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August 26, 2019

Christopher J. Sova, Deputy Chief, Enforcement Bureau
Michelle M. Carey, Chief, Media Bureau
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: Petition for Declaratory Ruling
Spanish Broadcasting System, Inc.

Dear Deputy Bureau Chief Sova and Bureau Chief Carey:

Ravensource Fund, Stornoway Recovery Fund L.P. and West Face Long Term Opportunities Global Master L.P. (the "Targeted Preferred Shareholders") write to correct factual misstatements made by Spanish Broadcasting System, Inc. ("SBS") in its August 6, 2019 submission.[1] SBS first claims that the Targeted Preferred Shareholders' purchase of SBS shares was "void *ab initio*."[2] That is false. The Targeted Preferred Shareholders are the legal owners of the shares SBS wrongly claims are void. The share acquisition was not — and could not be — voided because, among other things, a violation of foreign ownership rules enforced by the FCC has not occurred, as the Targeted Preferred Shareholders explained in detail in a filing submitted to the FCC on July 9th.[3]

SBS also claims that the Targeted Preferred Shareholders wanted to "hold this proceeding in abeyance."[4] As explained in the July 9th letter, we recognized that the Media Bureau *might* wish to hold the proceeding in abeyance given SBS's efforts to disavow certain ownership interests pursuant to its Charter. But SBS's tactics have changed matters. It is now attempting to bypass the Commission by urging the Delaware court to adopt an unsupportable interpretation of

[1] Letter from M. Senter, Jr. (Counsel for SBS) to M. Carey and C. Sova (FCC) (Aug. 6, 2019).

[2] August 6th letter at 1.

[3] Letter from M. Schneider (Counsel for Targeted Preferred Shareholders) to M. Carey and C. Sova (FCC) (July 9, 2019).

[4] *Id.*

the FCC foreign ownership rules. That interpretation of Section 310(b)(4) ignores the count-the-shares approach mandated by FCC precedent and Section 10.4 of the SBS Charter governing foreign ownership. SBS is seeking court approval of its unilateral "remedy" for a non-existent FCC regulatory violation and its gamesmanship makes it critical that the FCC interpret its rules. SBS's reliance on Article 10.5 of its Charter in particular underscores the need for FCC involvement because that article is explicitly grounded in the FCC's rules.

SBS further argues that the Targeted Preferred Shareholders acquiesced to SBS's proposed valuation method.[5] Not so. As explained in the July 9th letter, the Targeted Preferred Shareholders alleged in Delaware the value to which they would be entitled in a hypothetical liquidation or insolvency process. Calculating foreign ownership under the FCC's rules is a legally distinct issue governed by precedential FCC cases, as we have explained. There has been no acquiescence.

We ask the Commission to finish what SBS started. *SBS* initiated this proceeding in December 2017 with its Petition for Declaratory Ruling. Since then, the Series B Preferred Shareholders — including the Targeted Preferred Shareholders — have provided detailed information to SBS and the Commission that clarify its ownership and the appropriate standard for foreign ownership review. SBS has attempted, unilaterally, to strip the Targeted Preferred Shareholders of their ownership rights — despite repeated Commission statements that it was unnecessary. Now, by way of proposed counterclaims, SBS is asking the Delaware court for rulings on matters within the FCC's core jurisdiction: the applicability and interpretation of the FCC's foreign ownership rules.[6]

The parties have now thoroughly briefed the issues, including the foreign ownership of the Targeted Preferred Shareholders and the appropriate methodology to determine the level of foreign ownership. Under the FCC rules, a count-the-shares approach (what Section 10.4 of SBS's Charter requires) or a paid-in capital analysis are the appropriate measures of foreign ownership. Under either standard, the Targeted Preferred Shareholders' holdings in SBS fully comply with the foreign ownership rules and the public interest. What is *not* in the public interest is for the Commission to permit SBS to misstate the FCC's foreign ownership rules in the Delaware court by allowing it to pick and choose "favored foreign investors" who acquired their interest subsequent to the Lehman Brothers sale to the Targeted Preferred Shareholders (as described in the July 9th letter), but oppose other foreign investors, none of whom has actually caused SBS to violate the foreign ownership rules.

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[5] *Id*. at 2.

[6] Even if SBS were to obtain a favorable judgment on its counterclaims, that would change nothing about the Commission's necessary role in resolving the foreign ownership issues that SBS itself asked the Commission to address.

The Commission can determine that no foreign ownership violation has occurred on the basis of the numerous filings before it. To the extent, however, that it is necessary to clarify the appropriate application of the foreign ownership rules to the sale of Lehman Brothers' preferred non-voting interests in SBS to the Targeted Preferred Shareholders as part of Lehman Brothers' dissolution, the Targeted Preferred Shareholders respectfully request such a meeting.

We are available to meet anytime to discuss this matter, or to address any further questions you may have. Please feel free to contact me (mschneider@sidley.com).

Sincerely,

/s/
Mark D. Schneider
Marc A. Korman

cc: Chairman Ajit Pai
Commissioner Michael O'Rielly
Commissioner Brendan Carr
Commissioner Jessica Rosenworcel
Commissioner Geoffrey Starks
Megan Henry
David Roberts
Holly Saurer
Meredith Senter