

Description of the Transaction

This application is one of several contemporaneously-filed applications on FCC Form 314, Form 312 and Form 603 (the “Applications”), which collectively request Commission consent to the assignment of various broadcast licenses held by indirect, wholly-owned subsidiaries of Liberman Broadcasting, Inc., Debtor-in-Possession (“LBI”), which together with LBI and other affiliated entities (collectively, the “LBI Debtors”), are currently being operated under the protection of Chapter 11 of the U.S. Bankruptcy Code in consolidated cases before the United States Bankruptcy Court for the District of Delaware (“Bankruptcy Court”),¹ from the LBI Debtors that hold broadcast licenses (the “LBI Licensees”), as debtors in possession, to those same licensees as non-debtors in possession following their emergence from bankruptcy.

On April 17, 2019, LBI and its debtor affiliates received approval of its *Third Amended Joint Chapter 11 Plan of Reorganization of LBI Media, Inc. and Its Affiliated Debtors* [D.I. 829] (as may be further amended, supplemented, or otherwise modified, the “Plan”) from the Bankruptcy Court.² LBI expects to complete its restructuring and successfully emerge from Chapter 11, subject to, among other things, receipt of FCC consent to the Applications.

Under the terms of the Plan, the following transactions will occur in the following order:³

- To ensure compliance with the Communications Act of 1934, as amended, and the rules and regulations of the FCC (including, but not limited to, rules limiting foreign ownership in broadcast licensees) (collectively, “Communications Laws”), the first lien holder HPS Investment Partners, LLC (“HPS”) and its affiliates and funds (collectively, the “HPS Parties”) will internally reorganize to separate their primarily foreign-owned investment vehicles from primarily U.S.-owned investment vehicles.
- Immediately thereafter, LBI Parent shall issue 100 percent of the capital stock of reorganized LBI Parent (the “New Equity Interests”), together with any warrants to

¹ See *In re LBI Media, Inc. et al.*, Case No. 1:18-bk-12655 (Chapter 11) (Bankr. D. Del.) (Jointly Administered).

² A copy of the final confirmed Plan (along with the order of the Bankruptcy Court confirming the Plan) is attached in Exhibit 5 to the Form 314 Applications. All documents related to the LBI Debtors’ bankruptcy and emergence can be found on a real-time basis in the Bankruptcy Court docket of the cases, available online at <https://dm.epiq11.com/case/LBM/info>. To the extent that documents relating to the bankruptcy case have not been supplied with this application or amendments thereto, such documents consist of material that is either proprietary and/or not germane to the Commission’s evaluation of this application. Such information will be provided to the Commission upon request, subject to the parties’ rights to submit such material subject to regulations restricting public access to confidential and proprietary information.

³ A description of the Transaction Steps that has been or will soon be filed with the Bankruptcy Court is attached in Exhibit 5 to the Form 314 Applications.

purchase New Equity Interests (the “Warrants”) that are issued on the effective date of the Plan to LBI Media Holdings, Inc. as a contribution to capital; immediately thereafter, LBI Media Holdings, Inc. shall contribute 100 percent of the New Equity Interests and the Warrants to LBI Media Intermediate Holdings, Inc. as a contribution to capital; and immediately thereafter LBI Media Intermediate Holdings, Inc. shall contribute 100 percent of the New Equity Interests and the Warrants to LBI Media, Inc. as a contribution to capital.

- Immediately thereafter, LBI Media, Inc. shall distribute to the HPS Parties the New Equity Interests and Warrants (along with the exit credit facility). Such distribution of the New Equity Interests and the Warrants shall be effected in a manner that ensures compliance with the Communications Laws, including by issuing Warrants in lieu of New Equity Interests to certain HPS Parties. The Warrants will carry no voting rights, and no rights to distributions. The Warrants will also, by their terms, prohibit a holder from exercising the Warrants if to do so would cause the licensees to violate the Communications Laws.⁴ In addition, all of the New Equity Interests distributed at emergence will be voting interests.

The SLF Parties (as defined below) have represented that, upon emergence from bankruptcy, the new equity interests in LBI will be held as described below.

Following the completion of the transactions described above, 100-percent of the new equity interests in LBI will be held as follows:

SLF LBI US Holdings I, LLC (“SLF LBI I”) (a Delaware limited liability company), will hold 41.9-percent of the New Equity Interests in LBI;

SLF LBI US Holdings II, LLC (“SLF LBI II,” and together with SLF LBI I, the “SLF Parties”) (a Delaware limited liability company), will hold 41.5-percent of the New Equity Interests in LBI; and

The remaining New Equity Interests will be distributed to other HPS Parties, none of which will individually hold an attributable interest in LBI.

The SLF Parties, both U.S. limited liability companies, will be managed and controlled by their two non-member managers who will be independent of HPS and the HPS Parties, Robert Warshauer and Howard Norowitz, both U.S. citizens, each of whom will hold 50-percent of the voting rights in the SLF Parties. Neither Mr. Warshauer nor Mr. Norowitz has any employment, financial, close personal, or family relationship with HPS, any of its employees, or any of the limited partner funds of the LLCs. Each has worked in the same industry as HPS, however, and has arm’s length professional relationships with HPS employees—which is why they were chosen to hold this position. Moreover, SLF Parties’ organizational documents contain numerous provisions designed to ensure that HPS and its associated entities exercise no level of

⁴ See Warrant Agreement, Sections 4.3(f), 4.3(g). A copy of the Warrant Agreement is attached in Exhibit 13 to the Form 314 Applications.

control over these Managers that would be inconsistent with FCC Rules and Regulations.

Each of the SLF Parties' organizational documents contain provisions to ensure that all of its members will not be materially involved, directly or indirectly, in the management or operation of the media-related activities of the LLC, consistent with the FCC's media ownership attribution rules.⁵ The total foreign equity interest held in LBI will be 19.7 percent, and the total foreign voting interest in LBI will be 16.7 percent. Attachment A hereto contains diagrams depicting the vertical chain of ownership of the LBI Licensees both before and after the LBI Debtors' emergence from bankruptcy. Additional information concerning the SLF Parties and the proposed post-emergence ownership of the LBI Licensees is included in Exhibit 14 to the Form 314 Applications.

The LBI Subsidiaries' officers and directors will also change in part at emergence. The Plan provides the HPS Parties with the right to designate LBI's board of directors and, pursuant to the Bankruptcy Code, 11 U.S.C. § 1129(a)(5), which requires a board of directors to be in place at emergence, the Plan retains LBI's existing chief executive officer, Lenard Liberman, as a director, and appoints three new directors, Peter Markham, Colbert Cannon (an employee of HPS), and Willem Mesdag. Post-emergence, the power to retain or replace these directors will rest entirely with the SLF Parties, and it is anticipated that the SLF Parties will replace the directors identified above with new directors that are independent of the HPS Parties following emergence. Each officer and director appointed by the SLF Parties will possess the requisite qualifications to hold an attributable interest in a broadcast licensee, and will not hold an attributable interest in any other broadcast licensee that would cause a violation of the media ownership rules when combined with an attributable interest in LBI.

The LBI Licensees that are concurrently filing Applications are set forth below:

LBI Radio License LLC, debtor-in-possession;
Liberman Broadcasting of Houston License LLC, debtor-in-possession;
KZJL License LLC, debtor-in-possession;
KRCA License LLC, debtor-in-possession;
Liberman Television of Dallas License LLC, debtor-in-possession; and
Liberman Broadcasting of Dallas License LLC, debtor-in-possession.

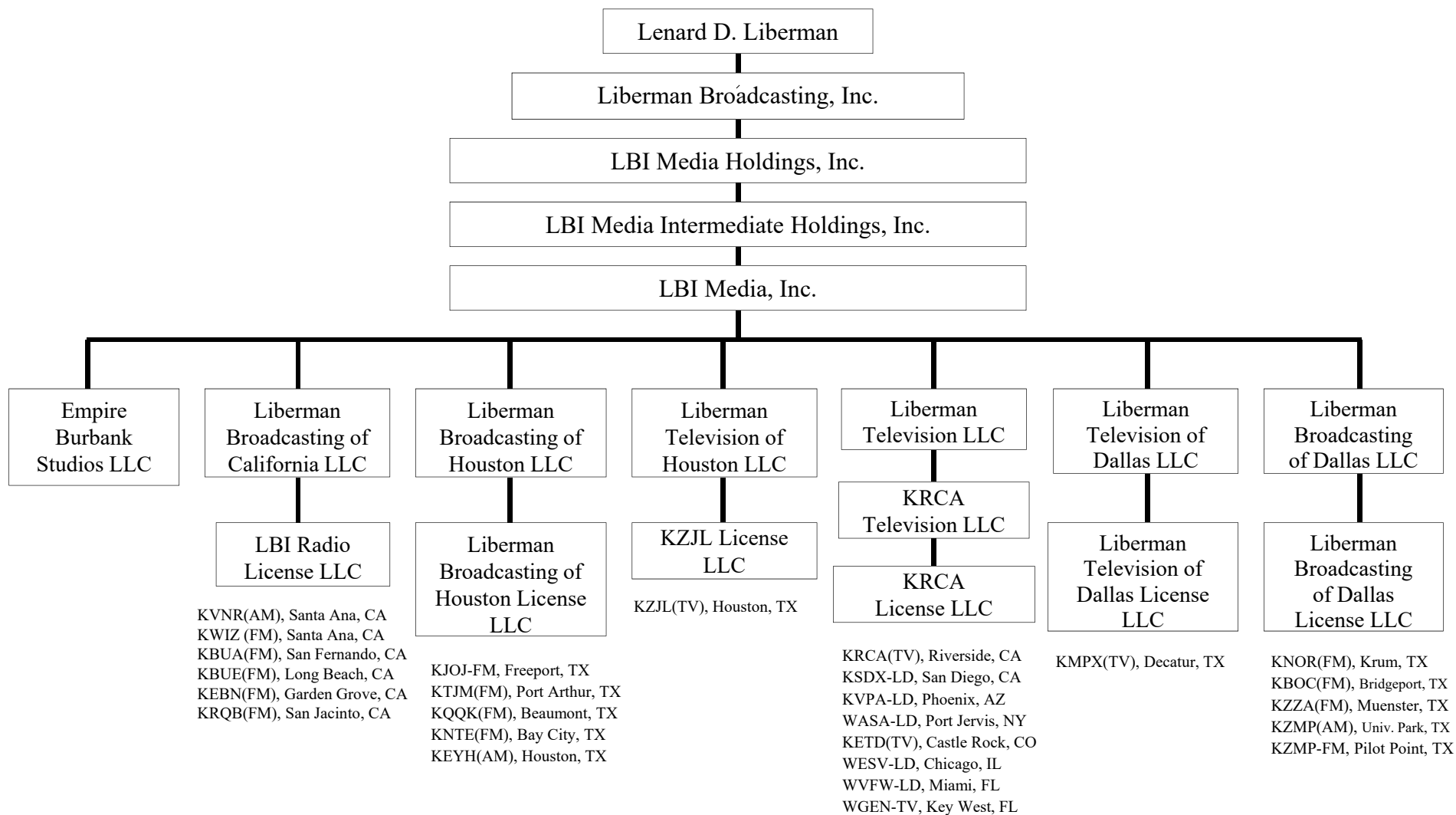
The specific authorizations held by each of the above LBI Licensees are identified in Section II, Question 2, of the FCC Form 314 application for the relevant LBI Licensee, and in Exhibit 6.

Two of the LBI Licensees hold non-broadcast licenses. KRCA License LLC, debtor-in-possession, the licensee of earth station license E930184, and Empire Burbank Studios LLC, debtor-in-possession, the licensee of WPJK927, are seeking consent to the assignment of these licenses on FCC Form 312 and FCC Form 603, respectively.

⁵ See 47 C.F.R. § 73.3555, Note 2(f). A copy of the Limited Liability Company Agreement for each of the SLF Parties is attached in Exhibit 13 of the Form 314 Applications.

Pre-Reorganization LBI Ownership Structure Chart*

Attachment A-1

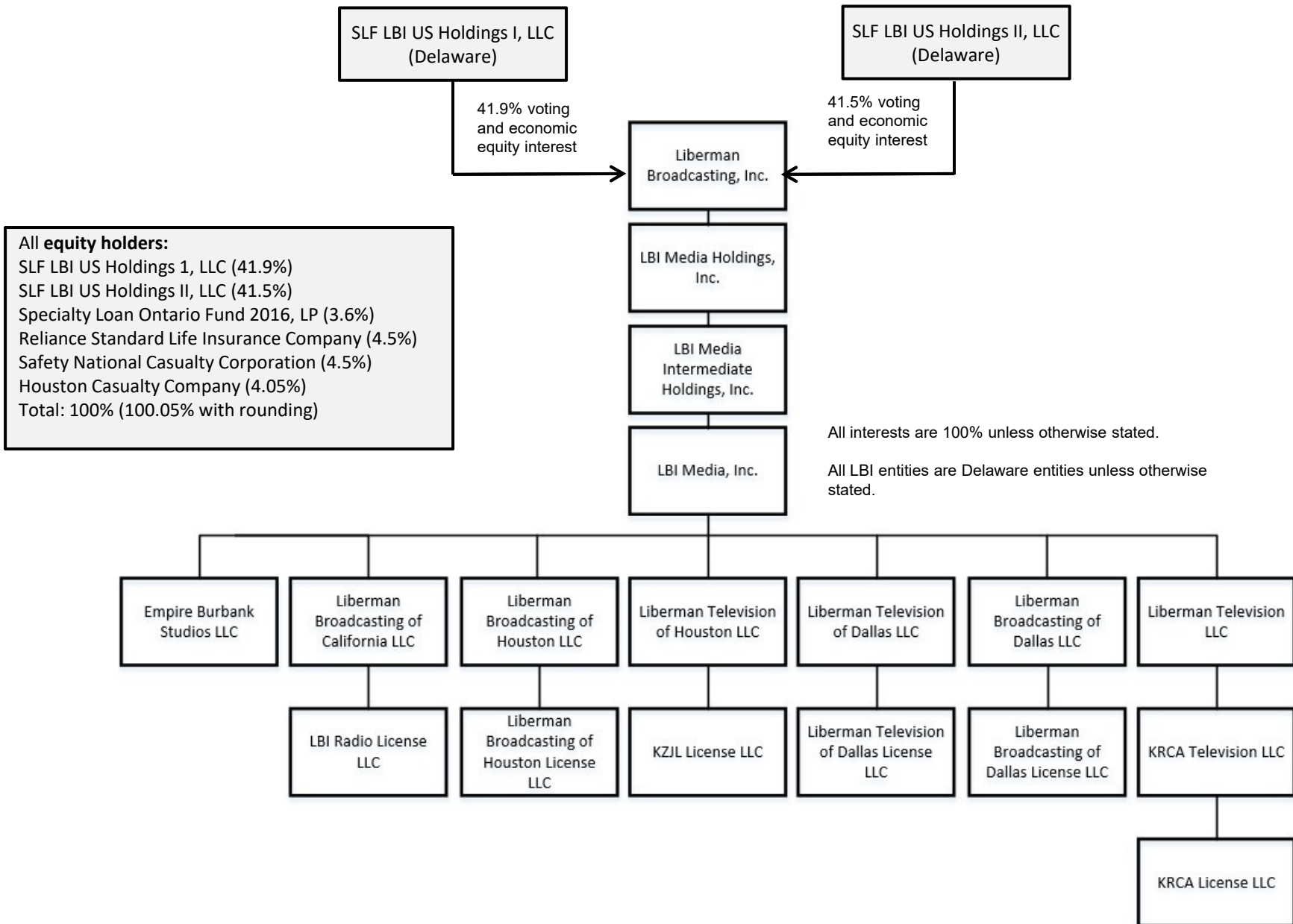


*Each subsidiary is wholly-owned by its parent corporation and is currently operating as debtor-in-possession subject to the supervision of the United States Bankruptcy Court, District of Delaware. Lenard Liberman, as the single majority shareholder, votes more than 90% of the shares of Liberman Broadcasting, Inc.

Attachment A-2

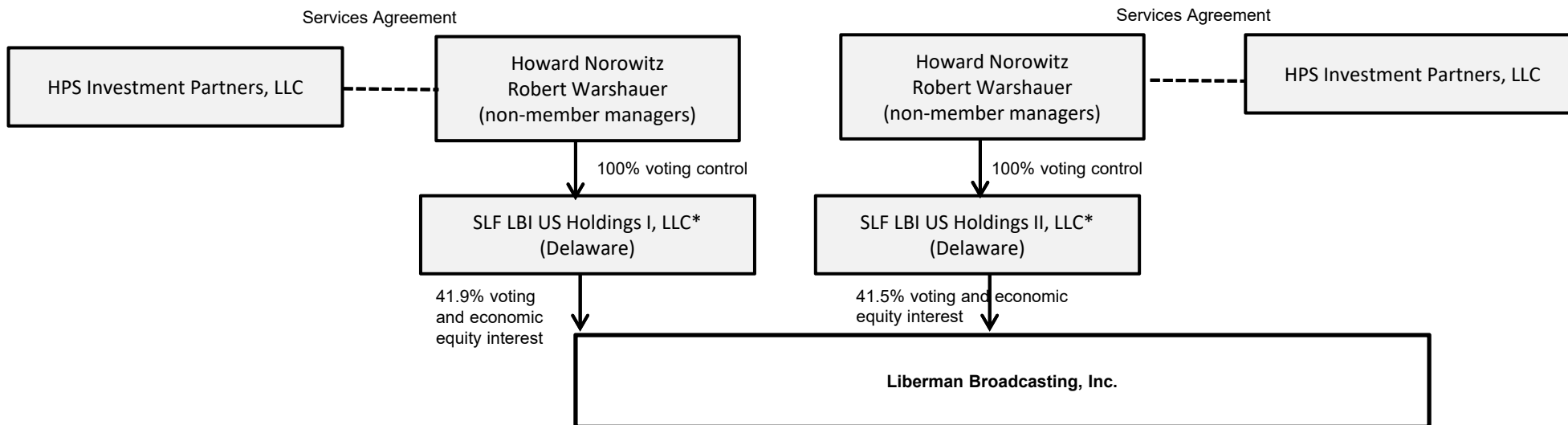
Reorganized LBI Ownership Structure Chart

See page 2 for ownership and control of SLF LBI I and SLF LBI II



Attachment A-2

Reorganized LBI Ownership Structure Chart



**All members are insulated*