

ShawPittman LLP

A Limited Liability Partnership Including Professional Corporations

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March 12, 2003

VIA HAND DELIVERY

Ms. Barbara A. Kreisman
Chief, Video Division
Media Bureau
Federal Communications Commission
445 12th Street, S.W., Room 2-A666
Washington, D.C. 20554

**Re: Applications for Transfer of Control of Hispanic Broadcasting Corp.,
and Certain Subsidiaries, Licensees of KGBT(AM), Harlingen, Texas
et al. (Docket No. MB 02-235, FCC File Nos. BTC-20020723ABL et al.)**

Dear Ms. Kreisman:

Yesterday you received the response of Univision Communications Inc. ("Univision") to your letter of March 10, 2003 in which you requested information regarding Univision's retention of an existing minority shareholder right in Entravision Communications Corporation ("Entravision"). Univision's letter included material relating to the Department of Justice that should not have been included.

Attached is a revised version of Univision's March 11, 2003 letter that has been revised to delete three particular references to the Department of Justice on pages 2 and 6. Please substitute this version of the March 11th letter for the original, and remove any copies of the original from the public record.

As the petitioners in this proceeding were served by hand with Univision's original March 11, 2003 letter and are also being served by hand with this revised letter, which adds no additional material to the record, we trust that these deletions will not affect the March 14th due date for petitioners to file any responses. Univision notes that the petitioners will still have significantly more time to file any responses than the one-day period in which Univision responded to your March 10th letter.

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We apologize for any inconvenience.

Sincerely,



Scott R. Flick

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Enclosures

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Re: Applications for Transfer of Control of Hispanic Broadcasting Corp., and Certain Subsidiaries, Licensees of KGBT(AM), Harlingen, Texas et al. (Docket No. MB 02-235, FCC File Nos. BTC-20020723ABL et al.)

Dear Ms. Kreisman:

This letter is to respond to your letter of yesterday, March 10, 2003, requesting supplemental legal analysis regarding an existing minority shareholder right that Univision Communications Inc. ("Univision") currently holds in Entravision Communications Corporation ("Entravision") and which Univision will continue to hold after its proposed merger with Hispanic Broadcasting Corporation ("HBC"). Consistent with that right, Entravision is required to obtain Univision's consent before selling any Entravision television station that is affiliated with Univision (the "Affiliate Sale Consent"). This Affiliate Sale Consent, which was discussed three months ago in my letter to you of December 9, 2002 (responding to your November 29, 2002 letter), is fully consistent with prior Commission decisions finding that such rights, even when considered in combination with vastly more extensive minority shareholder rights than exist here, are insufficient to create attribution. As is discussed below, none of the Commission cases mentioned in your letter raise any questions as to the propriety of such a minority shareholder right, and in fact, the only case cited in your letter directly addressing the issue explicitly – *Telemundo Communications Group, Inc.* – found such a right to be entirely permissible and not attributable.

In the Media Bureau's letter of January 24, 2003 notifying the parties that the Commission was stopping the 180 day merger review clock on day 176 in order to permit the Department of Justice's own merger review to be concluded, the Media Bureau noted

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that it wished to consult with the Department of Justice on "novel issues" presented by the merger. As indicated in our February 27, 2003 letter to W. Kenneth Ferree, Chief of the Media Bureau, the Department of Justice has now concluded its review and the parties are finalizing a consent decree that ensures the Department of Justice has no objection to consummation of the merger.

As is discussed below, the Affiliate Sale Consent here at issue certainly does not present a novel issue, as the Commission has ruled on a number of occasions that such a right raises no issues of attribution, even when combined with other far more extensive minority shareholder rights. It is unclear why this issue is now being raised 45 days after the Commission's 180 day merger review clock was stopped at day 176 in order to consult with the Department of Justice. Nonetheless, to eliminate any possible concern and hopefully bring to a prompt conclusion the Commission's processing of the merger applications, below is a detailed discussion of the Commission's prior treatment of Affiliate Sale Consent rights as non-attributable interests.

As a general matter, the Commission has stated that "an affiliation agreement with a network which is also an equity partner does not, without more, establish an attributable interest, let alone control." *BBC License Subsidiary, L.P.*, 10 FCC Rcd 7926 at ¶ 39 (1995). Thus, in *National Broadcasting Company, Inc.*, the Commission held that a network's combination of a forty-nine percent equity interest along with its provision of programming did not create an attributable interest in the licensee of an affiliated station, even where the network also retained a veto power over various business transactions, including the sale of the station or dissolution of the licensee. *National Broadcasting Company, Inc.*, 6 FCC Rcd 4882 (1991). These are the same basic shareholder rights that Univision will retain under the consent decree here. As the Commission stated in the *NBC* decision, "the fact that a network holds the minority interest is of no consequence under the attribution rules." *Id.* at ¶ 4.

More recently, in *Telemundo Communications Group, Inc.*, 17 FCC Rcd 6958 (2002) ("*Telemundo II*"), the Commission approved the transfer of control of eleven full-power television stations from Telemundo Communications Group, Inc. to National Broadcasting Company, Inc. ("NBC"). In granting approval for this transfer of control, the Commission reviewed and upheld as non-attributable numerous shareholder rights held by NBC as a minority investor in Paxson Communications Corporation ("Paxson"). The list of non-attributable rights retained by NBC in Paxson was sizable, and included the following:

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- A 32% equity interest in Paxson in the form of non-voting Class B preferred shares that are convertible into Paxson common voting shares.
- Warrants and a call option good for ten years that would allow NBC to acquire additional Paxson stock and the "super voting" control block currently owned by Bud Paxson, if permitted by the FCC's rules.
- The right to nominate three members of Paxson's board of directors, and until such nominations could be made, the right to have non-director observers attend directors' meetings on NBC's behalf. Furthermore, if the FCC's rules change, NBC will be able to directly appoint, rather than simply nominate, those directors.
- The right to approve Paxson's annual budgets, expenditures that would materially exceed budgeted amounts, and amendments to Paxson's budgets.
- The right to approve programming acquisitions, or the development of new programs, that would constitute five percent or more of Pax TV's or certain Paxson stations' broadcast time in a given season.
- The right to approve Paxson agreements intended to exploit Paxson's DTV spectrum on a regional or national basis.
- *The right to approve the sale of any Paxson station in a top-20 TV market.*
- The right to approve the issuance of additional stock.
- The right to approve additional compensation (above \$400,000 per year) of top Paxson executives.
- The right to place on Paxson's stations any NBC network programs that are preempted by the local NBC affiliate, subject to a 35-hour per year prime time maximum.
- *The right to match any third party offer to purchase a Paxson station (a right of first refusal).*
- The right to convert Paxson stations to NBC affiliates subject to negotiation of NBC affiliation agreements similar to those existing in comparable markets.
- The right to have Paxson explore the possibility of co-locating local Paxson and NBC stations.
- In addition, NBC and Paxson entered into Joint Sales Agreements, Time Brokerage Agreements, and a National Sales Agreement for the Paxson stations. Under the terms of the Joint Sales Agreements, local NBC-owned or affiliated stations operating in the same markets as Paxson stations sell substantially all local and national (i.e., non-network) advertising on local Paxson stations.
- NBC holds covenants in financing agreements that limit Paxson's ability to incur additional indebtedness.

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See *Telemundo II* at ¶¶ 19-21, 41; Paxson Communications Corporation Request for Declaratory Ruling (filed Dec. 4, 2001) at 3-9.

In assessing these minority shareholder rights afforded NBC, the Commission stated that “these provisions mirror provisions that we have previously allowed to ensure that non-voting, minority shareholders are able to protect their investments while avoiding attribution.” *Telemundo II* at ¶ 35 (citations omitted). It is also worth noting that while the Commission found that NBC’s placement of its own employees on Paxson’s board and the subsequent actions of those directors resulted in NBC temporarily having an attributable interest in Paxson in violation of the Commission’s multiple ownership rules, the Commission allowed NBC to continue to hold all of the interests listed above, including the right to continue to nominate new members to Paxson’s board, just so long as they are not NBC employees or agents. *Telemundo II* at ¶¶ 40-41. Here, Univision has *surrendered entirely* its representation on Entravision’s board of directors, emphasizing again how limited the minority shareholder rights Univision will retain in Entravision are in comparison to the expansive rights the Commission has held to be non-attributable in similar cases.

Even more directly on point is the Commission’s decision in an earlier transfer involving Telemundo Group, Inc. In that case, the Commission approved a transfer of control of Telemundo from its then-existing shareholders to a new entity composed of three parties – Station Partners, LLC, with a 50.1% equity interest, Sony Pictures Entertainment, Inc. with a 24.95% interest, and Liberty Media Corporation (“Liberty”) which held the remaining 24.95% interest. See *Letter from Barbara A. Kreisman to Tom Davidson, Esq., et al.*, dated July 30, 1998 (“*Telemundo I*”) attached hereto as Attachment 1. As part of that transaction, Liberty and Sony proposed to jointly own the Telemundo Network, with which all of the Telemundo stations were affiliated. However, because Liberty had cable systems in many of the same markets in which the Telemundo television stations were located, Liberty’s interest in the Telemundo stations had to be non-attributable in order to comply with the TV/Cable Cross-Ownership Rule. As indicated by the attached exhibit from the underlying Telemundo application, Liberty proposed to hold the following minority shareholder rights with regard to the Telemundo stations:

- A 24.95% equity interest in the station group that could be converted into a 24.95% voting interest in the station group upon:
 - (a) a change in laws or regulatory policies that would allow Liberty to vote all of its stock;

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(b) a sale of all of the controlling shareholders stock; or
(c) the foreclosure of stock held by the controlling shareholder pursuant to a stock pledge.

- The right to nominate a representative to the station group's board of directors.
- The right to jointly nominate (with the other minority shareholder) a second representative to the board of directors.
- The right to approve the initial budget of the station group, and any future budgets if the station group failed to meet certain financial performance standards.
- The right to approve "[a]ny substantial change in the nature and scope of [the station group's] Spanish language broadcast business or the acquisition of an additional broadcast station or other substantial business."
- The right to approve the station group's issuance of additional debt or equity securities.
- The right to approve any merger, consolidation, or reorganization of the station group.
- *The right to approve the sale of substantially all of the assets of any broadcast station, or of any other assets with a price over \$10 million.*
- The right to approve any action relating to the station group's termination, dissolution, liquidation, or winding-up.
- The right to approve any step toward a station group bankruptcy, insolvency, or similar filing.
- The right to approve any related party transaction between a station and the station group, its stockholders, or its affiliates, except for transactions between the station group and the Telemundo Network, which Liberty and the other minority shareholder would jointly own.
- The right to approve any decision by a station group station "to enter into, amend, take any action to terminate, or fail to renew any affiliation agreement (which approval shall not be unreasonably withheld after applying commercial standards of review prevailing among investors in companies comparable to [station group])"

See Telemundo Application (FCC File No. BTCCT-19971230PE *et al.*) at Transferee's Exhibit 6, attached hereto as Attachment 2.

The Commission held that these interests, even in combination, did not create an attributable interest in Telemundo, and granted the transfer application. *Telemundo I* at 4. In comparison to Liberty's lengthy list of minority shareholders rights, which prevented

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Telemundo from selling *any* station, *acquiring* any station, or altering *any* station's network affiliation, while also providing Liberty with representation on the board of directors, the two limited minority shareholder rights Univision proposes to retain here – consent rights over major corporate actions like merger and dissolution, and the Affiliate Sale Consent – are absolutely paltry in comparison.

As demonstrated by these cases, this particular minority shareholder right is far from novel, but rather is a right often held by networks with minority interests in licensee entities, particularly where the stations involved are affiliated with that network. More to the point, such rights have consistently been found by the Commission not to create attribution. To allow entities such as NBC to repeatedly hold such minority shareholder protections as non-attributable interests while suggesting that Univision's far more limited minority shareholder rights may create attributable influence is inconsistent with the bedrock principal articulated in *Melody Music* that similarly situated parties should be afforded equal treatment under the law. *See Melody Music v. FCC*, 345 F.2d 730 (D.C. Cir. 1965). In addition, such disparate treatment would directly hinder the ability of minority-oriented and fledgling networks like the Univision and Telefutura networks to compete on a level playing field with those networks that receive the benefit of such non-attributable minority shareholder rights.

Finally, Univision notes that your letter appears to suggest that the Media Bureau's concern over the Affiliate Sale Consent right is connected to the fact that most of Entravision's 17 full power television stations are affiliated with a Univision network and are therefore subject to the Affiliate Sale Consent. However, the Affiliate Sale Consent is a far less extensive minority shareholder right than those discussed in the cases above, where the requirement of minority shareholder consent for a station sale generally applies to *all* stations held by an entity, and not just to those affiliated with the minority shareholder's network. Such a right clearly has a legitimate business purpose entirely unconnected to any desire or ability to influence the day to day operations of Entravision. Moreover, Univision notes that while the majority of Entravision's 17 full power television stations are affiliated with a Univision network, Entravision's 54 radio stations are not. That less than one-quarter of Entravision's broadcast stations utilize Univision programming hardly presents unique circumstances suggesting that the Affiliate Sale Consent right here should be treated any differently by the Commission than it has been in other cases.

We hope that this additional information resolves any concerns you may have regarding the Affiliate Sale Consent. Also, as requested in your letter, attached hereto as

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Attachment 3 is a copy of a Certificate of Designations that was provided to Univision earlier today by Entravision evidencing the precise minority stock interest and rights that Univision will hold in Entravision subsequent to the HBC merger. With the provision of these materials, we ask that the Commission promptly grant the merger applications, which require neither rule waivers nor special treatment of any kind, but merely processing pursuant to the same standards applied to all applicants.

Sincerely,



Scott R. Flick

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Enclosures

DECLARATION

I, C. Douglas Kranwinkle, do hereby declare under penalty of perjury that the following is true and correct. I am Executive Vice President and General Counsel of Univision Communications Inc. ("Univision"), the proposed transferee of Tichenor License Corporation, *et al.*, licensee of radio station KGBT(AM), Harlingen, Texas, *et al.*, in FCC File Nos. BTC-20020723ABL, *et al.*, MM Docket 02-235. I have reviewed Univision's letter response to the Commission's March 10, 2003, inquiry regarding the pending applications for transfer of control of Hispanic Broadcasting Corp. and certain subsidiaries. The facts stated therein, except those based on official records or corporate documents, are true to the best of my personal knowledge and belief.



C. Douglas Kranwinkle
Executive Vice President and General Counsel
Univision Communications Inc.

Dated: 3/11/03

ATTACHMENT 1



Federal Communications Commission
Washington, D.C. 20554

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101 FCC

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Re: File No. BTCCT-97123-PA-OC

Dear Parties:

This letter refers to the applications filed on December 30, 1997, (the "Application") seeking Commission consent to the transfer of control of Commission licensee Telemundo Group, Inc., ("Telemundo"), from its current shareholders to TLMD Station Group, Inc. ("TLMD").¹ A timely petition to deny the application was filed on February 17, 1998 by Univision Communications, Inc. ("Univision"), the licensee of stations that compete with the Telemundo stations and a competitor of the Telemundo network. TLMD and Telemundo filed oppositions to the petition and Univision filed a reply. Various responsive and supplemental pleadings were thereafter filed by the parties, all of which were considered herein. For the reasons stated below, we grant the application.

The Parties. TLMD is a new corporation that, under the proposed transaction, will own and vote 100% of the issued and outstanding stock of Telemundo. At the time the merger is consummated, TLMD will have 1,000 shares of issued and outstanding voting stock, which will be owned 50.1% by Station Partners, LLC ("Station Partners"); 24.95% by Liberty Media Corporation ("Liberty"); and 24.95% by Sony Pictures Entertainment, Inc. ("Sony"). The applicants assert that this breakdown will make Station Partners the single majority shareholder of the new entity.

At the time of closing, Station Partners will be a Delaware limited liability company, owned 68% by the Apollo Investment Fund III ("Apollo III") and 32% by Bastion Capital Fund, L.P. ("Bastion"). Apollo III and Bastion are composed of current investors in Telemundo. Through Apollo III and Bastion, Station Partners will be owned 1.18% by alien limited partners.

Liberty is a wholly-owned subsidiary of Tele-Communications, Inc. ("TCI"), which is 4.4% alien owned. Sony is a subsidiary of the Sony Corporation, which is a Japanese corporation owned 84.1% by aliens.

¹ A complete list of the stations to be transferred is attached as Exhibit A.

The Transaction. TLMD will acquire all of the issued and outstanding stock of Telemundo. Following the transaction, Telemundo will remain the parent of the various station licensees, but will become a wholly-owned subsidiary of TLMD.

There are two parts to the transaction. In addition to the acquisition of Telemundo and its subsidiary licensees by TLMD, Liberty and Sony will form a company ("Network Company"), which will acquire and operate the network programming and affiliate operations of Telemundo and acquire all of the associated assets. Network Company will not acquire those assets necessary for TLMD to operate its stations. At the end of the transaction, Network Company will be comprised of the network assets and operations of the pre-transaction Telemundo network. Except for station WKAG-TV, San Juan, Puerto Rico, all TLMD stations are required by the agreement to be affiliates of Network Company. Network Company will be owned wholly by Sony and Liberty on a 50/50 basis, without any ownership interest by Station Partners or the current principals. There is no indication that Network Company will hold or try to hold any FCC licenses.

The money for the purchase price of the existing Telemundo stock is to be supplied by the shareholders of TLMD in proportion to their ownership interests in TLMD (*i.e.* 50.1% by Station Partners, 24.95% each by Sony and Liberty.) Under the agreement, there is a put/call option whereby, 5 years after closing, Station Partners can exercise a put with respect to Sony/Liberty and/or Sony/Liberty can exercise a call against Station Partners for all of Station Partners' stock. With certain limited exceptions, neither Station Partners, Sony nor Liberty can sell their stock or subject it to a lien during the 5 year period, unless ordered to by a state or federal authority or unless the sale is to one of their own affiliates or pursuant to their own corporate sale or reorganization. Stock sold pursuant to government order will have limitations on its voting rights. The ability of the parties to exercise the put/call options is subject to FCC and any other required governmental approval. If any party pledges its stock, the pledgee cannot foreclose before the 5 years and must provide 10 days notice of foreclosure.

TLMD will have a nine member board of directors. Four directors will be designated by Station Partners, two will be designated by Sony, one will be nominated by Liberty (and subject to election by a majority of TLMD stockholders) and two will be independent directors. Of the two independent directors, one will be nominated by Station Partners and one will be nominated jointly by Sony and Liberty. Independent directors must be approved by all parties. A director may only be removed by the party which designated or nominated that director. Independent directors may only be removed by the agreement of all the parties.

Several corporate management decisions, styled "major decisions," require either super-majority or unanimous shareholder, not director, approval. For example, the hiring and firing of the Chief Executive Officer and Chief Financial Officer require the agreement of Station Partners and Sony, but not the involvement of Liberty. Also, any substantial change in the scope of TLMD's Spanish language programming business, acquisition of additional stations, the issuance of equity or debt securities, any merger or reorganization, any transaction in excess of \$10 million and any change in affiliation agreements will require unanimous consent of the shareholders.

As part of the transaction, Liberty proposes to give Station Partners an irrevocable voting proxy for its entire voting interest, leaving Liberty with no voting interests. This will leave the voting interests divided between Station Partners (75.05%) and Sony (24.95%). The proxy does not apply to any of the "major decisions" discussed in the above paragraph.²

² The applicants rely on 47 C.F.R. § 73.3555, Note 2(f) for their contention that the voting proxy they propose is sufficient to insulate the interests of Liberty from cross-ownership or cross-interest concerns. Note 2(f) refers to the treatment of non-voting stock for attribution purposes. The stock at issue, although proposed to be held in an irrevocable voting proxy, is voting stock and Note 2(f) is inapplicable. However, in light of our findings that TLMD complies with the alien ownership restrictions and with our cross-ownership and cross-interest rules, without consideration of the effect of the proxy, we

The Petition to Deny. Univision has asserted that the application should be denied on the basis of improper alien ownership, cross-ownership violations with respect to Liberty and cross-interest violations with respect to Liberty. Univision also contends that the transaction would result in anti-competitive activity and that the applicants have shown a propensity to mislead the Commission. We address each of these issues in turn.

Alien Ownership. As noted above, Station Partners will be owned 1.18% by aliens, while Liberty is 4.4% alien owned and Sony is 84.1% alien owned. The applicants correctly contend that the multiplier should be used to calculate whether the equity alien ownership interest in TLMD would exceed the permissible levels. *Citing BBC License Subsidiary*, 10 FCC Rcd 10968, 10973 (1995); *Wilner & Scheiner*, 103 FCC 2d 511, 521 (1985). Using the multiplier, the equity alien ownership percentages are: Station Partners 0.59% (50.1% x 1.18%); Sony 20.98% (24.95% x 84.1%); and Liberty 1.1% (24.95% x 4.4%). Combined this brings the alien equity ownership interest to 22.67%, which is below the 25% permissible level under the statute. *See Communications Act of 1934 as amended § 310(b)*.³

Calculation of voting interests yields a slightly different result. Due to the importance of voting control in determining the actions of a licensee, we do not employ the multiplier in the calculation of alien voting interests of a shareholder in a corporation when that shareholder has more than 50% of the voting interest in the entity. *BBC*, 10 FCC Rcd at 10973. Therefore, alien voting interests in TLMD under the proposed transaction are as follows: Station Partners 1.18% (multiplier not used because voting interest in licensee exceeds 50%); Sony 20.98% (24.95% x 84.1%); Liberty 1.1% (24.95% x 4.4%).⁴ Combined this brings the total alien voting interest to 23.26%, which is below the 25% permissible level under the statute. *See Communications Act of 1934 as amended § 310(b)*.

Univision argues that because Sony is controlled by a Japanese corporation, it should be treated as though it is 100% alien owned, even though 16% of its stock is owned by Americans or American entities. We believe that Univision's interpretation is incorrect. The cases it cites deal with the general proposition that alien ownership cannot exceed permissible levels, but do not address the novel interpretation of the use of the multiplier that Univision advances. We believe it is entirely proper to apply the multiplier to calculate the level of alien equity interest in a particular entity, even if the party holding the interest is a foreign corporation. As our analysis indicates, application of the multiplier reveals that the parties are in compliance with the alien ownership restrictions, in regard to both equity and voting interests.

Cross-Ownership and Cross-Interest. Univision contends that, in spite of the presence of Station Partners as a single majority shareholder and the attempts by the applicants to insulate Liberty's interests in TLMD, those interests should be attributable. Because of Liberty's involvement in various cable and broadcast entities in the same service areas as the Telemundo stations, Univision contends that this attribution will cause violations of our cross-ownership and cross-interest rules. The applicants reply that this is incorrect, relying for their contentions on the single majority shareholder status of Station Partners and on the voting proxy they propose to use to insulate the interests of Liberty.

do not need to discuss whether it would serve to insulate Liberty's holdings.

³ Univision contends that the applicants have not provided the required shareholder studies to support the alien ownership percentages reported in the application. We note that Liberty has performed a random survey of its shareholders to determine the level of alien ownership in it. This approach has been approved in previous Commission proceedings. *MCI Communications*, 9 FCC Rcd 3960 (1994). Sony has estimated alien ownership based on shareholder addresses, which we approved in *WWOR-TV*, 6 FCC Rcd 6569 (1991). Station Partners has surveyed all of its investors to ascertain its alien ownership levels. Therefore, we reject Univision's contention that the information regarding alien ownership is unreliable.

⁴ As noted in Footnote 3, *supra*, we did not need to consider what effect, if any, the voting proxy would have on the level of alien voting interests in TLMD.

Under 47 C.F.R. § 73.3555, Note 2(b), minority stock interest is not cognizable if more than 50% of the outstanding voting stock of the proposed licensee is held by one shareholder. In this case, Station Partners holds 50.1% of the voting stock of TLMD, rendering the interests of Liberty and Sony non-cognizable for attribution purposes. Univision contends that the shareholder protections afforded to Liberty destroy this insulation. We disagree. The shareholder protections proposed in the application do not give Liberty any power to influence the day-to-day operation management and operations of the TLMD station group and, under Commission precedent, do not cause Liberty's interest to become attributable. For example, Liberty's right to nominate, not designate or elect, a director is consistent with the involvement we previously have permitted by a non-attributable investor. *See, e.g., BBC*, 10 FCC Rcd at 7297, *Univision Holdings, Inc.*, 7 FCC Rcd 6672 (1992). We also note that TLMD has made an affirmative representation that Liberty and Sony would not be involved in the day-to-day operations of the stations. *See Letter of Edward York, President TLMD Station Group, Inc. to Barbara A. Kreisman, Chief, Video Services Division, Mass Media Bureau, dated June 4, 1998.* The other investor protections in the transaction are consistent with those permitted to a non-attributable shareholder in other proceedings. *See Roy M. Speer*, 11 FCC Rcd 14147 (1996), *modified* 11 FCC Rcd 18393 (1996); *BBC*, 10 FCC Rcd at 7297; *Quincy D. Jones*, 11 FCC Rcd 2481 (1995).

Univision makes an additional argument that the cumulative effect of Liberty's interest in and relationships to TLMD should make the interest attributable. For this position, Univision relies completely on speculation about the future conduct of Liberty in which it may unfairly favor TLMD and does not provide any precedent to support its interpretation of how the law should be applied. As we stated in another proceeding:

[P]etitioners are essentially asserting that in the future the Buyer will be operated or controlled in a manner inconsistent with our requirements or with the representations made by the Buyer in the applications and in affidavits. In the absence of properly supported specific allegations of fact to support a contrary conclusion, we do not assume that an applicant will not faithfully carry out its representations or that [an applicant] will be operated or controlled in a manner that differs from the [transaction] under consideration.

Univision, 7 FCC Rcd 6675. No such factual allegations have been made here and we reject Univision's contention that Liberty's interest is attributable and that the transaction violates the cross-ownership rule.

Univision next contends that the transaction violates the Commission's cross-interest policy because cable systems attributable to TCI will overlap with stations owned by the TLMD and by USA Broadcasting (formerly HSNi, in which Liberty has an interest.) The Commission's cross-interest policy prohibits the common ownership of an attributable interest in one media outlet and a non-attributable, but "meaningful" interest in another media outlet "serving substantially the same area." *Reexamination of the Commission's Cross-Interest Policy*, 4 FCC Rcd 2208 (1989).

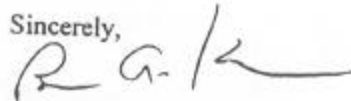
Station Partners is the single majority shareholder of TLMD and, therefore, we do not find Liberty's level of ownership to be "meaningful" for cross-interest purposes. Furthermore, we have already found that Liberty's interest in USA Broadcasting, Inc.'s stations is not a "meaningful" interest and Univision has presented no evidence to disturb that conclusion. *See Roy M. Speer*, 11 FCC Rcd 14147 (1996). Finally, although Univision has once again asserted that the proposed transaction would result in anti-competitive conduct because of cross-interest violations it has not supported that assertion with any facts and has instead relied on pure speculation. We reject Univision's arguments.

Anti-competitive Behavior. Univision has made a number of allegations that the parties to the application will engage in anti-competitive behavior to protect their interest in TLMD. They have not provided any facts to support these allegations. As discussed above, the Commission assumes that parties before it will follow the law and will not deny an application based on unsupported allegations to the contrary.

Character Issues. Univision has made several broad allegations that the applicants' conduct indicates they do not possess the requisite character to be Commission licensees. For this proposition, Univision claims that the applicants' falsely certified they were in compliance with the alien ownership restrictions and that they lacked candor regarding the details of the transaction. We disagree with Univision. The applicants did rely on a misinterpretation of the application of the multiplier in determining whether they complied with the alien ownership restrictions, but there is no evidence of any bad faith in their reliance. The applicants also revised their statements regarding the amount of alien ownership in the various parties to the application. Although we admonish parties that they should take great care in determining the level of alien involvement prior to filing any application with the Commission where that is an issue, any allegations of misconduct are severely undercut by the thorough and voluntary amendments on that point submitted by the applicants. Presumably, if the applicants intended to deceive the Commission, they would not have been the parties to call any errors in the application to the staff's attention and then to correct those errors. Finally, Univision contends that the applicants attempted to conceal the creation of the Telemundo Network separate from TLMD from the Commission. In light of the fact that the applicants submitted the contract that would create the Telemundo Network as part of the Application, we do not find Univision's contention credible.⁵ Therefore, we reject Univision's argument on this point.

Accordingly, IT IS ORDERED, that the application to transfer control of Telemundo Group, Inc. from its current shareholders to TLMD Station Group, Inc. is GRANTED and that the petition to deny filed by Univision Communications, Inc. is DENIED.

Sincerely,



Barbara A. Kreisman
Chief, Video Services Division
Mass Media Bureau

⁵ Univision's contention in its Supplement to Petition to Deny that matters raised in other proceedings buttress its character arguments is unavailing. The decision in *KDTV License Partnership*, CSR-5196-M (May 22, 1998), which Univision claims demonstrates TCI/Liberty's propensity to deceive, did not even discuss TCI's character. Univision also cites to a complaint the Department of Justice has filed against TCI and other parties as proof of its allegations. We note, however, that the document is simply a complaint and no findings have been made regarding it. Finally, Univision tries to show that the May 12 Amendment, which provided some additional, unsolicited information regarding the applicants shows an attempt to deceive the Commission. In light of the voluntary nature of the information supplied and its lack of decisional significance, Univision's assertion is without merit.

Exhibit A

WKAQ-TV	BTCCT-971230PA	SAN JUAN, PR
W09AT	BTCTTV-971230PB	FAJARDO, PR
W32AJ	BTCTT-971230PC	UTUADO, PR
W68BU	BTCTT-971230PD	ANJUNTIAS, PR
KSTS	BTCCT-971230PE	SAN JOSE, CA
K15CU	BTCTTL-971230PF	SALINAS, CA
K52CK	BTCTTL-971230PG	STOCKTON, CA
K47DQ	BTCTTL-971230PH	SACRAMENTO, CA
K27EI	BTCTTL-971230PI	SANTA MARIA, CA
K48EJ	BTCTTL-971230PJ	SALT LAKE CITY, UT
W32AY	BTCTTL-971230PK	BOSTON, MA
K61FI	BTCTTL-971230PL	MODESTO, CA
K52FF	BTCTTL-971230PM	RENO, NV
WNJU	BTCCT-971230PN	LINDEN, NJ
WSCV	BTCCT-971230PP	FORT LAUDERDALE, FL
KTMD	BTCCT-971230PQ	GALVESTON, TX
K60EE	BTCTTL-971230PR	ODESSA, TX
K49CD	BTCTTL-971230PS	ODESSA, TX
K40DX	BTCTTL-971230PT	ABILINE, TX
K36DV	BTCTTL-971230PU	AMARILLO, TX
KVEA	BTCCT-971230PV	CORONA, CA
K15EI	BTCTTL-971230PW	PALM SPRINGS, CA
K63FK	BTCTTL-971230PX	SAN LUIS OBISPO, CA
KVDA	BTCCT-971230PY	SAN ANTONIO, TX
WSNS-TV	BTCCT-971230PZ	CHICAGO, IL
K11SF	BTCTVL-971230QA	AUSTIN, TX
K49CJ	BTCTTL-971230QB	COLORADO SPRINGS, CO
K52BS	BTCTTL-971230QC	SANTA FE, NM

ATTACHMENT 2

TRANSFEREE EXHIBIT NO. 6

DOCUMENTS RELATING TO OWNERSHIP
OR FUTURE OWNERSHIP RIGHTS

In addition to the document listed in Transferor Exhibit No. 2, the following documents, copies of which are attached hereto, relate to ownership rights or future ownership rights:

- (1) Agreement between Apollo Investment Fund III, L.P., Bastion Capital Fund, L.P., Sony Pictures Entertainment Inc., and Liberty Media Corporation dated as of November 17, 1997, as modified by an agreement between Liberty Media Corporation, Apollo Investment Fund III, L.P., Bastion Capital Fund, L.P., and Sony Pictures Entertainment Inc., dated as of November 24, 1997 ("Agreement");
- (2) Articles and By-laws of TLMD Station Group, Inc.;¹ and
- (3) Liberty Media Corporation's irrevocable proxy to Station Partners, LLC;
- (4) Amendment to the Agreement, dated as of March 6, 1998, by and among the investment fund III, L.P., Bastion Capital Fund, L.P., Liberty Media Corporation, and Sony Pictures Entertainment Inc.

¹ The Articles and By-laws of TLMD Station Group, Inc. will be amended to conform to the Agreement. The amendments to the Articles and By-laws will be filed with the Federal Communications Commission upon completion.

AGREEMENT

AGREEMENT dated as of November 17, 1997 (the "Agreement"), by and among Apollo Investment Fund III, L.P. ("Apollo Fund"), Bastion Capital Fund, L.P. ("Bastion Capital"), Liberty Media Corporation, a Delaware corporation ("Liberty"), and Sony Pictures Entertainment Inc., a Delaware corporation ("SPE")

WHEREAS, the parties have determined that it is in their respective best interests to submit a proposal (the "Bid") for the acquisition (the "Acquisition") of all of the outstanding shares of capital stock of Telemundo Group, Inc., a Delaware corporation (the "Company"), by a Delaware corporation ("Station Co."), to be formed by (i) Apollo Fund, and/or one or more other Apollo Entities (as defined below) (collectively, "Apollo"), (ii) Bastion Capital and/or one or more of its affiliates (as defined in Rule 405 ("Rule 405") under the Securities Act of 1933, as amended (the "Securities Act")) or related persons (including for this purpose, investment funds advised by Bastion Capital and its affiliates) (collectively "Bastion"), (iii) a subsidiary of Liberty, and (iv) a subsidiary of SPE. For purposes of this Agreement, "Apollo Entities" means, collectively, Apollo Advisors, L.P., Apollo Management, L.P., or any investment fund or investment account over which Apollo Advisors, L.P., Apollo Management, L.P., or any of their respective affiliates or principals (directly or through an investment management or investment advisory arrangement) have the power to direct the investment decisions;

WHEREAS, Liberty and SPE wish to ensure the continued participation of Apollo and Bastion in the Company, and

WHEREAS, Apollo Fund and Bastion Capital recognize the unique benefits of a strategic alliance with Liberty and SPE and wish to secure the participation of Liberty and SPE in the Company and to have Liberty and SPE or an entity to be formed by Liberty and SPE for the purpose of acquiring and operating the network programming and affiliate operations of the Company ("Network Co.") enter into certain arrangements with the Company.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and intending to be legally bound hereby, the parties hereto agree as follows:

proxy shall be limited to the number of shares representing the difference between the number of shares of Common Stock owned by Liberty and the number of shares of Common Stock representing the percentage which Liberty is permitted to vote

(c) SPE hereby agrees that it will purchase prior to the Closing for an amount in cash determined pursuant to Section 2 (the "SPE Equity Purchase Price") not to exceed \$62,250.5 million such number of shares of Common Stock representing a 24.95% economic and voting interest in Station Co.

(d) Liberty and SPE each hereby agree to purchase for \$25 million in cash (or such greater amount as is required pursuant to Section 2) the Network Interest that represents at Closing 50% of the equity interests outstanding in Network Co. (such price hereinafter referred to as the "Network Interest Price"). provided, however, that the calculation of such percentage shall not take into account the Rights. Network Co. shall purchase from the Company and its subsidiaries the Network Assets (as defined below) for a purchase price of \$50 million (or such greater amount as described in Section 2). To the extent that any cash taxes are payable as a result of such transfer, the parties agree to work together to minimize the impact. For purposes of this Agreement, "Network Assets" means the capital stock of Telemundo Network, Inc. (or, at the election of Network Co., the assets of Telemundo Network, Inc. and its subsidiaries) and the other assets of the Company and its subsidiaries (in each case excluding cash and accounts receivable) used in the network programming, affiliation, network advertising sales and network marketing operations of the Company and its subsidiaries, including, but not limited to all rights to names, logos, trademarks and other intellectual property utilized by the Company in connection with the Telemundo Network and all station affiliation agreements. The Network Assets shall not include any assets necessary to conduct the business of Station Co. as contemplated to be conducted after the Closing and, to the extent that any assets are shared between Station Co. and Network Co., the parties agree to work together to appropriately allocate such assets between them.

2. Submission of Bid.

As promptly as practicable following the date hereof, the parties hereto shall submit the Bid to the Company and Lazard Freres & Co. Inc., financial advisor to the Company. Liberty, SPE and Apollo (on behalf of Station Holdings) agree that the initial Bid shall be \$39 per share of common stock of the Company, which Bid will be financed as set forth in Exhibit A. The aggregate equity commitment of the parties to Station Co. in connection with the initial Bid shall be \$250 million (the "Total Equity").

Liberty, SPE and Station Holdings (or if not formed at the time of such determination Apollo) shall jointly determine the amount and terms of any subsequent Bid (including whether any such Bid is made and whether any conditions specified in any previous Bid will be waived or amended). Each party agrees that it will act in good faith to arrive at agreement and not unreasonably object to such terms if the resulting capitalization of Station Co. is consistent with that described herein. The Equity Purchase Price, the Liberty Equity Purchase Price and the SPE Equity Purchase Price in connection with the Bid or any subsequent Bid shall be determined by multiplying the Total Equity with respect to any Bid by 0.5010, 0.2495 and 0.2495, respectively, subject to the maximum amounts specified in Section 1. In the event that any subsequent Bid would require total funding in excess of the amounts set forth in Exhibit A, then (i) the first \$14.8 million of any such additional funding shall be provided, (x) to the extent possible, by third party debt financing on terms and conditions reasonably satisfactory to Liberty, SPE and Station Holdings, and (y) to the extent such debt financing is not available, by contributions to Station Co. by the parties in the respective proportions set forth in the immediately preceding sentence, and (ii) the balance of any such excess shall be funded (x) 50% by an increase in the purchase price for the Network Assets (which shall be funded by an increase in the Network Interest Price paid to Network Co.) and (y) 50% by additional equity contributions to Station Co. by the parties in the respective proportions set forth in the immediately preceding sentence. In no event shall the total funding requirements exceed \$750 million.

3. Restrictions on Transfers by Station Holdings. Station Holdings shall not sell, assign, convey, transfer, pledge, subject to lien or otherwise dispose or encumber, whether directly or indirectly (including, without limitation, by way of any transfer of an interest in Station Holdings) ("Transfer"), its Common Stock or the Rights, except as expressly set forth in this Section 3.

(a) After the fifth anniversary of the Closing, Station Holdings shall have the right, exercisable at any time as set forth herein, to sell to Liberty and SPE, and, if Station Holdings elects to exercise such right pursuant to this Section 3(a), Liberty and SPE shall each have the several obligation to purchase, for cash or Marketable Securities (as defined below) or a combination thereof, at the option of Liberty or SPE, respectively, from Station Holdings, all of the Common Stock owned by Station Holdings. Each of Liberty and SPE shall be obligated to purchase 50% of such Common Stock, which obligations shall be several and not joint. The aggregate purchase price for the shares of Common Stock owned by Station Holdings shall equal the Appraisal Price (as defined herein) multiplied by a fraction, the numerator of which is the number of shares of Common Stock owned by Station Holdings (on a fully diluted basis) and the denominator of which is the total number of shares of Common Stock of

Station Co. outstanding, on a fully diluted basis (the "Station Co. Purchase Price" or, if applicable, the Minimum Value or the Maximum Value determined pursuant to Section 3(d) below). To exercise its rights under this Section 3(a), Station Holdings shall deliver to Liberty and SPE at the addresses set forth in Section 15 hereof an irrevocable notice of its election to exercise such right (the "Put Notice"). If any Put Notice is given pursuant to this Section 3(a), Liberty and SPE shall also purchase the Rights at an amount equal to the difference (which shall not be less than zero) between (x) the Network Appraisal Price multiplied by a fraction, the numerator of which is the number of Network Interests represented by the Rights and the denominator of which is the total number of all then outstanding Network Interests (computed on a fully diluted basis and assuming issuance of the Network Interests represented by the Rights) and (y) the aggregate Strike Price of the Rights (the "Network Co. Purchase Price").

(b) After the fifth anniversary of the Closing, Liberty and SPE shall jointly have the right, exercisable at any time as set forth herein, to purchase, with cash or Marketable Securities or a combination thereof, at the option of Liberty or SPE, respectively, all (but not less than all) of the Common Stock owned by Station Holdings, and, if Liberty and SPE elect to exercise such right pursuant to this Section 3(b), Station Holdings shall have the obligation to sell to Liberty and SPE all (but not less than all) of the Common Stock owned by it, at the Station Co. Purchase Price or, if applicable, the Minimum Value or the Maximum Value determined pursuant to Section 3(d) below. In connection with any such purchase Liberty and SPE shall each be severally obligated to purchase 50% of the Common Stock owned by Station Holdings. To exercise its rights under this Section 3(b), Liberty and SPE shall jointly deliver to Station Holdings at the address set forth in Section 15 an irrevocable notice of its election to exercise such right hereof (the "Call Notice"). Neither Liberty nor SPE may deliver a Call Notice without the consent of the other. If a Call Notice is given pursuant to this Section 3(b), Liberty and SPE shall also purchase the Rights at an amount equal to the Network Co. Purchase Price.

(c) The consummation of the sale of the shares of Common Stock and the Rights, as contemplated by Section 3(a) and 3(b) above, as applicable, shall take place as promptly as practicable following the date of determination of the Appraisal Price, provided, however, that in the event regulatory approvals are necessary for such sale of the shares of Common Stock to be consummated, Liberty and SPE shall purchase the Rights on or before the 90th day following the date of determination of the Appraisal Price and the date for the closing of the purchase of the shares of Common Stock (the "Holdings Closing") shall be extended to a date 15 days after receipt of all such regulatory approvals, but in any event no later than 12 months from the date the Put Notice or the Call Notice, as the case may be, is given (the "Notice Date"). SPE and

Liberty agree that the nature of any FCC approval (including any waivers) to be sought in connection with any such sale shall be consistent with then existing FCC law regulation and practice and will be consistent with and supported by relevant precedent. If requested by Station Holdings, SPE and Liberty will provide written confirmations to Station Holdings from an attorney experienced in FCC matters as to the matters set forth in the preceding sentence and that any of the waivers referred to in the preceding sentence are likely to be obtained. The parties shall use commercially reasonable efforts to consummate such Holdings Closing. If the Station Co. Purchase Price is not paid by the date which is six months from the Notice Date, the Station Co. Purchase Price shall accrue interest from such six month anniversary at a rate equal to 10% per annum, computed on a daily basis, which rate shall increase to 15% per annum for the period following the date which is nine months from the Notice Date. Such interest shall accrue from the dates referred to in the preceding sentence through the date immediately prior to the Holdings Closing or the consummation of the sale pursuant to Section 3(e), as applicable. Accrued interest shall be paid only at the time of the Holdings Closing or as provided for in Section 3(e), as the case may be.

(d) Payment for the shares of Common Stock and the Rights shall be either (i) by wire transfer of immediately available funds to an account in the United States designated no later than two business days prior to the Holdings Closing by Station Holdings or (ii) if Liberty or SPE elect to deliver Marketable Securities, by delivery of certificates of Marketable Securities registered in such names and denominations as specified no later than two business days prior to the Holdings Closing by Station Holdings. The amount to be paid for the shares of Common Stock shall be the Station Co. Purchase Price (plus accrued interest (if any) under Section 3(c)), provided, however, if the Station Co. Purchase Price, plus any interest accrued pursuant to Section 3(c), is lower than the Minimum Value, then the amount to be paid for the Shares of Common Stock shall be the Minimum Value, and if the Station Co. Purchase Price, taking into account any interest accrued pursuant to Section 3(c), is higher than the Maximum Value, the amount to be paid for the Shares of Common Stock shall be the Maximum Value. The amount to be paid for the Rights shall be the Network Purchase Price. The amount to be paid for the Shares of Common Stock is herein referred to as the "Common Stock Closing Payment". In the event that Liberty and/or SPE makes payment for the shares of Common Stock or the Rights in Marketable Securities, Liberty or SPE, as the case may be, shall arrange for the sale of the Marketable Securities as soon as reasonably practicable to or through an Investment Banking Firm selected by them and will pay to Station Holdings out of the proceeds of such sale, the amount of the Common Stock Closing Payment and/or the Network Purchase Price payable by it and not previously paid in cash (the "Unpaid Amount"). If the proceeds for such sale are

less than the Unpaid Amount, then Liberty or SPE, as the case may be, shall pay to Station Holdings an amount equal to the Unpaid Amount.

(e) (i) Without limiting the other rights of Station Holdings, in the event that Liberty and/or SPE fails to purchase (the "Defaulting Party") the shares of Common Stock held by Station Holdings pursuant to the provisions of this Section 3. (a) as between Liberty and SPE, the non-defaulting party, if any (the "Non-Defaulting Party") shall have the right to purchase, for cash or Marketable Securities, or a combination thereof, at the option of the Non-Defaulting Party given within 15 days of the default in question, from Station Holdings, the remainder of the shares of Common Stock held by Station Holdings at the Station Co Purchase Price for such shares of Common Stock or (b) if the Non-Defaulting Party does not so elect to purchase the shares to be purchased by the Defaulting Party, Station Holdings may sell all, but not less than all, of the Common Stock owned by it to a non-affiliated third party and the purchaser of such shares shall have the right to purchase the shares of Common Stock held by the Defaulting Party and the Non-Defaulting Party, at price per share equal to the price per share received by Station Holdings from such non-affiliated third party. Notwithstanding anything to the contrary in this Section 3, the right to cause the sale of the shares of Common Stock of the Defaulting Party shall not be the exclusive remedy of Station Holdings or the Non-Defaulting Party against the Defaulting Party. Any such sale of Common Stock shall be made as promptly as reasonably practicable.

(ii) In the event a Put Notice or a Call Notice has been delivered and the Holdings Closing does not occur prior to 12 months from the Notice Date, Station Holdings shall have the right to demand that Station Co. be sold and Liberty and SPE shall jointly designate an Investment Banking Firm (as defined herein) to conduct an auction process (the "Auction") reasonably designed to solicit bids from all interested parties and otherwise seeking to maximize the sale price of Station Co. In the event Liberty and SPE do not designate such Investment Banking Firm within 13 months of the Notice Date, then Station Holdings may designate such Investment Banking Firm. Any such sale of Common Stock shall be made as promptly as reasonably practicable.

(iii) In the event (a) the amount of consideration received by Station Holdings in a sale pursuant to Section 3(e)(i) or 3(e)(ii) (the "Auction Consideration") is less than the Pay Out Amount, Liberty and SPE shall each promptly pay to Station Holdings an amount equal to one half of the difference between (x) the Pay Out Amount and (y) the Auction Consideration and (b) the Auction Consideration is more than the Pay Out Amount, Station Holdings shall pay to each of Liberty and SPE an amount equal to 25% of the difference between (x) the Auction Consideration and (y) the Pay Out Amount. The "Pay Out Amount" shall mean an amount equal to the Station Co

Purchase Price plus interest accrued and unpaid pursuant to Section 3(c), or the Minimum Value if such amount is less than the Minimum Value or the Maximum Value, if such amount is greater than the Maximum Value

(f) Notwithstanding the provisions of Sections 3(a), 3(b) and 3(e), Liberty or SPE may assign its rights or obligations under Sections 3(a), 3(b) and 3(e) to one or more third parties, subject to any agreements between Liberty and SPE, provided, that Liberty and SPE shall not be released from their respective purchase or other obligations hereunder.

(g) Notwithstanding the provisions of Section 3(a), Station Holdings shall have the immediate right to give a Put Notice and to sell its Common Stock and Rights pursuant to the procedures described in Section 3(a) in the event that none of Liberty, SPE or any entity to which Common Stock is transferred pursuant to Section 4(b) or 4(c) (i) holds Network Interests representing at least 25% of all of the outstanding Network Interests and (ii) in the case of SPE, is a managing member or managing partner of Network Co., provided, that for purposes of this clause (ii), if Liberty or its transferees hold Network Interests representing at least 25% of all outstanding Network Interests, none of SPE, Liberty or their transferees shall be required to be a managing member or managing partner of Network Co.

(h) The obligations of each of Station Holdings, SPE, Liberty and any assignee of SPE or Liberty under this Section 3 shall not be subject to any setoff or offset of whatsoever nature. Each of SPE, Liberty, Station Holdings, Apollo, Bastion and any permitted assignee thereof shall perform their respective obligations under Sections 3(a)-(e) hereof regardless of any breach, or claim of breach, of any provision of this Agreement (other than the obligation to purchase and pay for, or sell and deliver, as the case may be, the Rights and/or shares of Common Stock pursuant to the Put/Call provisions of this Section 3) or any other agreement among or between any of them, unless explicitly specified in definitive documentation implementing sections 3(a)-(e).

(i) Station Holdings may at any time Transfer all of its Common Stock and Rights to an Apollo Entity, provided (i) such Transfer does not require any filing of a change of control or license transfer application under the Communications Act and (ii) such Transfer does not, directly or indirectly, result in any requirement that any party be required to modify any internal relationship or relationship with affiliates, divest or limit its rights with respect to any assets, agree to any restriction of its activities or modify any transaction with other affiliates in order to continue to hold and vote its interest in Station Co.

(j) Station Holdings may pledge shares of Common Stock (and Apollo Fund and Bastion Capital may pledge their indirect interests in shares of Common Stock) and in connection therewith assign or transfer the associated put rights to a financial institution in a bona fide transaction, provided, that (i) no pledgee shall be permitted to foreclose on such pledge or to exercise such put before the fifth anniversary of the Closing or to exercise any voting rights with respect to such Common Stock, and (ii) any pledgee shall agree to provide 10 days notice of its intent to foreclose on the Common Stock and any such foreclosure shall be subject to the rights of Liberty and SPE to give a Call Notice and purchase such Common Stock pursuant to this Section 3

(k) For purposes of this Section 3

"*Annual Return*" shall mean an internal rate of return, taking into account all payments, investments and distributions with respect to Station Co., from the Closing to the date of receipt of payment pursuant to this Section 3

"*Appraisal Price*" shall mean the price that an unrelated third party would pay to acquire all of the shares of Common Stock, in an arm's-length transaction, assuming that the Company was being sold in a manner reasonably designed to solicit all possible participants and permit all interested parties an opportunity to participate and to achieve the best value reasonably available to the Company's stockholders at that time, taking into account all existing circumstances, including, without limitation, the terms and conditions of all affiliation and programming contracts to which the Company is then a party, as determined in accordance with the provisions of this paragraph. Within 10 days after the Notice Date, Station Holdings shall designate an Investment Banking Firm (the "Holdings Appraiser") and Liberty and SPE shall jointly designate an Investment Banking Firm to determine the Appraisal Price (the "Liberty/SPE Appraiser"). The parties recognize that EBITDA is only one of the factors that is relevant in determining the Appraisal Price; however, to the extent that the appraisers utilize EBITDA in their valuation analysis, the parties agree that they will instruct the appraisers to take into account, and to make appropriate adjustments to EBITDA for, increases in programming and marketing expenditures during the twelve month period ending immediately prior to the Notice Date (the "LTM Period"), compared to the level of such programming and marketing expenditures during the twelve month period ending immediately prior to the LTM Period which increased programming and marketing expenditures are reasonably expected to disproportionately benefit periods subsequent to the Notice Date. Within 30 days after the Notice Date, the Holdings Appraiser and the Liberty/SPE Appraiser shall each determine its initial view as to the Appraisal Price and consult with one another with respect thereto. Within 45 days after the Notice Date,

the Holdings Appraiser and the Liberty SPE Appraiser shall each have determined its final view as to the Appraisal Price. If the difference between the Higher Appraisal Price and the Lower Appraisal Price (each as defined below) is less than 10% of the Higher Appraisal Price, the Appraisal Price shall be the average of those two views. Otherwise the Holdings Appraiser and the Liberty SPE Appraiser promptly shall jointly designate a third Investment Banking Firm (the "Mutually Designated Appraiser") to determine the Appraisal Price. Within 15 days of such designation, the Mutually Designated Appraiser shall determine the Mutual Appraisal Price (as defined below), and the Appraisal Price shall be the average of (i) the Mutual Appraisal Price and (ii) the Higher Appraisal Price or Lower Appraisal Price, whichever is closer to the Mutual Appraisal Price. Notwithstanding the foregoing, in the event such sale is made after delivery of the Call Notice provided for in Section 3(b), the Appraisal Price shall not be lower than an amount determined by multiplying Station Co.'s EBITDA (taking into account and with appropriate adjustments for the increased programming and marketing expenditures reasonably expected to disproportionately benefit future periods described above) for the twelve months ending on the last day of the month immediately preceding the Notice Date by 10 and subtracting the indebtedness for borrowed money and capital leases of Station Co. and adding the cash and cash equivalents of Station Co. (determined in accordance with generally accepted accounting principles). Station Co. shall provide reasonable access to each of the Holdings Appraiser, the Liberty SPE Appraiser and the Mutually Designated Appraiser to members of management of Station Co. and to the books and records of Station Co. so as to allow such appraisers to conduct due diligence examinations in scope and duration as are customary in valuations of this kind. Each of the parties (and any assignee) agrees to cooperate with each of the appraisers and to provide such information as may reasonably be requested.

"Higher Appraisal Price" shall mean the higher of the respective final views of the Holdings Appraiser and the Liberty/SPE Appraiser as to the Appraisal Price.

"Higher Network Appraisal Price" shall mean the higher of the respective final views of the Holdings Appraiser and the Liberty/SPE Appraiser as to the Network Appraisal Price.

"Investment Banking Firm" shall mean an investment banking firm of recognized national standing.

"Lower Appraisal Price" shall mean the lower of the respective final views of the Holdings Appraiser and the Liberty/SPE Appraiser as to the Appraisal Price.

"Lower Network Appraisal Price" shall mean the lower of the respective final views of the Holdings Appraiser and the Liberty SPE Appraiser as to the Network Appraisal Price.

"Marketable Securities" shall mean marketable securities (i) issued by an issuer with a public float equal or greater to \$2 billion, (ii) that are of a class of securities listed on a major national or international stock exchange, (iii) that constitute, in the aggregate, not more than 5% of the outstanding securities of such class, and (iv) that have been registered under the Securities Act or are otherwise freely tradeable under the Securities Act and applicable "blue sky" or state securities laws.

"Maximum Return" shall mean an amount that equals an Annual Return equal to 40%.

"Maximum Value" shall mean the amount required to be paid at the date of receipt of payment pursuant to this Section 3 such that Station Holdings' internal rate of return with respect to such payment equals the Maximum Return (taking into account all payments, investments and distributions with respect to Station Co. from the Closing to the date of receipt of payment pursuant to this Section 3).

"Minimum Return" shall mean an amount that equals an Annual Return equal to 10%.

"Minimum Value" shall mean the amount required to be paid at the date of receipt of payment pursuant to this Section 3 such that Station Holdings' internal rate of return with respect to such payment, equals the Minimum Return (taking into account all payments, investments and distributions with respect to Station Co. from the Closing to the date of receipt of payment pursuant to this Section 3).

"Mutual Appraisal Price" shall mean the final view of the Mutually Determined Appraiser as to the Appraisal Price.

"Mutual Network Appraisal Price" shall mean the final view of the Mutually Determined Appraiser as to the Network Appraisal Price.

"Network Appraisal Price" shall mean the price that an unrelated third party would pay to acquire all of the equity interests (including the Rights) of Network Co., in an arm's-length transaction, assuming that Network Co. was being sold in a manner reasonably designed to solicit all possible participants and permit all interested parties an opportunity to participate and to achieve the best value reasonably available.

federal or state law, rule or regulation or any final judicial decree or order issued by any federal or state court of competent jurisdiction if (i) such compliance cannot be achieved by a restructuring of such party's interest and (ii) prior to any such Transfer of its Common Stock such party has first offered to the other parties the opportunity to purchase such Common Stock on a pro rata basis and such other parties shall not have agreed to purchase such Common Stock. Any third party who purchases such party's Common Stock pursuant to a Transfer made pursuant to the proviso in this Section 4(a) shall not be entitled to exercise the right to consent to the matters set forth in Section 6(a)(iv), (v) or (vi) or to any of the Major Decisions provided for in Section 6(a) of this Agreement.

(b) Notwithstanding anything to the contrary contained in this Section 4, each of Liberty and SPE may at any time Transfer all of its Common Stock, directly or indirectly through a Transfer of equity ownership interests in Liberty or SPE, as the case may be, to a Controlled Affiliate, provided there is no Change in Control resulting therefrom.

(c) Notwithstanding anything to the contrary contained in this Section 4, each of Liberty and SPE may at any time Transfer all of its Common Stock, as part of a Transfer of a larger group of assets (the "Transferred Assets"), which Transfer may be effected through a corporate reorganization, a sale of assets, distribution of equity interests or otherwise, (a) if the Transferred Assets constitute a business which is engaged principally in the media, entertainment, cable or tele-communications business, and (b) the value of the Transferred Assets (other than the Common Stock) at the time of Transfer comprise at least 85% of the value of the Transferred Assets (including the Common Stock).

(d) Notwithstanding anything to the contrary contained in this Section 4, no Transfer of shares of Common Stock by Liberty or SPE shall release Liberty or SPE, as the case may be, from its obligations under Section 3 of this Agreement unless expressly released from such obligations by Station Holdings and the entity to which the Common Stock is Transferred pursuant to this Section 4 shall expressly assume the obligations, and shall be entitled to exercise all of the rights (except as otherwise specifically limited hereby), of Liberty or SPE, as the case may be, under this Agreement.

(e) Liberty and SPE may pledge shares of Common Stock and in connection therewith assign or transfer the associated call rights to a financial institution in a bona fide transaction, provided, that (i) no pledgee shall be permitted to foreclose on such pledge or to exercise such call before the fifth anniversary of the Closing or to

exercise any voting rights with respect to such Common Stock and (ii) any pledgee shall agree to provide 10 days notice of its intent to foreclose on the Common Stock

(f) For purposes of this Section 4

"Control" (and the related terms "Controlling" and "Controlled") shall mean the power to direct or change the direction of the management or policies of the Controlled entity

"Controlled Affiliate" shall mean (i) with respect to SPE, Sony Corporation and any person which is Controlled by SPE or Sony Corporation, and (ii) with respect to Liberty, Tele-Communications, Inc. ("TCI") and any person which is Controlled by Liberty or TCI

A "Change in Control" shall be deemed to occur if the Common Stock owned by Liberty or SPE, as applicable, is not beneficially owned (as defined in Rule 13d-3 of the Securities and Exchange Act of 1934, as amended) at least 50% by the Ultimate Beneficial Owner (as defined herein) of Liberty or SPE, as applicable.

"Ultimate Beneficial Owner" shall mean, with respect to SPE, SPE or Sony Corporation and, with respect to Liberty, TCI or Liberty.

5. Effectuation of the Acquisition. The parties hereto acknowledge that the exact terms and structure of the proposed Acquisition have not yet been determined and agree to work together in good faith to finalize such terms and structure in order to accomplish the proposed Acquisition on terms more fully set forth herein, as expeditiously as practicable. Liberty, SPE, Apollo and Bastion agree, during the Term (as defined below) of this Agreement, to promptly and diligently negotiate in good faith and to use their respective best efforts to reach agreement on the definitive terms for the completion of the Acquisition and the terms of definitive agreements, including, without limitation, one or more Stockholders' Agreements, Stock Purchase Agreements or similar agreements a Network Agreement, a Station Group Agreement and a Programming or Affiliation Agreement necessary or appropriate for the completion of the Acquisition (collectively, the "Definitive Agreements"), each of which shall be consistent with the terms hereof and shall contain such representations, warranties, covenants and conditions as are set forth below as well as those customary for Acquisitions similar to those provided herein and therein. In addition, the parties agree to cooperate in any efforts to secure all necessary financing, consents and approval for the Acquisition, including, without limitation, all necessary approvals or waivers of the FCC under the Communications Act. Notwithstanding the foregoing, no party will be required to

modify any internal relationship or relationship with affiliates, divest or limit its rights with respect to any assets, agree to any restriction of its activities or modify any transaction with affiliates in order to obtain the approval of any regulatory agency in order to consummate the Acquisition. Each party shall consult with the other parties regarding the nature of any discussions with regulatory authorities and keep each other informed of such discussions. Nothing in this Section 5 shall be deemed to limit in any way each party's rights pursuant to Section 9.

6 Management

(a) Governance. (i) The operations of Station Co. shall be governed by a Board of Directors consisting of nine directors, four of whom will be nominated by Station Holdings, two of whom will be nominated by SPE, one of whom will be nominated by Liberty and two of whom will be independent directors. One of the independent directors shall be nominated by Station Holdings, subject to approval by Liberty and SPE, which approval shall not be unreasonably withheld. The remaining independent director shall be nominated by Liberty and SPE, acting jointly, subject to approval by Station Holdings, which approval shall not be unreasonably withheld. All actions of the Board of Directors shall require a majority of the votes entitled to be cast as if all directors were present. A director may be removed only by the party which originally designated the director or, in the event of any independent director, by agreement of Station Holdings, Liberty and SPE. Station Co. will not take any actions requiring a Major Decision (as defined below) without the required approval set forth in Section 6 (a)(iii) below.

(ii) Day-to-day management of the operations of Station Co. will be delegated to the officers of Station Co., who will (except as otherwise specified herein) serve at the pleasure of the Board of Directors, and who will operate Station Co.'s business in accordance with the Business Plan (defined below) and the Budget (as defined below). The initial Business Plan shall include provisions for the planned capital expenditures and expanded local programming as discussed among the parties hereto. The officers of Station Co. shall consist of a Chief Executive Officer, a Chief Financial Officer, and such other officers as the Board of Directors determines from time to time to be appropriate ("Management"). The Chief Executive Officer shall report to the Board of Directors and all other officers shall report to the Chief Executive Officer or another officer designated by him or her. Neither the Board of Directors nor Management shall take any action constituting a Major Decision without the unanimous approval of the stockholders.

(iii) Station Co.'s charter documents shall provide that (x) the Board of Directors shall not authorize, and Management shall not effect any Major Decision without the unanimous approval of SPE, Liberty and Station Holdings, in their capacity as stockholders and (y) any determination not specifically included in the definition of "Major Decision" or otherwise identified in Section 6(a)(iv) or (v) as requiring approval of the stockholders shall, except to the extent required by Delaware law, be made by the Board of Directors.

(iv) The Company's management shall prepare and submit the Budget (as defined below) to the Board of Directors and the stockholders for their review. Each Budget shall be approved by the Board of Directors and shall not require the approval of the stockholders except in the case of (i) the initial Budget and (ii) any subsequent Budget if, during the period of 12 months immediately preceding the submission of such Budget for approval, the Company has been in non-compliance (without giving effect to any waivers or modifications within such 12 month period) under one or more of the material financial covenants contained in Station Co.'s senior credit facility (unless the Company shall have been in compliance with such covenants (without giving effect to any waivers or modifications to such covenants within such 12 month period) for the two fiscal quarters immediately preceding the submission of such Budget for approval). If such approval is so required, the Budget shall not be effective or be implemented until such approval is obtained. Notwithstanding anything to the contrary in this Section 6, if for a particular year, the Board of Directors (or if required, the stockholders) do not approve a budget, then the Budget for that year will be the Budget from the prior year ("Rollover Budget") (excluding the prior year's extraordinary and nonrecurring items but including any contractually obligated or legally required commitments or expenditures for that year in the Business Plan), adjusted by a 5% increase for all fixed expenses, together with an adjustment for all variable expenses (such as utilities and insurance) in accordance with the projected variances in their bases and contractual commitments in accordance with their terms. Changes to any approved Budget shall be approved in the same manner as would be required at the time for approval of a Budget.

(v) The appointment or dismissal of the Chief Executive Officer and Chief Financial Officer, on the recommendation of Station Holdings, shall be approved by at least two of the three stockholders of Station Co., one of which must be Station Holdings.

(vi) Notwithstanding anything to the contrary contained herein, so long as (x) Station Holdings or any permitted assignee owns any shares of Common Stock and (y) any of SPE, Liberty or any affiliate of SPE, Liberty or

any Ultimate Beneficial Owner of SPE (or Liberty) beneficially owns both shares of Common Stock and any equity interest in Network Co. All determinations regarding the enforcement of Station Co.'s rights under the Affiliation Agreement and any amendment, modification, change or waiver thereto shall be made on behalf of Station Co. solely by Station Holdings (other than a decision to terminate or fail to renew the Affiliation Agreement in a circumstance where there is no breach on the part of Network Co.)

(vii) For purposes of this Section 4(a)

"Business Plan" shall mean the initial business plan for Station Co. unanimously approved by the stockholders, and any subsequent business plan approved as set forth in (iv) above.

"Budget" shall mean the initial budget for the first fiscal year, unanimously approved by the stockholders, and any subsequently approved budget (or if no budget is approved, the Rollover Budget)

"Major Decision" shall mean any of the following.

- (1) Any substantial change in the nature or scope of Station Co.'s Spanish language broadcast business or the acquisition of an additional broadcast station or other substantial business;
- (2) Issuing any equity or debt securities of Station Co.;
- (3) Any merger, consolidation, or reorganization of Station Co.;
- (4) The sale or other transfer in a single transaction or series of related transactions, of all or substantially all of the assets of Station Co., of any broadcast station or of any other assets with a purchase price in excess of \$10 million;
- (5) Taking any action relating to the termination, dissolution, liquidation or winding-up of Station Co.;
- (6) Taking any action that would constitute an Insolvency Event of Station Co. For purposes of this Agreement, an "Insolvency Event" shall occur if Station Co. institutes proceedings to be adjudicated voluntarily bankrupt, consents to the filing of a bankruptcy proceeding against Station Co., files a petition or

answer or consent seeking reorganization under any bankruptcy or similar law or statute, consents to the filing of any such petition, or to the appointment of a Custodian, receiver, liquidator, trustee, or assignee in bankruptcy or insolvency of Station Co. or any substantial part of its assets or property, makes a general assignment for the benefit of creditors, or takes any corporate action in furtherance of any of the foregoing.

(7) Except as set forth in Section 6(a)(vii), permitting any station owned, directly or indirectly, by Station Co. to enter into, amend, take any action to terminate or fail to renew any affiliation agreement (which approval shall not be unreasonably withheld after applying commercial standards of review prevailing among investors in companies comparable to Station Co.) and

(8) Any related party transaction between any station or Station Co. and any of its stockholders or affiliates thereof, but excluding transactions between Station Co. and Network Co.

(b) Affiliation Agreements. Contemporaneously with the Closing, Station Co. and Network Co. shall enter into affiliation agreements, containing terms and conditions agreed upon by the parties and as are otherwise customary in agreements of this type (the "Affiliation Agreement"), with respect to all of the television stations owned by the Company, other than WKAQ (Puerto Rico).

(c) Transfer of Network Assets. Prior to the Closing, Station Co. and Network Co. will enter into an Asset Purchase Agreement providing for the sale of the Network Assets for \$50 million (or such greater amount as may be determined jointly by Liberty and SPE pursuant to Section 2 of this Agreement) to Network Co. which will acquire and operate the existing network operations of the Company and will enter into the Affiliation Agreements.

(d) Observer Status. For so long as Station Holdings holds the Rights, it shall have the right to attend meetings of the Board of Directors of Network Co. as an observer.

7 Conditions (a) Each party's obligations to purchase the shares of Common Stock, the Network Interest and the Rights, as applicable, are subject to the satisfaction or waiver of the following conditions:

(i) All conditions to Station Co.'s obligations to consummate the transactions set forth in the Acquisition Agreement shall have been fulfilled or waived by Station Co.

(ii) Any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall have expired or been terminated, including, without limitation, any waiting period required in connection with the formation of Station Co.

8 Letter Regarding Confidentiality Nothing set forth in this Agreement shall be deemed to supersede the agreements and understandings of the parties set forth in that certain agreement regarding confidentiality between Liberty, SPE and Apollo, dated as of October 6, 1997, which agreement shall remain in full force and effect.

9 Exclusive Dealing; Best Efforts

(a) During the Term, each of Apollo and Bastion, in its capacity as a stockholder of the Company, and its officers, directors, and related persons and others acting on its or their behalf (collectively, "Representatives") shall use their reasonable best efforts consistent with this Agreement, subject in every case to the exercise of their fiduciary duties, as determined by such person in good faith after consultation with counsel, to effect the Acquisition, and subject to the foregoing (i) shall, as expeditiously as practicable, take, or cause to be taken, all actions necessary or desirable in connection with the consummation of the Acquisition, and (ii) shall not take, or permit to be taken, any action if the effect, directly or indirectly, of such action is to prevent, delay, hinder, or make more difficult the consummation of the Acquisition.

(b) During the Term, neither Apollo, Bastion, SPE nor Liberty nor any of their Representatives shall, directly or indirectly, initiate, solicit or induce any alternative acquisition proposal with respect to the Company, including, without limitation, a merger or other business combination involving the Company, any subsidiary of the Company or any part of its business, or an offer to acquire in any manner, directly or indirectly, an equity interest in, any equity securities of, or all or a substantial portion of the assets of the Company, any subsidiary of the Company or its business, any strategic alliance, relationship or similar transaction between the Company

made, to the extent reasonably practicable, without prior consultation with the other parties hereto

11 Termination This Agreement may be terminated and the proposed Acquisition abandoned as follows

- (a) by mutual agreement of the parties;
- (b) by Apollo Fund or Bastion Capital if Liberty or SPE has committed a material breach of this Agreement (other than Section 9 which is subject to Section (c) below) and such breach is not cured within 30 days after notice thereof by Apollo to Liberty and SPE.
- (c) by Apollo Fund or Bastion Capital if Liberty or SPE or their respective Representatives breach the terms of Section 9 of this Agreement;
- (d) if no Acquisition Agreement has been executed prior to March 31, 1998 (the "Outside Date") or an Acquisition Agreement previously executed has been subsequently terminated in accordance with its terms, by any party at any time after the Outside Date;
- (e) upon consummation by the Company of an Alternative Proposal;
- (f) by Liberty or SPE if Apollo Fund or Bastion Capital has committed a material breach of this Agreement (other than Section 9, which is subject to (g), below) and such breach is not cured within 30 days after notice thereof by Liberty or SPE to such party;
- (g) by Liberty or SPE if Apollo Fund or Bastion Capital or their respective Representatives breach the terms of Section 9 of this Agreement; or
- (h) by any party, in the event that the parties are unable to agree upon the amount or terms of any Bid or subsequent Bid pursuant to Section 2

As used in this Agreement, "Term" shall mean the period beginning on the date hereof and ending on the termination of this Agreement in accordance with its terms pursuant to this Section 11. Further, the parties acknowledge that the foregoing provisions may require adjustment to reflect the terms of the Acquisition Agreement and agree to cooperate with one another to reach mutual agreement with respect thereto

12 Fees and Expenses Each party shall bear its own costs and expenses incurred in connection with this Agreement, the Definitive Agreements and the Acquisition and the other transactions contemplated by this letter or incident to the foregoing.

13 Effect of Agreement Liberty, SPE, Apollo Fund and Bastion Capital each acknowledge that this Agreement specifies our agreement as to certain of the conditions to our respective obligations and certain other terms of the Acquisition, and that this Agreement is a binding agreement of the parties, effective and enforceable upon the execution of this Agreement.

14 Representations and Warranties. (a) Each of Liberty, SPE, Apollo Fund and Bastion Capital, severally and not jointly, represents and warrants to the other that: (i) it has the requisite corporate or partnership power and corporate or partnership authority to execute and deliver this Agreement and to perform its obligations hereunder; (ii) the execution and delivery of this Agreement and the performance by it of its obligations hereunder have been duly authorized by its board of directors or other governing body and no other corporate or partnership proceedings on its part are necessary for the execution and delivery of this Agreement and the performance of its obligations provided for herein, and (iii) this Agreement has been duly executed and delivered by it, and assuming this Agreement is a binding obligation of the other parties, this Agreement constitutes a valid and binding obligation of it enforceable against it in accordance with its terms.

(b) Apollo Fund represents and warrants that to its knowledge no alien owns any interest in Station Co. within the meaning of the Communications Act, as a result of the investment by Station Holdings in Station Co. Apollo Fund agrees that, subsequent to the date hereof, if Apollo Fund becomes aware that any alien has an attributable interest in Station Co. as a result of the investment by Station Holdings in Station Co., it will restructure its investment in Station Holdings or take any other action necessary so that such alien interest will not be attributable to Station Co. consistent with the requirements of the Communications Act and the rules and regulations of the FCC thereunder and Liberty and SPE will cooperate with all reasonable requests of Apollo Fund in connection therewith.

(c) Bastion Capital represents and warrants that to its knowledge no alien owns any interest in Station Co. within the meaning of the Communications Act, as a result of the investment by Station Holdings in Station Co. Bastion Capital agrees that, subsequent to the date hereof, if Bastion Capital becomes aware that any alien has an interest in Station Co. as a result of the investment by Station Holdings in Station Co., it will restructure its investment in Station Holdings or take any other action necessary so that such alien interest will not be attributable to Station Co. consistent with the

requirements of the Communications Act and the rules and regulations of the FCC thereunder and Liberty and SPE will cooperate with all reasonable requests of Bastion Capital in connection therewith.

(d) Liberty and SPE represent and warrant that to their knowledge aliens will own less than a 25% interest in Station Co. within the meaning of the Communications Act, as a result of the investment by Liberty and SPE in Station Co. Liberty and SPE agree that, subsequent to the date hereof, if they become aware that aliens own a greater percentage interest in Station Co. as a result of their investment in Station Co., they will restructure their investment in Station Co. consistent with the requirements of the Communications Act and the rules and regulations of the FCC thereunder and Apollo and Bastion will cooperate with all reasonable requests of Liberty and SPE in connection therewith.

15 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, sent by facsimile (receipt of which is confirmed by the person to whom sent) or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to Liberty, to

Liberty Media Corporation
3101 East Prentice Avenue
Suite 500
Englewood, Colorado 80111
Facsimile No. (303) 721-5443
Attention: David Koff

with a copy (which shall not constitute notice) to:

Tele-Communications, Inc.
5619 DTC Parkway
Englewood, Colorado 80111
Facsimile No.: (303) 488-3245
Attention: Stephen Brett

with a copy (which shall not constitute notice) to

Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue
Suite 3400
Los Angeles, California 90071
Facsimile No. (213) 687-5600
Attention: Thomas C. Janson, Jr.

(b) If to SPE, to

Sony Pictures Entertainment Inc
10202 West Washington Boulevard
Culver City, California 90232
Facsimile No. (310) 244-1818
Attention: Alan Sokol

with a copy (which shall not constitute notice) to

Troop Meisinger Steuber & Pasich, LLP
10940 Wilshire Boulevard
Los Angeles, California 90024
Facsimile No. (310) 443-8503
Attention: Richard E. Troop

(c) If to Apollo Fund or Station Holdings, to:

Apollo Advisors, L.P.
1301 Avenue of the Americas, 38th Floor
New York, New York 10019
Facsimile No. (212) 261-4102
Attention: Edward Yorke

with a copy (which shall not constitute notice) to:

Akin, Gump, Strauss, Hauer & Feld, L.L.P.
590 Madison Avenue
New York, New York 10022
Facsimile No. (212) 872-1002
Attention: Patrick J. Dooley, Esq.

(d) If to Bastion Capital, to

Bastion Capital Fund L.P.
1099 Avenue of the Stars, Suite 2960
Los Angeles, California 90067
Attention: Guillermo Bron

with a copy (which shall not constitute notice) to

Irell & Manella
333 South Hope Street, Suite 3300
Los Angeles, California 90071-3042
Facsimile (213) 229-0515
Attention: Edmund M. Kaufman

16 Governing Law This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts to be performed in such state.

17 Assignment Except as provided herein, this Agreement shall not be assignable by either party hereto without the prior written consent of the other party hereto.

18 Third Party Beneficiaries This Agreement is solely for the benefit of the parties hereto and is not intended to create any rights in any third parties other than permitted assignees.

19 Counterparts This Agreement may be executed in one or more counterparts, all of which taken together shall be deemed to constitute one and the same agreement.

In witness whereof, the parties have executed this agreement as of the 17th day of November, 1997.

APOLLO INVESTMENT FUND III

By: Apollo Advisors II, L.P., its General Partner

By: Apollo Capital Management II, Inc., its General Partner

By: Edward Yorke
Name: Edward Yorke
Title: V.P.

BASTION CAPITAL FUND, L.P.

By: Bastion Partner, L.P., its General Partner

By: Bron Corp., its General Partner

By: _____
Name:
Title:

LIBERTY MEDIA CORPORATION

By: _____
Name:
Title:

SONY PICTURES ENTERTAINMENT INC.

By: Yair Landau
Name: Yair Landau
Title: Executive Vice President

In witness whereof, the parties have executed this agreement as of the
17th day of November, 1997

APOLLO INVESTMENT FUND III

By Apollo Advisors II, L.P., its General
Partner

By Apollo Capital Management
II, Inc., its General Partner

By _____
Name
Title

BASTION CAPITAL FUNDS, L.P.

By Bastion Partner, L.P., its General
Partner

By Broco Corp., its General Part-
ner

By _____
Name: *Christopher Brown*
Title: *President*

LIBERTY MEDIA CORPORATION

By _____
Name
Title

SONY PICTURES ENTERTAINMENT INC

By _____
Name: *Yair Landau*
Title: *Executive Vice President*

In witness whereof, the parties have executed this agreement as of the 17th day of November, 1997.

APOLLO INVESTMENT FUND III

By: Apollo Advisors II, L.P., its General Partner

By: Apollo Capital Management II, Inc., its General Partner

By: _____
Name:
Title:

BASTION CAPITAL FUND, L.P.

By: Bastion Partner, L.P., its General Partner

By: Bron Corp., its General Partner

By: _____
Name:
Title:

LIBERTY MEDIA CORPORATION

By: David Koff
Name: David B. Koff
Title: Vice President

SONY PICTURES ENTERTAINMENT INC.

By: _____
Name: Yair Landau
Title: Executive Vice President

NOTED BY: Yair Landau

ATTACHMENT 3

**CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS
OF SERIES B PREFERRED STOCK**

Pursuant to Section 151 of the General Corporation Law of the State of Delaware:

WHEREAS, Entravision Communications Corporation, a corporation organized and existing under the laws of the State of Delaware (this "Corporation"), does hereby certify that, pursuant to the authority conferred on the Board of Directors of this Corporation by the First Restated Certificate of Incorporation, as amended, of this Corporation in accordance with Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of this Corporation adopted the following resolution establishing a new series of preferred stock of this Corporation.

RESOLVED, that pursuant to the authority conferred on the Board of Directors of this Corporation by Article 4 of the First Restated Certificate of Incorporation, as amended, the Board of Directors of this Corporation hereby establishes a series of the authorized preferred stock of this Corporation, \$0.0001 par value per share, which series will be designated as "Series B Preferred Stock," and which will consist of 369,266 shares and will have the following rights, preferences, privileges and restrictions (capitalized terms not defined herein shall have the meaning given to such terms in the First Restated Certificate of Incorporation, as amended, of this Corporation):

A. **Dividends and Distributions.** The holders of shares of Series B Preferred Stock will be entitled to participate with the holders of Class A Common Stock with respect to any dividend declared on the Class A Common Stock in proportion to the number of shares of Class A Common Stock issuable upon conversion of the shares of Series B Preferred Stock held by them.

B. **Liquidation Preference.**

(i) In the event of any liquidation, dissolution or winding up of this Corporation, either voluntary or involuntary, subject to the rights of the Series A Preferred Stock and any other series of Preferred Stock to be established by the Board of Directors of this Corporation (collectively, the "Senior Preferred Stock"), the holders of the Series B Preferred Stock shall be entitled to receive, after any distribution with respect to the Senior Preferred Stock and prior to and in preference to any distribution of any of the assets of this Corporation to the holders of Common Stock by reason of their ownership thereof, \$0.0001 for each share (as adjusted for any stock split, stock division or consolidation) of Series B Preferred Stock then-outstanding.

(ii) Upon the completion of the distribution required by subparagraph (i) of this Section B, the remaining assets of this Corporation available for distribution to stockholders shall be distributed among the holders of Series B Preferred Stock and Common Stock pro rata based on the number of shares of Common Stock held by each (assuming conversion of all such Series B Preferred Stock).

C. **Voting.** Except as provided in this Certificate of Designations, the holders of shares of Series B Preferred Stock will have no right to vote on any matters, questions or proceedings of this Corporation.

D. **Protective Provisions.** So long as Univision Communications Inc. ("Univision"), or any Permitted Transferee of Univision, owns at least 65,950 shares of Series B Preferred Stock, without the consent of the holders of at least a majority of the shares of Series B Preferred Stock then outstanding, in their sole discretion, voting as a separate class, given in writing or by vote at a meeting of such called for such purpose, this Corporation will not:

- (i) merge, consolidate or enter into a business combination, or otherwise reorganize this Corporation with or into one or more entities (other than a merger of a wholly-owned subsidiary of this Corporation into another wholly-owned subsidiary of this Corporation);
- (ii) dissolve, liquidate or terminate this Corporation;
- (iii) directly or indirectly dispose of any interest in any FCC license with respect to television stations which are affiliates of Univision Communications Inc.;
- (iv) amend, alter or repeal any provision of the Certificate of Incorporation or bylaws of this Corporation or this Certificate of Designation, each as amended, so as to adversely affect any of the rights, preferences, privileges, limitations or restrictions provided for the benefit of the holders of the Series B Preferred Stock; or
- (v) issue or sell, or obligate itself to issue or sell, any shares of Series B Preferred Stock, or any securities that are convertible into or exchangeable for shares of Series B Preferred Stock.

E. Conversion.

(i) **Voluntary Conversion.** Each share of Series B Preferred Stock shall be convertible at the option of the holder thereof into a number of shares of Class A Common Stock determined in accordance with Section E(ii) only in connection with a Transfer of the Class A Common Stock issued upon conversion thereof to any third party other than an "affiliate" (as such term is defined in Rule 405 promulgated under the Securities Act of 1933, as amended) (an "Affiliate") of the transferor.

(ii) **Automatic Conversion.** Each share of Series B Preferred Stock shall convert automatically without any further action by the holder thereof into a number of shares of Class A Common Stock determined in accordance with Section E(iii) upon its Transfer to any third party other than an Affiliate of the transferor.

(iii) **Conversion Rate.** Each share of Series B Preferred Stock shall be convertible in accordance with Sections E(i) and E(ii) into the number of shares of Class A Common Stock that results from multiplying (x) 1 by (y) the conversion rate for the Series B Preferred Stock that is in effect at the time of conversion (the "Conversion Rate"). The Conversion Rate for the Series B Preferred Stock initially shall be 100. The Conversion Rate shall be subject to adjustment from time to time as provided in this Certificate of Designations. All references to the Conversion Rate herein means the Conversion Rate as so adjusted.

(iv) **Mandatory Conversion.** When and if this Corporation is authorized to issue a class of Common Stock that has the same rights, preferences, privileges and restrictions as the Class A Common Stock, other than (a) having no voting rights as set forth in Section C of this Certificate of Designations and (b) having the protective provisions set forth in Section D of this Certificate of Designations (provided that the references to Series B Preferred Stock in subsections D(iv) and D(v) shall be changed to such class of Common Stock) (the "Class D Common Stock"), this Corporation shall have the right, without any further action by the holder of the Series B Preferred Stock, to cause each share of Series B Preferred Stock to convert into the number of shares of Class D Common Stock that results from multiplying (x) 1 by (y) the Conversion Rate. The Conversion of the Series B Preferred Stock pursuant to this subsection D(iv) shall be deemed to occur on the date this Corporation deposits written notice of such conversion in the United States mail, postage prepaid, and addressed to the holder of the Series B Preferred Stock at its address appearing on the books of this Corporation.

(v) **Subdivisions; Combinations.** In the event this Corporation should at any time prior to the conversion of the Series B Preferred Stock fix a record date for the effectuation of a split or subdivision of the outstanding shares of Class A Common Stock or the determination of holders of Class A Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock, then, as of such record date (or the date of such dividend, distribution, split or subdivision if no record date is fixed), the Conversion Rate shall be appropriately decreased so that the number of shares of Class A Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Class A Common Stock outstanding. If the number of shares of Class A Common Stock outstanding at any time prior to the conversion of the Series B Preferred Stock is decreased by a combination of the outstanding shares of Class A Common Stock, then, following the record date of such combination, the Conversion Rate shall be appropriately increased so that the number of shares of Class A Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.

(vi) **Recapitalizations.** If at any time or from time to time after the applicable date of this Certificate of Designation there is a recapitalization, reclassification, reorganization or similar event, then in any such event each holder of a share of Series B Preferred Stock shall have the right thereafter to convert such share into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification, reorganization or other change by a holder of the number of shares of Class A Common Stock into which such share of Series B Preferred Stock could have been converted immediately prior to such recapitalization, reclassification, reorganization, or other change, all subject to further adjustment as provided herein or with respect to such other securities or property by the terms thereof.

(vii) **No Impairment.** This Corporation will not, by amendment of its Certificate of Incorporation or this Certificate of Designation (except in accordance with applicable law) or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Section E by this Corporation, but will in good faith assist in the carrying out of all the provisions of this Section E and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of Series B Preferred Stock against impairment.

(viii) **Unconverted Shares.** If less than all of the outstanding shares of Series B Preferred Stock are converted pursuant to Sections E(i), E(ii) and E(iv) above, and such shares are evidenced by a certificate representing shares in excess of the shares being converted and surrendered to this Corporation in accordance with the procedures as the Board of Directors of this Corporation may determine, this Corporation shall execute and deliver to or upon the written order of the holder of such certificate, without charge to the holder, a new certificate evidencing the number of shares of Series B Preferred Stock not converted. No fractional shares shall be issued upon the conversion of any share or shares of Series B Preferred Stock, and the number of shares to be issued shall be rounded to the nearest whole share.

(ix) **Reservation.** This Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, to effect conversions, such number of duly authorized shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series B Preferred Stock; and if at any time the number of authorized but unissued shares of Class A Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series B Preferred Stock, in addition to such other remedies as shall be available to the holder of the Series B Preferred Stock, this corporation will take such corporate action as may, in the opinion of counsel, be necessary to increase its authorized but unissued

shares of Class A Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Corporation's Certificate of Incorporation.

F. Redemption by this Corporation. The Series B Preferred Shares shall not be redeemable by this Corporation.

G. Reacquired Shares. Any shares of Series B Preferred Stock which will have been converted will be retired and cancelled promptly after the acquisition thereof. All such shares will upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other certificate of designation creating a series of Preferred Stock or any similar stock or as otherwise required by law.

RESOLVED FURTHER, that the officers of this Corporation be, and each of them hereby is, authorized and empowered on behalf of this Corporation to execute, verify and file a certificate of designation of preferences in accordance with Delaware law.

IN WITNESS WHEREOF, Entravision Communications Corporation has caused this certificate to be duly executed by its duly authorized officers and attested by its secretary this ____ day of March, 2003.

ENTRAVISION COMMUNICATIONS CORPORATION

By: _____
Walter F. Ulloa
Chairman and Chief Executive Officer

By: _____
John F. DeLorenzo
Chief Financial Officer