

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of

Hemisphere Media Group, Inc.

Petition for Declaratory Ruling under Section
310(b)(4) of the Communications Act of
1934, as Amended

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) MB Docket 19-____

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SUPPLEMENT TO PETITION FOR DECLARATORY RULING

Hemisphere Media Group, Inc. (“HMTV”) hereby supplements its Petition for Declaratory Ruling (the “Petition”) filed June 3, 2019 in the above-captioned matter. In the Petition, HMTV requests that the Commission permit aggregate foreign ownership in HMTV of up to 100%.¹ With this supplement, HMTV modifies its initial request in two respects. First, it adds requests for “specific approval” under the Commission’s current rules governing Section 310(b) petitions for foreign persons or entities that hold a greater than five percent direct or indirect interest in HMTV. Second, HMTV provides more detailed evidence demonstrating that grant of the Petition is in the public interest.

¹ HMTV has previously obtained declaratory rulings permitting: (1) up to 49.9% aggregate foreign ownership with an ownership structure virtually identical to that described in the Petition and (2) the substitution of a new bank trustee in the chain of non-U.S. ownership previously approved. *See Hemisphere Media Group, Inc.*, 32 FCC Rcd 718 (MB 2017) (“Initial Declaratory Ruling”), as modified by *Hemisphere Media Group, Inc.*, DA 18-963 (MB released September 18, 2018) (together, the “Existing Ruling”). The petition giving rise to the Initial Declaratory Ruling was filed on July 8, 2016 and was granted on January 18, 2017 prior to the April 20, 2017 effective date of the current regulations under Part 1, Subpart T of the Commission’s Rules. Accordingly, this Supplement requests ratification of these prior rulings under the current rules.

Specifically, the initial Petition is modified by replacing Sections II(i) and III thereof with the following revised text:

II. (i) Requests for Specific Approval:

In the Petition, HMTV stated that it is not requesting “specific approval of any *new* foreign investor” (emphasis added) but instead is requesting that the Commission “leave in place specific approval for the entities and individuals identified in the Existing Ruling” which permitted these identified entities to hold up to a 49.9% voting and equity interest in HMTV.² As noted in footnote 1, however, the petition giving rise to the Initial Declaratory Ruling was filed and granted pursuant to the rules and policies that existed prior to the April 20, 2017 effective date of the current rule provisions governing petitions for declaratory ruling under Section 310(b).³ Accordingly, HMTV requests specific approval for the following foreign entities and individuals to directly or indirectly hold equity or voting interests of more than 5% and up to 49.9% in HMTV consistent with the Existing Ruling, as granted in 2017 and 2018:

<u>Name</u>	<u>Current Interest</u> ⁴
Cinéma Aeropuerto, S.A. de C.V. Calzada de Tlalpan No. 1924 Colonia Churubuso Country Club C.P. 04210 Ciudad de México México	direct 12.56% vote 6.90% equity

² See Initial Declaratory Ruling, 32 FCC Rcd at 725 (¶20) (finding “no grounds to object to the specific approvals” and concluding “that grant of them will facilitate the foreign investment sought by the petitioner”).

³ See 47 C.F.R. §§1.5000 to 1.5004 (2018).

⁴ The ownership interests identified are derived from the most recent Schedule 13D filing submitted by Cinéma Aeropuerto, S.A. de C.V. to the Securities Exchange Commission on April 6, 2018.

Utrera S.A. de C.V. Boulevard Puerto Aereo 2 sección No. 486 Colonia Moctezuma, Venustiano Carranza Ciudad de México México	indirect 12.56% vote 6.90% equity
Grupo MVS, S.A. de C.V. Boulevard Puerto Aereo 2 sección No. 486 Colonia Moctezuma, Venustiano Carranza Ciudad de México México	indirect 12.56% vote 6.71% equity
SANTANDER Trust Agreement Number 2003914 Banco Santander (México), S.A., trustee Vasco de Quiroga # 3900 Toree B, Piso 2 Colonia Lomas de Santa Fe Ciudad de México, 01219 México	indirect 12.56% vote 6.58% equity
Banco Santander (México), S.A., as trustee for SANTANDER Trust Agreement Number 2003914 Avenida Prolongación Paseo de la Reforma 500 Colonia Lomas de Santa Fe Delegación Álvaro Obergón Ciudad de México, 01219 México	indirect 12.56% vote 0.0% equity
Grupo Financiero Santander México, S.A. de C.V. Avenida Prolongación Paseo de la Reforma 500 Colonia Lomas de Santa Fe Delegación Álvaro Obergón Ciudad de México, 01219 México	indirect 12.56% vote 0.0% equity
Banco Santander, S.A. Ciudad Grupo Santander 28660 Boadilla del Monte Madrid, Spain	indirect 12.56% vote 0.0% equity

Ernesto Vargas Guajardo
Boulevard Manuel Avila Camacho #147
Colonia Los Morales
Ciudad de México, 11510
México

indirect 12.56% vote⁵

Joaquín Vargas Guajardo
Boulevard Manuel Avila Camacho #147
Colonia Los Morales
Ciudad de México, 11510
México

indirect 12.56% vote⁶

Elsa Gabriela Vargas Guajardo
Boulevard Manuel Avila Camacho #147
Colonia Los Morales
Ciudad de México, 11510
México

indirect 12.56% vote⁷

Andrea Maltide Vargas Guajardo
Boulevard Manuel Avila Camacho #147
Colonia Los Morales
Ciudad de México, 11510
México

indirect 12.56% vote⁸

Francisco Vargas Guajardo
Boulevard Manuel Avila Camacho #147
Colonia Los Morales
Ciudad de México, 11510
México

indirect 12.56% vote⁹

⁵ As a member of the trust committee that directs the trustee on the voting of the stock of MVS held in trust.

⁶ As a member of the trust committee that directs the trustee on the voting of the stock of MVS held in trust.

⁷ As a member of the trust committee that directs the trustee on the voting of the stock of MVS held in trust.

⁸ As a member of the trust committee that directs the trustee on the voting of the stock of MVS held in trust.

⁹ As a member of the trust committee that directs the trustee on the voting of the stock of MVS held in trust.

Alejandro Vargas Guajardo
Boulevard Manuel Avila Camacho #147
Colonia Los Morales
Ciudad de México, 11510
México

indirect 12.56% vote¹⁰

III. GRANT OF THE PETITION IS IN THE PUBLIC INTEREST

As HMTV has previously noted, it is the only publicly-traded, pure-play U.S. media company targeting the high growth Spanish-language television and cable networks business in both the U.S. and Latin America. HMTV owns and operates five leading U.S. Hispanic cable networks, two Latin American cable networks, and the leading broadcast television station in Puerto Rico, which operates two networks, WAPA-TV and WAPA Deportes. HMTV also owns an interest in Canal 1, a broadcast television network in Colombia, and minority interests in Pantaya, a digital subscription service that provides over-the-top access to Spanish-language movies, and REMEZCLA, a digital media company targeting English-speaking and bilingual U.S. Hispanic millennials.

HMTV has disclosed that its growth strategy includes further potential expansion into Latin America. Most recently, in November 2018, HMTV acquired a 75% interest in Snap Global, LLC, a distributor of content to Latin American broadcast and cable television networks, as well as to internet programming platforms, and which will distribute content owned and/or controlled by HMTV networks and produced with joint venture partners. In addition to growing its existing business footprint in the region, an added benefit of such investments would be the acquisition of local content from the region for use on HMTV's existing broadcast and cable networks distributed in the U.S. Many Latin American countries require reciprocity as a

¹⁰ As a member of the trust committee that directs the trustee on the voting of the stock of MVS held in trust.

condition to U.S. investment in broadcast television stations in those countries. By granting this petition, the Commission may promote such reciprocity, thus removing potential barriers to U.S. investments in those countries, as it has recognized in several previously issued rulings under Section 310(b) including the Existing Ruling concerning HMTV.¹¹ More recently, the Commission has granted on similar grounds petitions for specific approval allowing broadcast licensees to be held by entities that are 100% foreign-owned.¹²

By expanding opportunities for HMTV to raise capital from investors outside the U.S., HMTV will have the continued ability to provide its content to U.S. Hispanics who are presently underserved by media cable networks. HMTV's broadcast station WAPA-TV has been the #1 Nielsen rated station in Puerto Rico since the start of Nielsen audience measurement nearly a decade ago. WAPA-TV is Puerto Rico's news leader and the largest producer of news and entertainment programming, producing over 60 hours each week. WAPA-TV's primetime household rating in 2018 was four times higher than the most highly-rated English-language broadcast network in the United States – NBC. WAPA-TV's ratings are also higher than the combined ratings of CBS, NBC, ABC, FOX, and the CW. HMTV leverages the locally-produced WAPA-TV content for even broader distribution across the United States on its cable

¹¹ Initial Declaratory Ruling, 32 FCC Rcd at 724 & 725 (¶¶ 18 & 19) (finding that an “increased level of foreign investment in HMTV will facilitate investment from new sources of capital in HMTV that would not otherwise be available and encourage reciprocity by foreign governments”). *See also Univision Holdings, Inc. and Grupo Televisa S.A.B.*, 32 FCC Rcd 6, 13 (¶ 20)(MB 2017) (similar language).

¹² *See Border Media Licenses LLC*, 33 FCC Rcd 8324 (Aud. Div. 2018) (granting request “for specific approval for 100 percent of the equity and voting interests in Border Media LLC to be held by two foreign citizens”); *Grupo Multimedia LLC and Deportes y Musica Comunicaciones LLC*, 33 FCC Rcd 4465, 4468 (¶ 9) (MB 2017)(granting “request for specific approval for 100 percent of the equity and voting interests in [the parent company of a broadcast licensee] to be held by two Mexican citizens”).

network WAPA America providing valuable news and entertainment programming to the approximately five million Puerto Ricans residing in the U.S.

Unlike many other Spanish-language programs, which are produced outside of the United States, WAPA-TV produces much of its programming within the U.S. territory of Puerto Rico. All of the WAPA-TV newscasts and most of WAPA-TV's local programs are produced at WAPA-TV's state-of-the-art production facilities located in San Juan. The facilities contain four television studios, including the largest television studio in the Caribbean, fully equipped control rooms, digital video, audio, editing, post editing, and graphic production suites, and a scenery shop which produces all scenery and props for local production.

WAPA Deportes is a multicast stream that broadcasts various local and U.S. sports programming, including Major League Baseball (MLB), National Basketball Association (NBA), and local Puerto Rican professional sports. WAPA Deportes has become the leading local sports network in Puerto Rico.

In addition to its broadcast streams, WAPA operates WAPA.TV, the #1-rated television network website in Puerto Rico and the #5 ranked Puerto Rico-originated website. WAPA.TV provides up-to-the-minute news and weather, other programming materials, and a platform for viewers to share comments and interact.

Along with WAPA America, the other HMTV cable networks – Cinelatino, Pasiones, Centroamerica TV and Television Dominicana – occupy a valuable and unique position in the U.S. television market. They are among the few Spanish-language cable networks to have achieved broad distribution in the United States. All of the HMTV networks target the largest minority group in the United States (Hispanics), but each specifically targets an otherwise underserved segment of that broader market. Unlike their competitors that focus primarily on Mexican-influenced content, the HMTV cable networks target some of the largest sub

demographics of the United States Hispanic community. For instance, WAPA America (which features content from WAPA-TV), serves primarily Puerto Ricans and other Caribbean Hispanics, which collectively represent the second largest segment of the U.S. Hispanic population.¹³ As their names suggest, Centroamerica TV targets Central Americans, the third largest U.S. Hispanic group and the fastest growing segment of the U.S. Hispanic population, and Television Dominicana, targets the fourth largest U.S. Hispanic group, Dominicans. HMTV's programming is vital for these underserved segments of the U.S. Hispanic population.¹⁴

Given the content of HMTV's programming and targeted demographics, it is no surprise that its networks also resonate well with audiences in Latin America. Acquisitions of assets in Latin America may be consummated for consideration including cash and/or common stock of HMTV. As a result, there is a likelihood of incremental foreign investment in HMTV. Without increasing the amount of allowable foreign ownership, HMTV will be limited in its ability to acquire assets owned by foreign partners.

For HMTV to continue to thrive and provide top-rated programming and other information services to the public, it must have a continuous influx of capital. HMTV's access to capital pales in comparison to that of its largest broadcast competitors –Telemundo and Univision. For example, Telemundo has the financial capacity and backing of its multinational conglomerate parent, Comcast. As of June 26, 2019, Comcast's market capitalization was approximately \$190,583,834,468, almost 400 times the size of HMTV's market capitalization of \$486,246,495 as of that same date.¹⁵

¹³ See HMTV, 2018 Annual Report (Form 10-K), at 4, 12 (*citing* 2018 Claritas).

¹⁴ See *id.*

¹⁵ See NASDAQ Key Stock Data for Comcast (Ticker Symbol: CMCSA) at <http://www.nasdaq.com/symbol/cmcsa> and for HMTV at <http://www.nasdaq.com/symbol/hmtv>.

Not only does HMTV vie with other broadcasters for audience shares, but it competes with other media companies, including cable networks, internet sites, and over-the-top platforms that do not own broadcast television assets (such as Discovery, Netflix and Viacom). These non-broadcast companies do not have the same restrictions on foreign ownership. As a result, they are free to finance without FCC restrictions. With expanded access to capital, HMTV will be even better positioned to compete with its significantly better-funded and/or less-regulated rivals, as the case may be, bringing more programming and services to the ever-growing, and often under-served, Hispanic population.

Permitting more foreign investment in U.S. broadcast companies will also allow for greater reciprocity with other countries, removing barriers to U.S. investments in foreign companies. Significantly limiting foreign investors' ability to provide financing to FCC-regulated entities would weaken any efforts at reciprocity with other countries.

Finally, notwithstanding significant economic challenges. WAPA-TV has continued to invest in its business, including its core infrastructure, programming, facilities and personnel which directly correlates to investment in the local economy. Nonetheless, HMTV's ability to continue financing such investment in its business and the community would be eased by fewer restrictions on its ability to access capital through additional equity financing from non-U.S. investors. As such, any investment by HMTV in the Puerto Rican economy that also has the potential for job creation and economic stimulus is in the public interest.

For the reasons set forth in the Petition, as supplemented herein, the Commission should grant the requested declaratory ruling permitting foreign investors to own up to 100 percent of

Although not an apples-to-apples comparison because Telemundo is just one of the many Comcast properties, the difference in corporate scope and resources is enormous.

HMTV's equity and voting interests pursuant to Sections 1.5000(a)(1) and 1.5004(a)(1) of the Commission's Rules and extending specific approval to the entities identified as existing foreign shareholders of HMTV.

Respectfully submitted,

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Dated: July 2, 2019

Its Attorneys


Certification

On behalf of Hemisphere Media Group, Inc. and Televiscentro of Puerto Rico, LLC, I, Alex J. Tolston, in my capacity as set forth below and not in my personal capacity, declare as follows:

1. I am Executive Vice President, General Counsel and Corporate Secretary of Hemisphere Media Group, Inc. and the Secretary of Televiscentro of Puerto Rico, LLC.
2. The foregoing Supplement to Petition for Declaratory Ruling, dated July 2, 2019, was prepared under my direction and supervision, and the contents are true and correct to the best of my knowledge.

I certify under penalty of perjury that the foregoing is true and correct.

Executed on July 2, 2019.



Alex J. Tolston