

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of)
)
Hemisphere Media Group, Inc.) MB Docket 16 - _____
)
Petition for Declaratory Ruling under)
Section 310(b)(4) of the Communications)
Act of 1934, as Amended)

SUPPLEMENT TO PETITION FOR DECLARATORY RULING

Hemisphere Media Group, Inc. (NASDAQ: HMTV) (“HMTV”) hereby supplements its Petition for Declaratory Ruling in the above-captioned matter (the “Petition”). In the Petition, HMTV requests that the Commission permit foreign ownership in HMTV to exceed the 25% foreign-ownership benchmark in Section 310(b)(4) of the Communications Act, as amended. Specifically, HMTV requests that the Commission permit foreign investors to own up to 49.99% of HMTV’s equity and 49.99% of its votes. With this supplement, HMTV provides further evidence that grant of the Petition is in the public interest.

HMTV is the only publicly traded pure-play U.S. media company targeting the high growth Spanish-language television and cable networks business in the U.S. and Latin America. Headquartered in Miami, Florida, HMTV owns and operates five leading U.S. Hispanic cable networks, two Latin American cable networks, and the leading broadcast television network in Puerto Rico.

As HMTV stated in the Petition, allowing HMTV to exceed the 25% foreign-ownership benchmark is in the public interests for several reasons, including enhancing HMTV's ability to raise capital and encouraging reciprocity from other governments that would facilitate investment by U.S. companies in broadcast stations located in other countries.

By expanding opportunities for HMTV to raise capital outside of U.S. investors, 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 is the #1 Nielsen rated station in Puerto Rico and has been for the past eight years. WAPA-TV is Puerto Rico's news leader and the largest producer of news and entertainment programming, producing over 75 hours each week. WAPA-TV's primetime household rating in 2015 was nearly four times higher than the most highly-rated English-language broadcast network in the United States – CBS. WAPA-TV's ratings are also higher than the combined ratings of CBS, NBC, ABC, FOX, and the CW.

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. The WAPA-TV news department is one of the most technologically advanced in the territory.

WAPA-TV also operates a multicast channel –WAPA2 Deportes. The multicast stream broadcasts various local and U.S. sports programming, including *Major League Baseball* (MLB), *National Basketball Association* (NBA), and local Puerto Rican professional sports. WAPA2 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.

HMTV leverages the locally-produced WAPA-TV content for even broader distribution across the United States on its cable network WAPA America providing valuable news and entertainment programming to the approximately five million Puerto Ricans residing in the U.S.

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). Even more importantly, unlike their competitors that focus primarily on Mexican-influenced content, the HMTV cable networks target some of the largest, and underserved, 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.¹ 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.²

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. As a result, HMTV has disclosed that its growth strategy includes further potential expansion into Latin America with a primary goal of growth in the region as well the added benefit of exporting local content from the region for use on HMTV's existing broadcast and cable networks distributed in the U.S. 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

¹ See HMTV, 2015 Annual Report (Form 10-K), at 5, 11 (citing 2015 Geoscape).

² See *id.*

access to capital pales in comparison to that of one of its largest broadcast competitors – Telemundo. Telemundo has the financial capacity and backing of its multinational conglomerate parent, Comcast. As of July 19, 2016, Comcast’s market capitalization was approximately \$162,840,552,334.³

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 (such as Discovery Communications, Inc., Netflix, Inc. and others) that do not own broadcast television assets. 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 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. As HMTV noted in the Petition, under current Mexican law, non-Mexicans may own up to 49% of the outstanding voting stock of a Mexican broadcast television or radio licensee, subject to reciprocity by the relevant foreign country.⁴

³ <http://www.nasdaq.com/symbol/cmcsa>. Although not an apples to apples comparison because Telemundo is just one of the many Comcast properties, HMTV’s market capitalization as of the same date was \$541,382,772. *See* <http://www.nasdaq.com/symbol/hmtv>.

⁴ Petition at 16 n.13.

Significantly limiting foreign investors' ability to provide financing to FCC-regulated entities would weaken any efforts at reciprocity with other countries.

Finally, it is no secret that the Puerto Rican economy has been in a state of prolonged recession for several years.⁵ Nevertheless, 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. Notwithstanding the foregoing, 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 vis-à-vis 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.

⁵ See, e.g., Brian Chappatta, *Puerto Rico Economy Worsens with Crisis, Most Anywhere You Look*, Bloomberg (Apr. 25, 2016, 9:22 AM EDT), <http://www.bloomberg.com/politics/articles/2016-04-25/puerto-rico-economy-worsens-with-crisis-most-anywhere-you-look>

For the reasons set forth in the Petition, as supplemented herein, the Commission should grant a declaratory ruling that ownership of HMTV in excess of the 25% benchmark is in the public interest.

Respectfully submitted,

HEMISPHERE MEDIA GROUP, INC.

By: /s/ Meredith S. Senter, Jr.
Meredith S. Senter, Jr.
Laura M. Berman

Lerman Senter PLLC
2001 L Street, NW
Suite 400
Washington, DC 20036
(202) 429-8970

Dated: July 27, 2016

Its Attorneys