

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of)	
)	
Spanish Broadcasting System, Inc.)	MB Docket 17 - _____
)	
Petition for Declaratory Ruling under)	
Section 310(b)(4) of the Communications)	
Act of 1934, as Amended)	

PETITION FOR DECLARATORY RULING

Spanish Broadcasting System, Inc. (“SBS”) hereby petitions the Commission for a declaratory ruling that SBS is in compliance with the 25% foreign-ownership benchmark of Section 310(b)(4) of the Communications Act, as amended, based on steps it has taken to suspend the rights of certain of its equity holders, as detailed herein, or alternatively, that the temporary foreign ownership of SBS in excess of the 25% benchmark in the circumstances presented here (and which SBS is remediating in order to achieve full compliance with Section 310(b)(4) of the Communications Act) is not inconsistent with the public interest. SBS submits this Petition for Declaratory Ruling to ensure either that the steps that it has taken to achieve compliance with the Act are sufficient, or to permit a ruling that its current ownership structure (including a potential temporary foreign ownership in excess of the 25% benchmark) is nonetheless consistent with the public interest.

I. DESCRIPTION AND OWNERSHIP OF SBS

SBS is a Delaware corporation, headquartered at 7007 N.W. 77th Avenue, Miami, Florida 33166.

A. SBS's Business

SBS has been an FCC licensee in good standing since 1983. Since its incorporation, SBS has been a U.S. Hispanic-owned and controlled media and entertainment company serving the Spanish-speaking residents of the United States. SBS became a publicly-traded company in 1999 and continues to serve audiences in major urban U.S. media markets, as well as throughout the United States via over-the-air, cable, satellite and internet distribution, one of the few remaining U.S. Hispanic owner/operators of major market media outlets. SBS owns and operates 17 radio stations located in the New York, Los Angeles, Miami, Chicago and San Francisco markets, and in several communities in Puerto Rico, all of which have substantial Hispanic populations. SBS's broadcast stations include the number one Spanish-language radio station in America, WSKQ-FM in New York City, as well as the two top-rated radio stations with Hispanic-oriented formats in the Los Angeles market and other top-rated radio outlets in the largest U.S. metropolitan areas. SBS also owns and operates Mega TV, a Spanish-language television programming network which is carried by six owned-and-operated stations serving Miami, Houston and Puerto Rico, on numerous affiliated stations, and with national distribution on DirecTV, ATT Uverse, Verizon FIOS and Frontier.

B. Ownership of SBS

SBS currently has four classes of stock outstanding, as follows:

Class A Common Stock: 4,166,991 shares outstanding. Each share has one vote. These shares, in the aggregate, possess approximately 14.6% of the voting power of the company.

Class B Common Stock: 2,340,353 shares outstanding. Each share has ten votes, giving the ownership of these shares voting control of the company in the aggregate. Raúl Alarcón, Jr. owns all but 350 of these shares, and thus possesses 85.4% of the total voting power of the

Company based on his ownership of Class A Common, Class B Common and Series C Convertible Preferred (discussed below).

Series B Cumulative Exchangeable Redeemable Preferred Stock: 90,549 shares outstanding. It is the current composition of the ownership of this class of Series B Preferred shares that gives rise to this Petition. SBS issued this stock in 2004 in exchange for its Series A cumulative exchangeable redeemable preferred stock that SBS sold in 2003 in a private placement for \$75 million. Series B Preferred stock has a liquidation preference of \$1,000 per share, and SBS is required to pay a dividend at a rate of 10 3/4% per year of the \$1,000 liquidation preference. From October 30, 2003 to October 15, 2008, SBS had the option to pay these dividends in either cash or additional shares of Series B Preferred stock. Since October 15, 2008, SBS has been required to pay the dividends on the Series B Preferred stock in cash.

On October 15, 2013, holders of the Series B Preferred stock requested that SBS repurchase 92,223 shares of Series B Preferred stock for an aggregate repurchase price of \$126.9 million, which included accumulated and unpaid dividends on these shares as of October 15, 2013. SBS did not have sufficient funds legally available to repurchase all of the Series B Preferred stock for which it received requests and instead used the limited funds legally available to it to repurchase 1,800 shares for a purchase price of approximately \$2.5 million, which included accrued and unpaid dividends. As a result, a “voting rights triggering event” (the “Voting Rights Triggering Event”) occurred under the terms of the Series B Preferred stock.

During the continuation of the Voting Rights Triggering Event, the Indenture governing SBS’s senior secured indebtedness prohibits it from paying dividends or from repurchasing the Series B Preferred stock.

Series C Convertible Preferred Stock: 380,000 shares outstanding. Each share is convertible into two shares of Class A Common Stock. The holders of Series C Preferred have the same voting rights and powers as Class A common stock on an as-converted basis. All Series C Preferred shares are owned by the AAA Trust, a Florida trust of which Raúl Alarcón, Jr. is the trustee.

C. SBS's Monitoring of Foreign Ownership

SBS employs a number of measures to monitor its foreign ownership in order to ensure compliance with Section 310(b)(4). These measures include SBS's monitoring of (i) reports filed with the Securities and Exchange Commission ("SEC"), such as Schedules 13D and 13G, (ii) the ownership of shares registered directly with the company, and (iii) the ownership of shares by its officers, directors and employees.

In addition, SBS's Third Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"), specifically Article X, contains provisions intended to ensure compliance. Section 10.2 provides that "not more than twenty five percent of the aggregate number of shares of Capital Stock of [SBS] outstanding in any class or series entitled to vote on any matter ... before a meeting of stockholders of [SBS] shall at any time be held for the account of aliens or their representatives ...or for the account of any corporation organized under the laws of a foreign country." In other words, under SBS's Certificate of Incorporation, no more than 25% of the Series B Preferred stock may be foreign-owned. Section 10.4 of the Certificate of Incorporation provides that SBS's Capital Stock, which is defined to include both the common and the Preferred stock, may not be transferred "to aliens or their representatives, foreign governments or representatives thereof, or corporations organized under the laws of foreign countries," if the result of such a transfer is to cause aggregate ownership by the

enumerated foreign persons and entities to constitute more than 25% of the stock then outstanding, thus exceeding the benchmark contained in Section 310(b)(4) of the Communications Act. Section 10.4 of the Certificate of Incorporation further provides that if SBS finds that non-U.S. persons have acquired stock in contravention of this provision, SBS may divest such shareholders of all rights “to vote, to receive dividends, or to have any other rights with regard to such Capital Stock ... except the right to transfer such Capital Stock to a citizen of the United States.”

D. Current Foreign Ownership of SBS

SBS first learned of the potential non-compliance with Section 310(b)(4) of the Act as the result of a lawsuit filed on November 2, 2017 in the Court of Chancery for the State of Delaware by certain shareholders of its Series B Preferred stock (the “Complaint”), which SBS received on November 4, 2017. Prior to that time, SBS did not know the identity of the Series B Preferred shareholders named as plaintiffs in the Complaint. The largest of these newly-disclosed shareholders are West Face Long Term Opportunities Global Master L.P., which is a Cayman Islands exempted limited partnership, and two entities managed by Stonehill Investment Corp., one of which is a Cayman Islands exempted company. Details of the Series B Preferred shareholders that SBS understands are foreign entities are provided in Exhibit C.

In the Complaint, which challenges SBS’s ability to pay interest accruing under its existing Senior Secured Notes, the plaintiffs allege that they hold 94.16% of the Series B Preferred shares. The individual plaintiffs are identified by name, and include five entities domiciled in the Cayman Islands and two domiciled in Canada.

Assuming that the allegations in the Complaint about the identity of the plaintiffs are correct, at least 63% of the Series B Preferred shares are owned by non-U.S. entities. If the

other allegations in the Complaint concerning the current valuation of the Company's equity are assumed to be correct, which SBS does not concede, then non-U.S. entities own well in excess of 25 percent of the equity of SBS, a circumstance that would violate Section 310(b)(4) of the Act. Indeed, one of the non-U.S. entities itself may have purchased more than 25% of SBS's equity in a recent transaction, again assuming that the allegations in the Complaint are correct, which SBS does not concede.

To address the foreign ownership information contained in the Complaint, SBS has already taken affirmative steps consistent with its Certificate of Incorporation to ensure that, regardless of whether the allegations in the Complaint are correct, it complies with the 25% foreign ownership limitation. On November 28, 2017, SBS exercised the authority provided under Section 10.4 of SBS's Certificate of Incorporation to suspend all rights of the Series B Preferred shareholders, other than their right to transfer such shares to a citizen of the United States. On December 4, 2017, SBS requested that its stock transfer agent coordinate with the Depository Trust Clearing Corporation to suspend temporarily all trading in the Series B Preferred stock.

SBS believes that these actions are sufficient to remedy the apparent violation of Section 310(b)(4) of the Act. First, as a result of the suspension of rights, no non-U.S. Series B Preferred shareholder has any substantive rights as an equity holder. To ensure compliance with Section 310(b)(4), such a suspended shareholder has only two rights: (1) to provide SBS with information sufficient to establish that the shareholder is a U.S. citizen; or (2) to transfer the suspended shares to a U.S. citizen. Such a transfer would cure any potential violation of the foreign ownership limitations, which is the ultimate objective intended both by the Certificate of Incorporation and Section 310(b)(4). The suspension will be lifted as to Series B Preferred

stock generally only after SBS is satisfied that no more than 25% of the stock is foreign-owned and therefore in compliance with Section 310(b)(4). Second, a suspension of trading ensures that SBS can monitor the identity of new shareholders and that any transfers are made only to U.S. citizens while such suspension remains in effect.

Accordingly, SBS seeks a ruling that the actions it has taken to remedy the potential violation of Section 310(b)(4) are sufficient to comply with the Act.

II. INFORMATION REQUIRED BY SECTION 1.5001

This section contains the information required by Section 1.5001 of the Commission's Rules in the event that the Commission determines that it is necessary for SBS to obtain a declaratory ruling that any temporary ownership of more than 25% of SBS's equity by non-U.S. citizens is not contrary to the public interest.

(a) Petitioning applicant contact information:

(b) Parent:

Spanish Broadcasting System, Inc.
7007 NW 77th Avenue
Miami, FL 33166

FRN: 0004975462

Telephone #: (305) 441-6901

Facsimile #: (866) 269-1521

Place of Organization: Delaware

Type of Business Organization: Corporation

Name and Title of Officer Certifying: Joseph A. Garcia, Senior Executive Vice President, Chief Financial Officer and Secretary

Licensees:

Required information concerning the licensee subsidiaries of SBS is contained in Exhibit A. The certifying officer for each entity is Joseph A. Garcia, as identified above.

(b) Legal Counsel:

Meredith S. Senter, Jr.
Lerman Senter PLLC
2001 L Street, NW
Suite 400
Washington, DC 20036

Telephone: 202-429-8970
Email: msenter@lermansenter.com

(c)(1) Type of Radio Service Authorization:

Broadcast radio and television:

SBS holds the broadcast television and radio licenses listed in Exhibit A, which includes the call sign, facility identification number, and community of license for each station.

(d) Type of Declaratory Ruling Requested:

Petitioner is seeking a declaratory ruling pursuant to Section 310(b)(4) and Section 1.5001(a)(1).

(e) Direct Attributable Ownership or Voting Interests:

See Exhibit B.

(f) Indirect Attributable Ownership or Voting Interests:

See Exhibit B.

(g) **Citizenship and Other Information for Attributable Ownership and Voting Interests**:

Only one person holds an attributable ownership or voting interest in SBS, Mr. Alarcón. Information about Mr. Alarcón is set forth below:

Name: Raúl Alarcón, Jr.
Address: 7007 NW 77th Avenue
Miami, Florida 33166

Citizenship: U.S.
Principal Business: Broadcasting
Nature of Attributable Interest: Single Majority Voting
Shareholder

Interest Held: 43.0% common equity
85.4% voting

(h)(1) **Estimate of Aggregate Foreign Ownership:**

Exhibit C contains a chart showing the estimated current foreign ownership of SBS by Series B Preferred shareholders, as well as the percentage of common stock owned by non-U.S. shareholders. Exhibit C also provides the aggregated estimated foreign equity and voting interests.

Section III below contains a showing demonstrating that the public interest would be served by a grant of this petition.

(h)(2) **Attributable Ownership and Control Structure Diagram:**

See Exhibit B.

(i) **Requests for Specific Approval:**

To the extent required in order to grant the requested relief, SBS requests specific approval for the foreign entities identified in Exhibit C that directly or indirectly hold equity or voting interests of more than 5% in SBS.

(j) **Citizenship or Place of Organization, Type of Business, Principal Business of Foreign Investors Named in (i)**:

See Exhibit C.

(k) **Request for Advance Approval:**

None requested

(l) **Required Certification:**

Exhibit D contains the required certification.

III. GRANT OF THE PETITION IS CONSISTENT WITH THE PUBLIC INTEREST

As noted above, the necessity to file this Petition has arisen from circumstances beyond the control of the petitioner – the transfer of Series B Preferred shares to entities unknown to petitioner via transactions in which SBS was not involved. Having now learned that there is at least a possibility that these transactions may have resulted in SBS’s equity shareholders exceeding the 25% benchmark for foreign ownership under Section 310(b)(4), the petitioner has sought to remedy the issue via mechanisms expressly provided for in its Certificate of Incorporation. As detailed above, it has suspended all substantive shareholder rights for the Series B Preferred shares, leaving these shareholders with two options: (1) providing sufficient information about their ownership to demonstrate that they are U.S. citizens, or (2) transferring their shares to a U.S. citizen in order to achieve compliance with the Act.

Commission approval of the remedial measures undertaken by SBS would serve the public interest by ensuring that FCC-regulated entities are encouraged to take immediate action to insulate foreign shareholders from influence in accordance with corporate organizational documents when circumstances have denied the FCC-regulated entity the opportunity to seek advance approval of foreign ownership exceeding the statutory benchmark, as otherwise contemplated by FCC Rules. The notification and remediation provisions of Section 1.5004(f)(3) of the Commission’s rules provide for both licensee self-help to maintain

compliance with the foreign ownership restrictions and FCC oversight of subsequent alternative steps either for prompt divestiture of ownership by non-U.S. persons or for the consideration of a declaratory ruling to assess the public interest effect of temporarily permitting additional foreign ownership in excess of the Section 310(b)(4) benchmark.

SBS recognizes that the showing submitted here is not yet complete with respect to the Commission's ability to render a decision regarding the latter public interest inquiry, and is committed to supplementing the information provided as necessary in order to resolve this matter.

IV. CONCLUSION

For the reasons set forth above, the Commission should grant a declaratory ruling that SBS has properly remediated any potential violation of Section 310(b)(4) of the Act through immediate suspension of the shareholder rights of its Series B Preferred shareholders or, in the alternative, that any temporary foreign ownership of the Series B Preferred shares above the permitted 25% threshold to the extent it is ultimately determined to exist, and until such temporary violation is fully remediated, is consistent with the public interest.

Respectfully submitted,

SPANISH BROADCASTING SYSTEM, INC.

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December 4, 2017

Its Attorneys

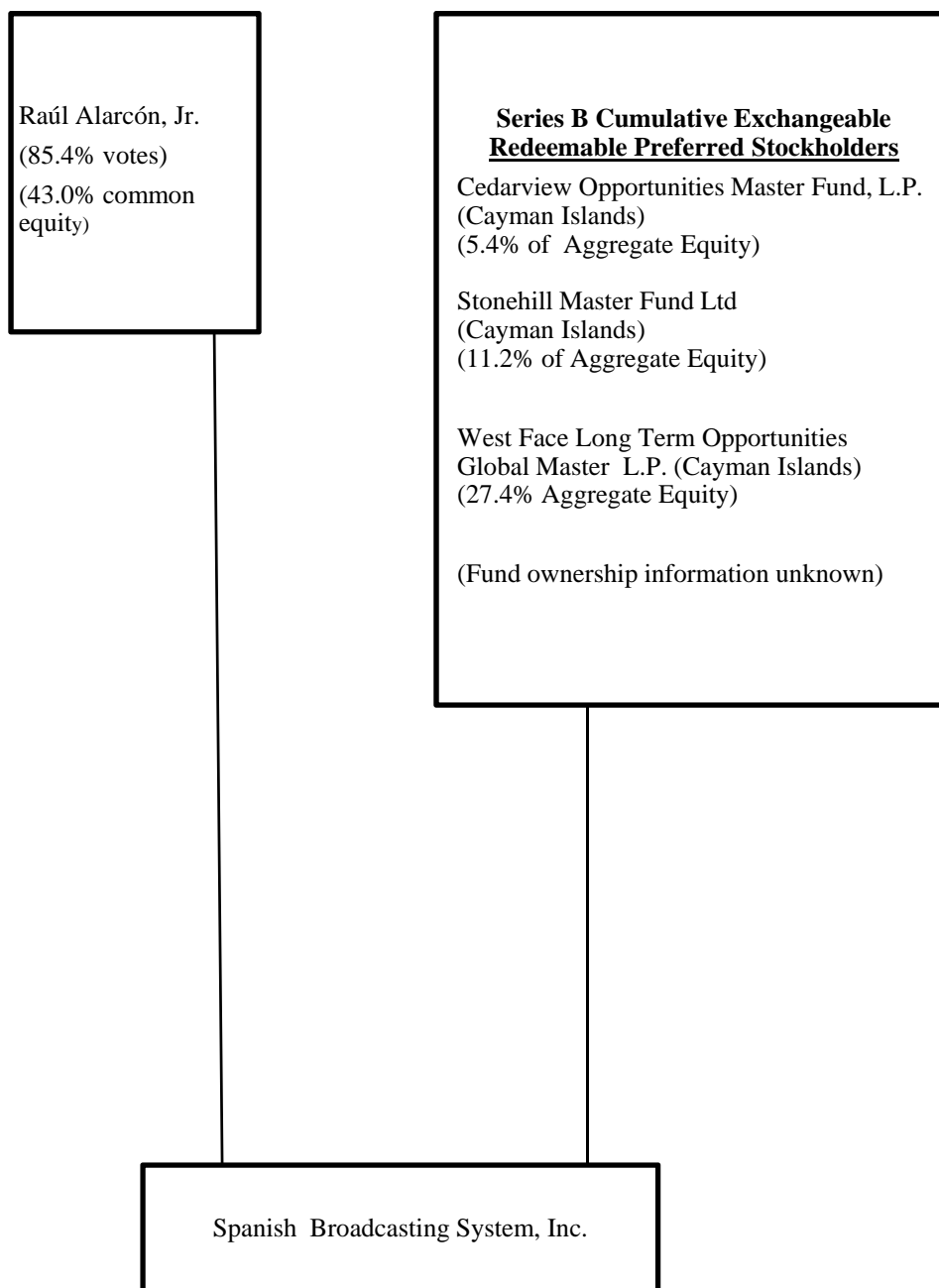
EXHIBIT A**Spanish Broadcasting System, Inc. Licensee Subsidiaries and Stations**

Each of the following FCC licensee entities is a wholly-owned subsidiary of Spanish Broadcasting System, Inc., a Delaware corporation. The authorized signatories of each entity are Raúl Alarcón, Jr. and Joseph A. Garcia.

Licensee Entity (Jurisdiction of Incorporation)	FRN	Address/Contact Information	Station	Community of License	FCC Facility ID No.
WSBS Licensing, Inc. (Delaware corporation)	0004976452	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	WSBS-DT	Key West, FL	72053
			WSBS-CD	Miami, etc., FL	29547
KTBU Licensing, Inc. (Delaware corporation)	0021081906	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	KTBU-DT	Conroe, TX	28324
Spanish Broadcasting System Holding Company, Inc. (PR corporation)	0003736220 (television)	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	WTCV(DT)	San Juan, PR	28954
			WVEO(DT)	Aguadilla, PR	61573
			WVOZ-TV	Ponce, PR	29000
	0019998392 (radio)		WEGM(FM)	San German, PR	1890
			WIOB(FM)	Mayaguez, PR	8153
			WNOD(FM)	Mayaguez, PR	53554
			WODA(FM)	Bayamon, PR	54471
			WZMT(FM)	Ponce, PR	53076
	WZNT(FM)		San Juan, PR	74552	
WRXD Licensing, Inc. (Delaware corporation)	0004976676	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	WRXD(FM)	Fajardo, PR	51428
WMEG Licensing, Inc. (Delaware corporation)	0004976684	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	WMEG(FM)	Guayama, PR	32157
WSKQ Licensing, Inc. (Delaware corporation)	0004976882	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	WSKQ-FM	New York, NY	61641
WPAT Licensing, Inc. (Delaware corporation)	0004976510	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	WPAT-FM	Paterson, NJ	51663

Licensee Entity	FRN	Address/Contact Information	Station	Community of License	FCC Facility ID No.
WXDJ Licensing, Inc. (Delaware corporation)	0004976874	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	WRMA(FM)	North Miami Beach, FL	48368
WRMA Licensing, Inc. (Delaware corporation)	0004977369	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	WXDJ(FM)	Fort Lauderdale, FL	66376
WCMQ Licensing, Inc. (Delaware corporation)	0004977385	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	WCMQ-FM	Hialeah, FL	61640
WLEY Licensing, Inc. (Delaware corporation)	0004976452	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	WLEY-FM	Aurora, IL	71282
KLAX Licensing, Inc. (Delaware corporation)	0004976866	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	KLAX-FM	East Los Angeles, CA	61638
KXOL Licensing, Inc. (Delaware corporation)	0009781352	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	KXOL-FM	Los Angeles, CA	28848
KRZZ Licensing, LLC (Delaware limited liability company)	0012309365	c/o Spanish Broadcasting System, Inc. 7007 NW 77 th Avenue Miami, FL 33166 Telephone (305) 441-6901 Facsimile (305) 883-3373	KRZZ(FM)	San Francisco, CA	1092

Attributable and Known Greater than 5%
Owners of Spanish Broadcasting System, Inc.



Aggregate Estimated Potential Foreign Investor Interests in SBS

Investor	Country of Organization or Citizenship	Class of Stock Owned¹	Aggregate % Voting	Aggregate % Equity²
Cedarview Opportunities Master Fund, L.P.	Cayman Islands	5,500 shares (6.1%) of Series B Preferred	0.0%	5.4%
Littlejohn Opportunities Master Fund L.P.	Cayman Islands	5,012 shares (5.5%) of Series B Preferred	0.0%	< 4.9% ³
Ravensource Fund	Canada	2,026 shares (2.2%) of Series B Preferred	0.0%	1.9%
Stonehill Master Fund Ltd.	Cayman Islands	11,532 shares (12.7%) of Series B Preferred	0.0%	11.2%
Stornoway Recovery Fund L.P.	Canada	5,000 shares (5.5%) of Series B Preferred	0.0%	4.9%
West Face Long Term Opportunities Global Master L.P.	Cayman Islands	28,104 shares (31.0%) of Series B Preferred	0.0%	27.4%
Wolverine Flagship Fund Trading Limited	Cayman Islands	5,000 shares (5.5%) of Series B Preferred	0.0%	4.9%
Bluestone Financial LTD	British Virgin Islands	340,618 shares (8.2%) of Class A Common	1.4%	< 1%
TOTAL	---	---	1.4%	~ 62%⁴

¹ Information in this chart about the ownership of Series B Preferred stock is based on allegations contained in the Complaint filed November 2, 2017. See *Cedarview Opportunities Master Fund, L.P. v. Spanish Broadcasting System, Inc.*, Verified Complaint, Case ID No. 2017-0785 (filed Nov. 2, 2017). SBS does not concede the accuracy of these allegations.

² This chart contains estimates of SBS's equity ownership based on (i) the trading price of the Class A Common stock as of September 28, 2017 (\$0.85/share), which implies a total value of \$6.2 million for the Common stock and the Series C Preferred stock as of that date, and (ii) the estimated fair market value of the Series B Preferred stock as of September 30, 2017 as set forth in Note 6 to SBS's SEC Form 10-Q at 16 (filed November 14, 2017). In the interest of full disclosure, SBS notes that as of September 30, 2017, the Series B Preferred stock had a liquidation preference of \$163,148,000, which consists of a liquidation value of \$1000 per share plus accrued unpaid dividends.

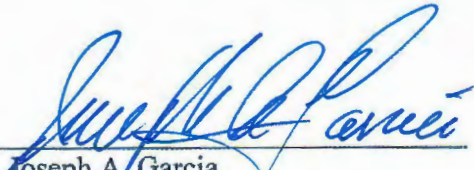
³ For purposes of the calculations in this chart, all equity held by Cetus-affiliated entities is assumed to be foreign because there is no breakdown of individual holdings; however, only Littlejohn Opportunities Master Fund L.P., which holds only a portion of the Cetus stake, is actually identified as a non-U.S. entity and listed in the chart.

⁴ In addition to the interests identified above, Corrib Capital Management, L.P. holds 6,496 shares (7.2%) of Series B Preferred, an estimated 6.4% of SBS's equity. Corrib is a U.S. company, but manages funds of which the country (or countries) of organization is not known to SBS.

Certification of Joseph A. Garcia

On behalf of Spanish Broadcasting System, Inc. ("SBS"), I, Joseph A. Garcia, in my capacity as set forth below and not in my personal capacity, certify under penalty of perjury that the following statements are true and correct:

1. I am Senior Executive Vice President, Chief Financial Officer and Secretary of SBS.
2. I have read the foregoing Petition for Declaratory Ruling, which was prepared under the direction and supervision of the officers of SBS, and the contents are true and correct to the best of my knowledge.

By: 
Joseph A. Garcia
Executive Vice President,
Chief Financial Officer and Secretary
Spanish Broadcasting System, Inc.

Dated: December 4, 2017