single nominee has indicated his willingness to serve, if elected. Should our nominee become unable or unwilling to accept nomination or election for any reason, the persons named as proxies may cast votes for a substitute nominee designated by the Board of Directors, which has no reason to believe the nominee named will be unable or unwilling to serve if elected.

The Board of Directors recommends that the stockholders vote FOR the Nominee listed below.

Biographical and other information concerning our directors and the nominee for election at the Meeting is set forth below.

Nominee for Election as Class III Director (Term to Expire at the Annual Meeting in 2009)

	Age	Position, Principal Occupation, Business Experience and Directorships	Director Since
Frederick M. R. Smith(1)	63	Financial Consultant since January 2002 through his wholly-owned company, Kirkwood Lane Associates, LLC. Co-head of the international private equity fund of Credit Suisse First Boston (CSFB), an investment banking firm, from May 2001 to January 2002; co-head of the international private equity group of CSFB from December 1995 to May 2001. Employed in various capacities in the investment banking department of CSFB and its predecessors from 1968 to 1995. Director, Castle Brands, Inc., and Unwired Group Limited.	2006

Class I Directors Continuing in Office (Term to Expire at the Annual Meeting in 2007)

	Age	Position, Principal Occupation, Business Experience and Directorships	Director Since
R. Brandon Burgess(2)	38	Chief Executive Officer of the Company since November 2005. Executive Vice President, Business Development & International Channels of NBC Universal, Inc. (NBCU), a television network that is a	2005

Henry J. Brandon	48	subsidiary of General Electric Company from June 2004 to November 2005. Executive Vice President, NBC Business Development of National Broadcasting Company, Inc. (predecessor of NBCU) from January 2002 to May 2004. Chief Financial Officer for the NBC Television Network from 1999 to 2001. Director since October 2005 of Vintage Fund Management, a private investment firm and merchant bank. Managing Director since October 2004 of Oracle Capital Partners, LLC, a private investment firm and merchant bank. Senior Vice President and Chief Financial Officer of Leeward Islands Lottery Holding Company, Inc., a lottery management and production company from August 2002 to August 2004. Principal, William E. Simon & Sons, LLC, a private investment firm and merchant bank, from 1995 to 2002.	2001
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Table of Contents**Class II Directors Continuing in Office (Term to Expire at the Annual Meeting in 2008)**

	Age	Position, Principal Occupation, Business Experience and Directorships	Director Since
Dean M. Goodman	58	President of the Company since December 2002, and Chief Operating Officer since September 2001. Executive Vice President of the Company from September 2001 to December 2002, and President of the Company's PAX TV network television operations from February 1998 to December 2002. Mr. Goodman held other positions with the Company from 1993 to February 1998. Member of the Board of Directors of the National Association of Broadcasters, a trade association, since 2001, during 16 of the past 26 years.	2005
W. Lawrence Patrick	56	Chairman of the Board since November 2005. President since 1984 of Patrick Communications, LLC, a media investment banking and brokerage firm, and Legend Communications, a radio group owner.	2005
Raymond S. Rajewski(3)	62	Executive Vice President of Viacom Television Stations Group, a subsidiary of Viacom Inc., a media company, from 1991 until his retirement in 2004.	2005

- (1) Effective April 14, 2006, the Board of Directors appointed Frederick M. R. Smith as a Class III director to fill a vacancy on the Board.
- (2) On November 6, 2005, the Board of Directors appointed R. Brandon Burgess as a Class I director to fill a vacancy on the Board.
- (3) On June 10, 2005, the Board of Directors appointed Raymond S. Rajewski as a Class II director to fill a vacancy on the Board.

Other Executive Officers

Richard Garcia, 43, has been our Senior Vice President and Chief Financial Officer since April 2004 and served as our Vice President, Controller and Chief Accounting Officer from September 2003 until April 2004. From May 2002 to September 2003, Mr. Garcia was Controller of DirectTV Latin America, LLC. From August 1998 to May 2002, Mr. Garcia was Controller and Chief Accounting Officer of Claxson Interactive Group, an owner of television and radio broadcasting assets.

Adam K. Weinstein, 42, has been our Senior Vice President, Secretary and Chief Legal Officer since January 1, 2005. From August 2000 through December 31, 2004, Mr. Weinstein served as our Assistant General Counsel, Vice President and Assistant Secretary. From 1995 to 2000, Mr. Weinstein was Assistant General Counsel of Oxbow Corporation, a privately owned power development and petroleum products trading company.

Tammy G. Hedge, 45, has been our Vice President, Controller and Chief Accounting Officer since July 2004. From November 2000 to June 2004, Ms. Hedge served as Financial Controller of Dycom Industries, Inc., a provider of specialty contracting services. From August 1999 to November 2000, Ms. Hedge served as SEC Reporting Manager of Dycom Industries, Inc.

Stephen P. Appel, 52, has been our President of Sales and Marketing since January 1, 2004. From March 1999 through December 31, 2003, Mr. Appel served as our Senior Vice President, Director of Local and National Sales. From 1991 to 1999, Mr. Appel was Vice President, Director of Sales for Seltel Television Sales, a television representative firm.

The Board of Directors and its Committees

The Board of Directors has determined that directors Patrick, Brandon, Rajewski and Smith are independent, as that term is defined under the rules of the American Stock Exchange. During 2005, the Board of Directors held 18 meetings. Each incumbent director attended at least 75% of the total number of Board meetings and meetings of committees of which he is a member. In addition, the Board of Directors took action 12 times during 2005 by unanimous written consent in lieu of a meeting, as permitted by applicable state law.

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All of our directors are encouraged to attend our annual meeting of stockholders. Three of our directors attended our annual meeting of stockholders in June 2005. Directors Rajewski, Burgess and Smith have been appointed to the Board since the June 2005 annual meeting.

The Compensation Committee currently consists of Messrs. Brandon, Patrick and Rajewski, all of whom are independent. Mr. Patrick was appointed chairman of the Compensation Committee on June 10, 2005, succeeding Mr. Brandon, who had served as chairman of the Committee since March 11, 2005. The Compensation Committee reviews and approves base salary and bonus compensation for our officers. The Compensation Committee establishes the annual performance goals under our Executive Bonus Program and is responsible for the administration of our stock-based compensation plans. See Compensation Committee Report on Executive Compensation. During 2005, the Compensation Committee met eight times.

The Audit Committee currently consists of Messrs. Brandon, Patrick and Rajewski, all of whom are independent. On June 10, 2005, the Board of Directors appointed Mr. Brandon as Chairman of the Audit Committee, succeeding former director Bruce L. Burnham, whose term expired at our 2005 annual meeting of stockholders. The Audit Committee operates under a written charter adopted by the Board of Directors. The Board of Directors has determined that Henry J. Brandon is our audit committee financial expert, as defined in the rules of the SEC. Each member of the Audit Committee is able to read and understand fundamental financial statements and is financially sophisticated as that term is defined under applicable American Stock Exchange rules. The Audit Committee held 13 meetings during 2005. The Audit Committee is primarily concerned with the accuracy and effectiveness of the audits of our financial statements by our independent registered certified public accountants. The duties of the Audit Committee include:

- to select, retain, oversee and evaluate our independent registered certified public accountants;
- to meet with our independent registered certified public accountants to review the scope and results of audits;
- to approve non-audit services provided to us by our independent registered certified public accountants; and
- to consider various accounting and auditing matters related to our system of internal controls, financial management practices and other matters.

The Board formed a Nominating Committee on November 10, 2005. The Nominating Committee currently consists of Messrs. Rajewski, Brandon and Patrick, all of whom are independent. Mr. Rajewski is the chairman of the Nominating Committee. The Nominating Committee is responsible for identifying qualified candidates to serve as directors and for making recommendations to the Board of Directors with respect to the nomination of candidates to stand for election as directors and for appointment to fill any vacancies on the Board. The criteria for selecting nominees for election to the Board of Directors reflect the requirements of applicable law and listing standards, as well as the Committee's assessment of a candidate's judgment, business experience, specific areas of expertise, industry knowledge, and ability and willingness to devote time to our business. The Nominating Committee does not have a charter. During 2005, the Nominating Committee held two meetings.

As part of our agreements with NBCU on November 7, 2005, we agreed to use our reasonable best efforts to increase the number of our directors to nine, not fewer than seven of whom shall be independent. We also agreed to engage a national executive search firm to assist us in identifying qualified candidates for director. In December 2005, the Nominating Committee engaged a national executive search firm for this purpose. Using criteria supplied by the Nominating Committee, as described above, this firm has worked to identify potentially qualified director candidates for consideration by the Nominating Committee.

Upon recommendation of the Nominating Committee, the Board of Directors has nominated Frederick M. R. Smith for election at the Meeting as a Class III director. Mr. Smith was recommended to the Nominating Committee by our Chairman, W. Lawrence Patrick.

The Nominating Committee will consider nominees recommended by stockholders. Nominations by stockholders should be submitted to our Secretary and must comply with certain procedural and informational requirements set forth in our By-laws. Please see [Stockholder Proposals for 2007 Annual Meeting](#) below.

In December 2004, the Board of Directors formed a Special Committee to consider, evaluate and act upon any proposed strategic transaction related to our company. The Special Committee's activities were suspended from June 30, 2005 to July 27, 2005 and the Committee was dissolved on November 10, 2005 following completion of our transactions with NBCU. Prior to its dissolution, the Special Committee consisted of Messrs. Patrick, Rajewski and Brandon. Mr. Patrick was the chairman of the Special Committee from July 27, 2005 until it was dissolved. During 2005, the Special Committee held 63 meetings.

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In May 2004, our Board of Directors created the position of lead independent director. The Lead Independent Director is responsible for coordinating the activities of the other independent directors and performing various other duties. The general authority and responsibilities of the Lead Independent Director are established in resolutions adopted by our Board of Directors.

On November 10, 2005, our Board designated W. Lawrence Patrick as our Lead Independent Director. Mr. Patrick is the Chairman of the Board, the Chairman of the Compensation Committee and a member of the Audit and Nominating Committees. Until his term as a director expired on June 10, 2005, Bruce L. Burnham served as our Lead Independent Director.

Communication with the Board of Directors

Our Board of Directors believes that it is important for us to have a process whereby our stockholders may send communications to the Board. Accordingly, stockholders who wish to communicate with the Board of Directors or a particular director may do so by sending a letter to our Secretary at 601 Clearwater Park Road, West Palm Beach, Florida 33401. The mailing envelope must contain a clear notation indicating that the enclosed letter is a

Stockholder-Board Communication or Stockholder-Director Communication. All such letters must identify the author as a stockholder and clearly state whether the intended recipients are the full Board of Directors or certain specified individual directors. The Secretary will make copies of all such letters and circulate them to the appropriate director or directors.

Compensation of Directors

During 2005, directors who were not our employees received an annual cash retainer of \$24,000 and were paid fees of \$1,500 for each board meeting attended, \$1,000 for each committee meeting attended and an additional \$500 for each committee meeting chaired. Compensation to our directors is paid quarterly. Our Lead Independent Director was paid an additional quarterly cash retainer at the rate of \$15,000 per year. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors and its committees.

During 2005, we also paid our non-employee directors an aggregate of \$471,554 for service on the special committee of the Board that was formed in connection with the NBCU transactions. This amount includes fees paid to our former directors Burnham, Oxendine, Greenwald and Hudson, and to our present directors Patrick, Brandon and Rajewski. These fees consisted of meeting fees paid for committee meetings attended and additional fees paid to four of our directors based on the number of hours each director devoted to special committee business, at hourly rates approved by the Board of Directors that ranged from \$240 to \$500.

The table below sets forth the compensation we paid to our non-employee directors for service as a director in 2005.

Director	Cash Retainer	Board Meeting Fees	Committee Meeting Fees(1)	Other Compensation(2)	2005 Total Compensation(3)
Henry J. Brandon	\$ 24,000	\$ 27,000	\$ 39,000	\$ 134,904	\$ 224,904
Bruce L. Burnham(4)	17,334	13,500	46,000	113,800	190,634

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James L. Greenwald(5)	4,000	4,500	7,000	17,000	32,500
Betty E. Hudson(6)	10,667	15,000	7,000	30,000	62,667
John E. Oxendine(4)	10,667	7,500	12,000	26,000	56,167
W. Lawrence Patrick	31,667	19,500	31,000	116,450	198,617
Raymond S. Rajewski	13,333	13,500	9,000	33,400	69,233
Total	\$ 111,668	\$ 100,500	\$ 151,000	\$ 471,554	\$ 834,722

- (1) Includes fees for meetings of our Audit, Compensation and Nominating Committees and a pricing committee established in connection with our December 2005 debt offering.
- (2) Consists of fees for special committee service as described above.
- (3) Does not include income recognized in connection with the vesting of unvested shares of Class A common stock, as follows (based on the market price of the Class A common stock on the vesting date) Mr. Brandon, \$7,040; Mr. Burnham, \$41,600; Ms. Hudson, \$15,760; Mr. Oxendine, \$41,600.
- (4) The terms of Mr. Burnham and Mr. Oxendine expired at our June 10, 2005 annual meeting of stockholders.
- (5) Mr. Greenwald resigned from the Board on February 28, 2005.

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(6) Ms. Hudson resigned from the Board immediately following our June 10, 2005 annual meeting of stockholders.

In addition to the compensation arrangements described above, we have granted our non-employee directors various stock-based compensation awards. During 2005, the Board of Directors elected to accelerate the vesting of 64,000 unvested options held by Mr. Greenwald, 64,000 unvested shares held by Mr. Burnham, 64,000 unvested shares held by Mr. Oxendine and 8,000 unvested shares held by Ms. Hudson, in connection with the conclusion of each director's service on the Board. The shares held by Mr. Burnham, Mr. Oxendine and Ms. Hudson were subsequently sold (see Note 3 to the above table). Mr. Greenwald's options have an exercise price of \$.01 per share.

In June 2005, Mr. Patrick received and exercised options to purchase 80,000 unvested shares of Class A Common Stock. The shares acquired upon exercise of the options vest ratably over a five year period that commenced on March 17, 2005.

In June 2005, Mr. Rajewski received and exercised options to purchase 80,000 unvested shares of Class A Common Stock. The shares acquired upon exercise of the options vest ratably over a five year period that commenced on June 10, 2005.

Mr. Brandon also participated in the 2005 stock option amendment transaction described below under Stock Incentive Plans.

In February 2006, the Board of Directors revised our director compensation program. The annual cash retainer and board meeting fees were not changed, except that our Lead Independent Director (currently our Chairman, Mr. Patrick) receives a \$100,000 annual cash retainer, retroactive to November 7, 2005, the date on which he was named Chairman. Instead of meeting fees for committee service, committee members now receive an annual cash retainer, and if more than eight committee meetings are held during the year, committee members receive an additional \$1,000 fee for each additional meeting attended (\$1,500 for each meeting chaired). Members of the Audit Committee receive an annual cash retainer of \$10,000 (\$15,000 for the committee chairman); members of the Compensation Committee receive an annual cash retainer of \$7,500 (\$10,000 for the committee chairman); and members of the Nominating Committee receive an annual cash retainer of \$5,000 (\$7,500 for the committee chairman). In addition, each director receives an annual award of a number of shares of restricted stock with a value of \$25,000, based on the Black-Scholes valuation method and the closing sale price of our Class A common stock over the ten trading days preceding the grant date (which is January 1 of each year for all incumbent directors). These stock awards vest one year after the grant date but cannot be transferred by the director prior to his or her retirement from board service.

Certain Transactions Involving Directors and Officers

NBCU Transactions. On September 15, 1999, our company, NBCU and Mr. Paxson, our former Chairman and our controlling stockholder, entered into a series of agreements which created a significant strategic and financial relationship between the two companies and under which, subject to various conditions including FCC approval, NBCU has the ability to acquire voting and operational control of our company. On November 7, 2005, we entered into various agreements with NBCU, Mr. Paxson, and affiliates of each of NBCU and Mr. Paxson, pursuant to which the parties agreed, among other things, to the following:

We and NBCU amended the terms of NBCU's investment in us, including the terms of the Series B preferred stock NBCU holds;

Mr. Paxson granted NBCU the right to purchase all shares of our common stock held by him and his affiliates and resigned as our director and officer;

NBCU agreed that it or its transferee of the right to purchase Mr. Paxson's shares will make a tender offer for all of our outstanding shares of Class A common stock if it exercises or transfers its right to purchase Mr. Paxson's shares or transfers a control block of its Series B preferred stock;

NBCU agreed to return a portion of its preferred stock to us if its right to purchase Mr. Paxson's shares is not exercised, which either NBCU or we will distribute to the holders of our Class A common stock other than Mr. Paxson;

We agreed to purchase all of our common stock held by Mr. Paxson if NBCU's right to purchase expires unexercised or fails to close within a prescribed time frame;

We issued \$188.6 million of additional preferred stock to NBCU in full satisfaction of our obligations through September 30, 2005 for accrued and unpaid dividends on our preferred stock held by NBCU; and

We settled all pending litigation and arbitration proceedings with NBCU.

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As part of these transactions, we agreed with NBCU to suspend our network and national sales agency agreements and our JSAs with NBCU (which relate to 14 of our stations serving 12 markets also served by an NBCU owned and operated station).

Lowell W. Paxson. On November 6, 2005, Mr. Paxson resigned as our Chairman of the Board and a director. Effective November 7, 2005, Mr. Paxson resigned as our Chief Executive Officer, and we entered into a consulting and noncompetition agreement with Mr. Paxson and NBCU, pursuant to which Mr. Paxson has agreed, for a period commencing on November 7, 2005 and continuing until five years after the later of the closing of the exercise of NBCU's call right to acquire Mr. Paxson's Class A and Class B common stock or the closing of our purchase of Mr. Paxson's shares if NBCU does not exercise its call right, to provide certain consulting services to us and refrain from engaging in certain activities in competition with us. We paid Mr. Paxson \$0.25 million on signing in respect of the first year's consulting services, and are obligated to pay Mr. Paxson \$0.75 million on May 8, 2006 in respect of Mr. Paxson's agreement to refrain from engaging in certain competitive activities, and four additional annual payments of \$1.0 million each on the anniversary of November 7, which are to be allocated between consulting services and the noncompete agreement in the same ratio. Mr. Paxson will cease to be entitled to the payments in respect of consulting services upon his death, but his legal successors will be entitled to receive all other payments for the balance of the term of the agreement. If the closing of NBCU's call right occurs (whether by NBCU or its transferee), NBCU will be obligated to assume the balance of the payments remaining to be made to Mr. Paxson under the agreement, and to reimburse us for all payments we made to Mr. Paxson pursuant to the agreement. Our obligation to pay premiums on a split dollar life insurance policy owned by a trust established by Mr. Paxson for the benefit of his family members was terminated.

We entered into an agreement with Paxson Management Corporation, an affiliate of Mr. Paxson (PMC), effective as of November 7, 2005, under which PMC has agreed to perform certain services and to assume sole responsibility for certain management functions with respect to our broadcast television station subsidiaries and we have granted PMC the right to vote (subject to certain limitations) the outstanding voting stock of these subsidiaries. The effect of this arrangement is to facilitate the transactions with NBCU by maintaining Mr. Paxson as the sole attributable holder of the FCC licenses of our television stations. This agreement continues for a term expiring on the earlier of the consummation of the transfer of control of our television station subsidiaries in connection with (i) the closing of the exercise of NBCU's call right, (ii) the closing of our purchase of Mr. Paxson's shares if the NBCU call right is not exercised, or (iii) the termination of our obligation to purchase Mr. Paxson's shares if the NBCU call right is not exercised.

Under this agreement, we are obligated to make available to PMC the services of our employees on an as-needed basis for the purpose of assisting PMC in performing the management services it is required to perform; to provide Mr. Paxson with access to the physical facilities of our television stations and with office space at our offices; to pay PMC such amounts as are required to pay the operating costs of our television stations; to reimburse PMC for reasonable and necessary expenses incurred in performing services under the agreement; and to pay PMC a management fee at the annual rate of \$968,000 through December 31, 2005, increasing by 10% per year thereafter (\$1,064,800 for 2006). We are required to use our commercially reasonable efforts to permit Mr. Paxson and any other employees of PMC to participate in all employee welfare benefit plans maintained or sponsored by us for our employees generally, or to assist PMC in obtaining comparable coverage at comparable costs. We are also obligated to make our jet aircraft available to PMC for Mr. Paxson's business and personal use, provided that Mr. Paxson's personal use of our aircraft does not interfere with our operations and PMC pays or reimburses us for the cost of fuel and the pilot's travel expenses related to Mr. Paxson's personal use of the aircraft.

Dean M. Goodman. Effective November 7, 2005, Dean M. Goodman, our President and Chief Operating Officer, entered into a non-competition agreement with NBCU under which the parties have agreed that, should one of the

events listed below occur, Mr. Goodman will refrain from engaging in certain activities in competition with NBCU for five years following the occurrence of the event and NBCU will pay Mr. Goodman \$2.25 million. The events that trigger Mr. Goodman's noncompetition obligations and NBCU's payment obligation are: (i) the exercise of the call right by NBCU or its permitted transferee; (ii) the transfer by NBCU's affiliate of a number of shares of Series B preferred stock that, on an as-converted basis, together with any shares of Series B preferred stock previously transferred by the NBCU affiliate, represents in excess of 50% of the total voting power of our outstanding voting stock; (iii) the conversion by NBCU's affiliate of a number of shares of Series B preferred stock such that, following such conversion, NBCU's affiliate owns shares of Class A common stock representing in excess of 50% of the total voting power of our outstanding voting stock; (iv) NBCU's consent, prior to the exercise or termination of the call right, to the transfer of more than 50% of the total voting power of our outstanding voting stock; or (v) after exercise or termination of the call right, the receipt by NBCU's affiliate, in connection with a transaction involving a change of control of us, of the entire liquidation preference or principal amount, including

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accrued dividends or accrued interest, which the holder of the Series B preferred stock or the exchange debentures for which the Series B preferred stock is exchangeable is entitled to receive. We are not a party to this agreement.

The Christian Network, Inc. We have entered into several agreements with The Christian Network, Inc. or CNI. CNI is a section 501(c)(3) not-for-profit corporation to which Mr. Paxson has been a substantial contributor and of which he was a member of the Board of Stewards through 1993.

We entered into an agreement with CNI in May 1994 (the CNI Tax Agreement) under which we agreed that, if the tax exempt status of CNI were jeopardized by virtue of its relationship with us, we would take certain actions to ensure that CNI's tax exempt status would no longer be so jeopardized. These steps could include rescission of one or more transactions or additional payments by us. On November 16, 2005, we and CNI agreed to terminate this agreement. As part of the termination agreement, we agreed to broadcast a ten second spot advertisement promoting CNI's internet website four times per day for three months. We have completed our obligation to air these spot advertisements.

In September 2004, we purchased from CNI for \$1.65 million a television production and distribution facility located in Clearwater, Florida. Mr. Paxson had personally guaranteed the mortgage debt incurred by CNI in 1994 in connection with its acquisition of this facility. This debt was repaid from the proceeds of our acquisition of the facility. We utilize this facility primarily as our network operations center from which we originate our network television signal. Prior to purchasing this facility, we leased it from CNI for a term expiring on June 30, 2008 at a rent rate of \$16,700 per month. During the years ended December 31, 2004 and December 31, 2003, we incurred rental charges of \$147,000 and \$212,000 respectively, in connection with this lease.

In June 2005, we entered into an agreement with CNI, amending the Master Agreement between us and CNI. Under the Master Agreement, we provided CNI with the right to broadcast its programming on our analog television stations during the hours of 1:00 a.m. to 6:00 a.m. and to use a portion of the digital broadcasting capacity of our television stations in exchange for CNI's providing public interest programming. CNI also has the right to require those of our television stations that have commenced broadcasting multiple digital programming streams (digital multicasting) to carry CNI's programming up to 24 hours per day, seven days per week, on one of the station's digital programming streams (a digital channel). The Master Agreement has a term of 50 years and is automatically renewable for successive ten year periods.

Pursuant to the June 2005 amendment, effective July 1, 2005, CNI relinquished its right to require us to broadcast its programming during the overnight hours on the analog signal of each of our stations, and accelerated the exercise of its right under the Master Agreement to require those of our television stations that have commenced digital multicasting (currently 40 of our 57 owned television stations) to carry CNI's programming up to 24 hours per day, seven days per week, on one of the station's digital channels. CNI retains its existing right to require those of our stations that have not yet commenced digital multicasting (an additional 17 stations) to carry CNI's programming up to 24 hours per day, seven days per week on one of the station's digital channels promptly following the date each such station commences digital multicasting.

As consideration for the June 2005 amendment, we agreed to pay CNI an aggregate of \$3.25 million, \$2.0 million of which was paid during 2005, and the balance of which is payable on various dates during 2006. As of July 1, 2005, we ceased carrying CNI's programming during the overnight hours on the analog signal of each of our stations, and commenced airing long form paid programming during these hours.

We have also entered into a letter agreement, dated June 13, 2005 (the Services Agreement), with CNI pursuant to which we have agreed to provide satellite up-link and related services to CNI with respect to CNI's digital television programming, and CNI has agreed to pay us a monthly fee of \$19,432 (subject to increase if CNI elects to provide its programming to us in the form of tapes rather than a digital feed) for such services. We have the right to adjust the

foregoing fee on an annual basis effective as of January 1 of each year during the term, commencing January 1, 2006, such that the fee is increased to an amount which proportionately reflects increases in our direct cost of providing the services plus an administrative charge of 10% of such direct costs. The term of the Services Agreement commenced July 1, 2005 and terminates December 31, 2010. CNI has the right to terminate the Services Agreement at any time upon the provision of 30 days prior written notice to us.

Officer Loans. During December 1996, we approved a program to extend loans to members of our senior management to finance their purchase of shares of Class A Common Stock in the open market. The loans were evidenced by full recourse promissory notes bearing interest at 5.75% per annum and were collateralized by a pledge of the shares of Class A Common Stock purchased with the loan proceeds. No amounts were outstanding under these loans during 2005 to any of our Named Executive Officers.

Table of Contents**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16 (a) of the Securities Exchange Act of 1934 requires our directors and officers and persons who own more than ten percent of our Common Stock to file initial reports of ownership and reports of changes in ownership of Common Stock and our other equity securities with the SEC and to furnish us with copies of all Section 16 (a) reports they file. Based on our review of the copies of such reports received by us and written representations from certain of these persons, we believe that during 2005, all required reports were filed on a timely basis.

Executive Compensation

The following table presents information concerning the compensation received or accrued for services rendered during the fiscal years ended December 31, 2005, 2004 and 2003 for our Chief Executive Officer and our four most highly compensated executive officers, other than the Chief Executive Officer, who were serving as of December 31, 2005, whom we refer to as our Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation		All Other Compensation (2)(3)(4)(5)
		Salary(1)	Bonus	Other Annual Compensation	Restricted Stock Awards	Number of Securities Underlying Options	
Brandon Burgess Chief Executive Officer and Director	2005	\$ 226,283	\$ 1,500,000	\$	\$ 6,960,000(6)	16,000,000	\$ 85,000(7)
Dwight W. Paxson Former Chief Executive Officer	2005	821,559	832,046				37,628(8)
	2004	880,000	660,000				27,501(8)
	2003	818,565	409,283				24,477(8)
Sean M. Goodman President, Chief Operating Officer and Director	2005	613,222	2,478,222	226,533(9)	1,146,666(6)	746,667	97,639
	2004	523,000	438,013	94,500(9)		80,000	32,372
	2003	455,333	182,133	789,750(10)		815,000	18,536
Stephen P. Appel President Sales & Marketing	2005	453,200	461,358	118,000(9)		30,000	2,649
	2004	440,000	314,930			30,000	
	2003	340,000	25,000	128,700(9)		275,000	1,800

Richard Garcia	2005	298,700	298,700	84,097(9)	40,000	3,209
Senior Vice President and Chief	2004	265,000	97,150		60,000	1,633
Financial Officer	2003	55,417	56,083		110,000	1,372
Sam K. Weinstein	2005	260,000	312,000	90,166(9)	150,000	3,576
Senior Vice President,	2004	214,167	73,500	64,594(9)	10,000	1,233
Secretary & Chief Legal Officer	2003	190,575	28,586	48,262(9)	115,000	1,972

Mr. Burgess commenced service as our chief executive officer on November 7, 2005. Mr. Paxson resigned as our chief executive officer on the same date.

- (1) Includes amounts Named Executive Officers elected to defer under our Profit Sharing Plan.
- (2) Includes Mr. Goodman's contributions to a supplemental retirement plan as follows: 2005 \$53,869; 2004 \$26,150; 2003 \$11,383; includes legal fee reimbursement to Mr. Goodman in 2005 of \$35,000.
- (3) Includes \$1,000 contributions by us to the Profit Sharing Plan during 2005, 2004 and 2003.
- (4) Includes cost of term life insurance equivalent for life insurance policies as follows: 2005, Mr. Paxson \$6,075; Mr. Goodman \$2,037; 2004, Mr. Paxson \$6,139; Mr. Goodman \$1,880; 2003, Mr. Paxson \$6,414; Mr. Goodman \$1,753.
- (5) Includes income from payment of stock option exercise price related to 2005, 2004 and 2003 grants as follows: during 2005, Mr. Goodman \$5,733, Mr. Appel \$2,300, Mr. Garcia \$1,900 and Mr. Weinstein \$2,267; during 2004, Mr. Garcia \$400; during 2003, Mr. Goodman \$4,400, Mr. Appel \$1,800, Mr. Garcia \$1,100, and Mr. Weinstein \$700.
- (6) Represents awards of restricted stock units (each entitling the holder to receive one share of our Class A common stock upon settlement) on November 7, 2005 valued at the closing sale price of our Class A common stock on the date of the award of \$0.87 per share. Mr. Burgess was awarded 8,000,000 restricted stock units which vest in four equal installments 18, 24, 36 and 48 months after November 7, 2005, subject to termination and acceleration under certain circumstances, and Mr. Goodman was awarded 1,333,333 restricted stock units with a purchase price of \$.01 per unit, 333,333 of which vest in four equal installments 18, 24, 36 and 48 months after November 7, 2005, and 1,000,000 of which vest in five equal annual installments. As of December 31, 2005, the aggregate holdings of restricted stock units by our Named Executive Officers, based on the closing price of our Class A common stock of \$0.90 on December 30, 2005, were as follows: Mr. Burgess 8,000,000 units with a value of \$7,200,000; and Mr. Goodman 1,333,333 units with a value of \$1,186,666.

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- (7) Consists of legal fee reimbursement of \$75,000 and housing allowance of \$10,000 (\$5,000 per month for the last two months of 2005).
- (8) Does not include a \$250,000 consulting fee paid to Mr. Paxson in November 2005 in connection with the consulting and noncompetition agreement entered into upon his resignation as our chief executive officer; includes the economic benefits of the premiums we paid under a split dollar life insurance policy. We are entitled to recover the premiums from any amounts paid by the insurer on the split dollar life policy and have retained an interest in the policy to the extent of the premiums paid.
- (9) Represents the fair market value of shares of restricted stock that vested during the year, valued based on the closing sale price of the Class A Common Stock as of the applicable vesting date(s).
- (10) Represents the difference between the price paid by the Named Executive Officer upon the exercise of stock options and the fair market value of the underlying common stock at the time of exercise.

Option Grants in Last Fiscal Year

The table below presents information regarding each of the Named Executive Officers who was granted options to purchase shares of our capital stock during the year ended December 31, 2005.

Name	Number of Shares of Common Stock Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price per Share	Expiration Date	Market	Grant Date Present Value(1)
					Price at Date of Grant	
R. Brandon Burgess	8,000,000	46.1	\$ 0.42	11/7/12	\$.87	\$ 5,760,000
	8,000,000	46.1	1.25	11/7/12	.87	4,800,000
Dean M. Goodman	80,000	0.5	.01	2/16/05	1.38	109,600
	333,334	1.9	.42	11/7/12	.87	240,000
Stephen P. Appel	333,333	1.9	1.25	11/7/12	.87	200,000
	30,000	0.2	.01	2/16/05	1.38	41,100
Richard Garcia	40,000	0.2	.01	2/16/05	1.38	54,800
Adam K. Weinstein	110,000	0.6	.01	2/4/05	1.38	150,700
	40,000	0.2	.01	2/16/05	1.38	54,800

- (1) Based on the closing price on the grant date and the option exercise price, as determined using the Black-Scholes option pricing model assuming a dividend yield of 0%, expected volatility range of 74% to 94%, risk free interest rates of 3.6% to 4.5% and a weighted average expected option term of one day to 5 years.

2005 Aggregated Option Exercises and December 31, 2005 Option Values

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The following table sets forth, with respect to stock option exercises during 2005 and the year end value of unexercised options on an aggregate basis for each of the Named Executive Officers:

The number of shares of common stock acquired upon exercise of options;

The aggregate dollar value realized upon the exercise of those options;

The total number of exercisable and unexercisable stock options held as of year end; and

The aggregate dollar value of unexercised in the money options.

Name	Shares Acquired on Exercise	Value Realized(1)	Number of Securities Underlying Unexercised Options at December 31, 2005		Value of Unexercised in the Money Options at December 31, 2005(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
R. Brandon Burgess		\$		16,000,000	\$	\$ 3,840,000
Dean M. Goodman	573,333	599,066	154,328	666,667		