**UNITED STATES BANKRUPTCY COURT**
**DISTRICT OF DELAWARE**

| | | |
|---|---|---|
| *In re:* | : | |
| | : | **Chapter 11** |
| | : | |
| **LBI MEDIA, INC.,** ***et al.*** | : | **Case No. 18–12655 (CSS)** |
| | : | |
| **Debtors.**[1] | : | **(Jointly Administered)** |
| | : | |
| | | **Re: Docket No. 416** |

**DISCLOSURE STATEMENT FOR SECOND AMENDED JOINT CHAPTER 11**
**PLAN OF REORGANIZATION OF LBI MEDIA, INC. AND ITS AFFILIATED DEBTORS**

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Dated: January 22, 2019
Wilmington, Delaware

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are: LBI Media, Inc. (8901); Liberman Broadcasting, Inc. (8078); LBI Media Holdings, Inc. (4918); LBI Media Intermediate Holdings, Inc. (9635); Empire Burbank Studios LLC (4443); Liberman Broadcasting of California LLC (1156); LBI Radio License LLC (8905); Liberman Broadcasting of Houston LLC (6005); Liberman Broadcasting of Houston License LLC (6277); Liberman Television of Houston LLC (2887); KZJL License LLC (2880); Liberman Television LLC (8919); KRCA Television LLC (4579); KRCA License LLC (8917); Liberman Television of Dallas LLC (6163); Liberman Television of Dallas License LLC (1566); Liberman Broadcasting of Dallas LLC (6468); and Liberman Broadcasting of Dallas License LLC (6537). The Debtors' mailing address is 1845 West Empire Avenue, Burbank, California 91504.

**A SOLICITATION OF VOTES IS BEING CONDUCTED TO OBTAIN SUFFICIENT ACCEPTANCES OF THE CHAPTER 11 PLAN FOR LBI MEDIA, INC. AND ITS AFFILIATED DEBTORS.**

**THE DEADLINE TO VOTE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M., PREVAILING EASTERN TIME, ON MARCH 4, 2019, UNLESS EXTENDED BY THE DEBTORS.**

**THE RECORD DATE FOR DETERMINING WHICH HOLDERS OF CLAIMS OR INTERESTS MAY VOTE ON THE PLAN IS JANUARY 22, 2019 (THE "VOTING RECORD DATE").**

**RECOMMENDATION BY THE DEBTORS**

**The Restructuring Committee of the Board of Directors of LBI Media, Inc. and the board of directors, managers or members, as applicable, of each of its affiliated Debtors have unanimously approved the transactions contemplated by the Plan and recommend that all creditors and interest holders whose votes are being solicited submit ballots to accept the Plan. Holders of 100% of the First Lien Notes Claims (as defined below) and 100% of the Intermediate HoldCo Unsecured Notes Claims (as defined below) have already agreed to vote in favor of the Plan.**

**HOLDERS OF CLAIMS OR INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE AND SHOULD CONSULT WITH THEIR OWN ADVISORS BEFORE VOTING ON THE PLAN.**

**THE ISSUANCE OF, AND THE DISTRIBUTION UNDER, THE PLAN OF THE NEW EQUITY INTERESTS (AS DEFINED IN THE PLAN) WILL BE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), AND ANY OTHER APPLICABLE SECURITIES LAWS PURSUANT TO SECTION 1145 OF THE BANKRUPTCY CODE. THESE SECURITIES MAY BE RESOLD WITHOUT REGISTRATION UNDER THE SECURITIES ACT OR OTHER FEDERAL SECURITIES LAWS PURSUANT TO THE EXEMPTION PROVIDED BY SECTION 4(a)(1) OF THE SECURITIES ACT, UNLESS THE HOLDER IS AN "UNDERWRITER" WITH RESPECT TO SUCH SECURITIES, AS THAT TERM IS DEFINED IN SECTION 1145(b)(1) OF THE BANKRUPTCY CODE. IN ADDITION, SUCH SECTION 1145 EXEMPT SECURITIES GENERALLY MAY BE RESOLD WITHOUT REGISTRATION UNDER STATE SECURITIES LAWS PURSUANT TO VARIOUS EXEMPTIONS PROVIDED BY THE RESPECTIVE LAWS OF THE SEVERAL STATES. THE AVAILABILITY OF THE EXEMPTION UNDER SECTION 1145 OF THE BANKRUPTCY CODE OR ANY OTHER APPLICABLE SECURITIES LAWS SHALL NOT BE A CONDITION TO THE OCCURRENCE OF THE EFFECTIVE DATE.**

**THE NEW EQUITY INTERESTS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "*SEC*") OR BY ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL, OR REGULATORY AUTHORITY, AND NEITHER THE SEC NOR ANY SUCH AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**CERTAIN STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING STATEMENTS INCORPORATED BY REFERENCE, PROJECTED FINANCIAL INFORMATION, AND OTHER FORWARD-LOOKING STATEMENTS, ARE BASED ON ESTIMATES AND ASSUMPTIONS. CERTAIN OF THESE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE USE OF WORDS SUCH AS "BELIEVES," "EXPECTS," "PROJECTS," "INTENDS," "PLANS," "ESTIMATES," "ASSUMES," "MAY," "SHOULD," "WILL," "SEEKS," "ANTICIPATES," "OPPORTUNITY," "PRO FORMA," "PROJECTIONS," OR OTHER SIMILAR EXPRESSIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. FORWARD-LOOKING STATEMENTS ARE PROVIDED IN THIS DISCLOSURE STATEMENT PURSUANT TO THE SAFE HARBOR ESTABLISHED UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES, AND RISKS DESCRIBED HEREIN.**

**READERS ARE CAUTIONED THAT ANY FORWARD-LOOKING STATEMENTS HEREIN ARE BASED ON ASSUMPTIONS THAT ARE BELIEVED TO BE REASONABLE, BUT ARE SUBJECT TO A WIDE RANGE OF RISKS IDENTIFIED IN THIS DISCLOSURE STATEMENT. IMPORTANT ASSUMPTIONS AND OTHER IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPECTED INCLUDE, BUT ARE NOT LIMITED TO, THOSE FACTORS, RISKS, AND UNCERTAINTIES DESCRIBED IN MORE DETAIL UNDER THE HEADING "RISK FACTORS" AND**

**ELSEWHERE IN THE ANNUAL AND QUARTERLY REPORTS OF THE COMPANY (AS DEFINED BELOW), INCLUDING AMENDMENTS THERETO. DUE TO THESE UNCERTAINTIES, READERS CANNOT BE ASSURED THAT ANY FORWARD-LOOKING STATEMENTS WILL PROVE TO BE CORRECT. THE DEBTORS ARE UNDER NO OBLIGATION TO (AND EXPRESSLY DISCLAIM ANY OBLIGATION TO) UPDATE OR ALTER ANY FORWARD-LOOKING STATEMENTS WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE, UNLESS INSTRUCTED TO DO SO BY THE BANKRUPTCY COURT.**

**NO INDEPENDENT AUDITOR OR ACCOUNTANT HAS REVIEWED OR APPROVED THE LIQUIDATION ANALYSIS HEREIN.**

**THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. THE TERMS OF THE PLAN GOVERN IN THE EVENT OF ANY INCONSISTENCY WITH THE SUMMARIES IN THIS DISCLOSURE STATEMENT.**

**THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN OR IN CONNECTION WITH CONFIRMATION OF THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PARTY FOR ANY OTHER PURPOSE.**

**ALL EXHIBITS TO THE DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.**

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EXHIBIT B: Liquidation Analysis

# I.
# INTRODUCTION

LBI Media, Inc., ("**LBI Media**") and its debtor affiliates (collectively, the "**Debtors**", "**LBI**", or the "**Company**") submit this joint Disclosure Statement in connection with the solicitation of votes on the *Second Amended Joint Chapter 11 Plan of Reorganization of LBI Media, Inc. and Its Affiliated Debtors*, dated January 22, 2019 (the "**Plan**")[2] annexed hereto as **Exhibit A**. The Debtors commenced their chapter 11 cases (the "**Chapter 11 Cases**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**") on November 21, 2018.

The purpose of this Disclosure Statement is to provide information of a kind, and in sufficient detail, to enable creditors of, and holders of interests in, the Debtors that are entitled to vote on the Plan to make an informed decision on whether to vote to accept or reject the Plan. This Disclosure Statement contains summaries of the Plan, certain statutory provisions, events contemplated in the Chapter 11 Cases, and certain documents related to the Plan.

The Debtors commenced these Chapter 11 Cases to implement a comprehensive financial restructuring that, among other things, delevers the Company's balance sheet.

On November 20, 2018, after extensive arms'-length, good-faith negotiations, overseen by the Debtors' Restructuring Committee (as defined herein), the Debtors executed a restructuring support agreement (the "**Restructuring Support Agreement**" or "**RSA**", annexed as **Exhibit B** to the *Declaration of Brian Kei in Support of the Debtors' Chapter 11 Petitions and First Day Relief* [D.I. 13] (the "**First Day Declaration**")) with holders of one-hundred percent (100%) of the outstanding principal amount of the 10% Senior Secured Notes issued by LBI Media and currently maturing in 2023, (the "**First Lien Notes**"), all of which are held or controlled by investment funds managed by HPS Investment Partners, LLC ("**HPS**"). Under the terms of the Restructuring Support Agreement, the Consenting First Lien Noteholders and the Debtors have agreed to the strategic transactions set forth in the Plan and described herein (the "**Restructuring**").

Further, on January 15, 2019, the Debtors executed a restructuring support agreement (the "**Intermediate HoldCo RSA**") with Cowen and Company, LLC ("**Cowen**"), holders of approximately 100% of the outstanding Intermediate HoldCo Unsecured Notes (as defined below) pursuant to which Cowen has agreed to support the Restructuring and Plan. The Intermediate HoldCo RSA is annexed as **Exhibit B** to the *Debtors' Reply in Support of Motion to Approve Disclosure Statement and Related Solicitation Procedures*, filed on January 15, 2019.

The Restructuring is expected to leave the Company with a delevered balance sheet and sufficient liquidity, and better positioned to compete in the highly competitive television and radio broadcasting and production industry. The Restructuring is also expected to enhance the Company's long-term growth prospects and to allow the Company to increase its focus on operational performance and value creation.

The Plan contemplates either the consummation of: (i) a "Reorganization Transaction" pursuant to which, among other things, the holders of Allowed First Lien Notes Claims would receive interests in, or the proceeds of, an Exit Facility,[3] and 95% of the New Equity Interests in the Reorganized Debtors in

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[2] Capitalized terms used in this Disclosure Statement, but not defined herein, have the meanings ascribed to them in the Plan. To the extent any inconsistencies exist between this Disclosure Statement and the Plan, the Plan shall govern.

[3] Pursuant to the Restructuring Support Agreement, the Consenting First Lien Noteholders have agreed to provide the Exit Facility in accordance with the terms of the Exit Facility Credit Agreement Term Sheet, annexed as Exhibit A to the Plan.

satisfaction of their Claims or (ii) an alternative transaction that (a) results in payment of the Allowed First Lien Notes Claims in full in Cash on the Effective Date, (b) otherwise generally provides better recoveries to holders of Claims when compared to a Reorganization Transaction, and (c) in the Debtors' business judgment, is otherwise superior to a Reorganization Transaction (an "**Alternative Transaction**"). An Alternative Transaction may include any type of transaction, including a bid to sponsor creditor recoveries under the Plan, purchase the Debtors' assets, or acquire Interests in the Debtors.

Since the Petition Date, LBI and its advisors have been engaged in a process (the "**Marketing Process**") to solicit interest and bids from potential strategic and financial investors (and invited the Debtors' existing lenders) to participate in a strategic transaction with the Debtors. Importantly, the Plan and RSA allow the Debtors to solicit bids ("**Alternative Bids**") and consummate a value-maximizing Alternative Transaction. The Debtors have received a number of non-binding indications of interest to date. Binding bids are due on February 4, 2019 (the "**Bid Deadline**"). Further, pursuant to the RSA, the Debtors retain the right to, until February 14, 2019, pursue any Competing Transaction (as defined in the RSA), including a chapter 11 plan that is inconsistent with the Plan and the Reorganization Transaction. The Plan and RSA are both designed to provide the Debtors with flexibility to consummate a transaction that maximizes value for, and is in the best interests of, the Debtors' estates, creditors, and parties in interest.

As described more fully below, the Plan generally provides for the following treatment for holders of Claims and Interests:

- **First Lien Notes**. Each holder of an Allowed First Lien Notes Claim shall receive: (i) if a Reorganization Transaction occurs, either (A) if Class 4 is an Accepting Class (x) the Exit Facility (less the amount of the DIP Claims converted into the Exit Facility (if any)), and (y) 95% of the New Equity Interests, or (B) if Class 4 is not an Accepting Class, (x) the Exit Facility (less the amount of the DIP Claims converted into the Exit Facility (if any)), and (y) 100% of the New Equity Interests; or, (ii) if an Alternative Transaction occurs, indefeasible payment in full in Cash.

- **Second Lien Notes**. Each holder of an Allowed Second Lien Notes Claim shall receive: (i) if a Reorganization Transaction occurs, (A) if Class 4 is an Accepting Class, such holder's Pro Rata share of 5.0% of the New Equity Interests, and the Consenting First Lien Noteholders shall waive any claims they may have under Section 8.21 of the Intercreditor Agreement, or (B) if Class 4 is not an Accepting Class, no recovery under the Plan; or, (ii) if an Alternative Transaction occurs, such holder's Pro Rata share of the Net Alternative Transaction Proceeds, if any.

- **HoldCo Unsecured Notes**. Each holder of an Allowed HoldCo Unsecured Notes Claim shall receive: (i) if a Reorganization Transaction occurs, (y) if either Class 5 or Class 6 (or both) is an Accepting Class, such holder's Pro Rata share of the HoldCo Cash, shared on a *pari passu* basis with the holders of Allowed (1) Intermediate HoldCo Unsecured Notes Claims, (2) HoldCo General Unsecured Claims, and (3) HoldCo Intercompany Claims held by Intermediate HoldCo, or (z) if neither Class 5 nor Class 6 is an Accepting Class, such holder's Pro Rata share of the HoldCo Cash, shared on a *pari passu* basis with the holders of Allowed (1) Intermediate HoldCo Unsecured Notes Claims, (2) HoldCo General Unsecured Claims, and (3) HoldCo Intercompany Claims; or (ii) if an Alternative Transaction occurs: such holder's Pro Rata share of the Alternative Transaction Recovery Pool

- **Intermediate HoldCo Unsecured Notes**. Each holder of an Allowed Intermediate HoldCo Unsecured Notes Claim shall receive: (i) if a Reorganization Transaction occurs, (y) if either Class 5 or Class 6 is an Accepting Class, (1) such holder's Pro Rata share of the HoldCo Cash,

shared on a *pari passu* basis with the holders of Allowed (A) HoldCo Unsecured Notes Claims, (B) HoldCo General Unsecured Claims, and (C) HoldCo Intercompany Claims held by Intermediate HoldCo, *plus* (2) any HoldCo Cash distributed to Intermediate HoldCo on account of any Allowed HoldCo Intercompany Claims held by Intermediate HoldCo, shared on a *pari passu* basis with the holders of Allowed Intermediate HoldCo General Unsecured Claims, or (z) if neither Class 5 nor Class 6 is an Accepting Class, (1) such holder's Pro Rata share of the HoldCo Cash, shared on a *pari passu* basis with the holders of Allowed (A) HoldCo Unsecured Notes Claims, (B) HoldCo General Unsecured Claims, and (C) HoldCo Intercompany Claims, *plus* (2) any HoldCo Cash distributed to Intermediate HoldCo on account of any Allowed HoldCo Intercompany Claims held by Intermediate HoldCo, shared on a *pari passu* basis with the holders of Allowed Intermediate HoldCo General Unsecured Claims or; (ii) if an Alternative Transaction occurs, such holder's Pro Rata share of the Alternative Transaction Recovery Pool.

- **ASCAP/BMI Settlement Claims**. Each holder of an Allowed ASCAP/BMI Settlement Claim shall receive: (i) if a Reorganization Transaction occurs, such holder's Pro Rata share of the ASCAP/BMI Settlement Claims Recovery Pool; or, (ii) if an Alternative Transaction occurs, such holder's Pro Rata share of the Alternative Transaction Recovery Pool.

- **Ongoing Trade Claims**. Each holder of an Allowed Ongoing Trade Claim shall receive: (i) if a Reorganization Transaction occurs, such holder's Pro Rata share of the Ongoing Trade Claims Recovery Pool; or, (ii) if an Alternative Transaction occurs, such holder's Pro Rata share of the Alternative Transaction Recovery Pool.

- **General Unsecured Claims**. Each holder of an Allowed General Unsecured Claim shall receive: (i) if a Reorganization Transaction occurs, (x) each holder of a General Unsecured Claim that is not a HoldCo General Unsecured Claim or an Intermediate HoldCo General Unsecured Claim shall receive such holder's Pro Rata share of the General Unsecured Claims Recovery Pool, (y) each holder of a HoldCo General Unsecured Claim shall receive its Pro Rata share of the HoldCo Cash, and (z) each holder of an Intermediate HoldCo General Unsecured Claim shall receive its Pro Rata share of the HoldCo Cash distributable to Intermediate HoldCo on account of any Allowed HoldCo Intercompany Claims held by Intermediate HoldCo on a *pari passu* basis with the holders of Allowed Intermediate HoldCo Unsecured Notes Claims; or (ii) if an Alternative Transaction occurs, such holder's Pro Rata share of the Alternative Transaction Recovery Pool.

- **Existing LBI Parent Interests**. On the Effective Date, all Existing LBI Parent Interests shall be cancelled, and the holders of Existing LBI Parent Interests shall not receive or retain any property under the Plan on account of such Interests.

- **DIP Claims**. On the Effective Date, in full and final satisfaction of the Allowed DIP Claims, all obligations under the DIP Documents, other than DIP Professional Fees, shall be, at the election of the DIP Lenders, (i) converted to and deemed to be obligations under, and as defined in, the Exit Facility Credit Agreement, and all Collateral (as such term is defined in the DIP Credit Agreement) that secures obligations under the DIP Documents shall be reaffirmed, ratified and shall automatically secure all obligations under the Exit Credit Agreement in accordance with Section 5.8 of the Plan, or (ii) indefeasibly paid in full in Cash from the proceeds of the Exit Facility.

- **Priority Claims**. All Administrative Expense Claims, Priority Tax Claims, Other Secured Claims, and Allowed Priority Non-Tax Claims are unimpaired by the Plan.

Accomplishing an efficient and expeditious resolution of the Restructuring and the Chapter 11 Cases is essential to preserving and maximizing the going-concern value of the Debtors' estates and successfully restructuring the Company. Accordingly, the Debtors intend to prosecute their Chapter 11 Cases in a measured, but efficient, manner. The terms of the Restructuring Support Agreement and the Debtors' postpetition financing arrangements reflect that intention, through the inclusion of milestones the Debtors are also seeking confirmation of the Plan on the following schedule:

| Milestone | Debtors' Proposed Timeline | RSA Deadline |
|---|---|---|
| Bid Deadline | February 4, 2019 | February 4, 2019 |
| Deadline to Select Plan Transaction | February 14, 2019 | February 14, 2019 |
| Entry of Confirmation Order | March 25, 2019 | April 20, 2019 |
| Effective Date of Plan | April / May, 2019 | May 20, 2019 |

**THE DEBTORS AND THE CONSENTING FIRST LIEN NOTEHOLDERS (COLLECTIVELY, THE "PLAN SUPPORT PARTIES") SUPPORT CONFIRMATION OF THE PLAN AND URGE ALL HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE ON THE PLAN TO VOTE TO ACCEPT THE PLAN.**

**THE PLAN SUPPORT PARTIES BELIEVE THAT THE PLAN PROVIDES THE HIGHEST AND BEST RECOVERY FOR ALL STAKEHOLDERS, WHETHER THE REORGANIZATION TRANSACTION OR AN ALTERNATIVE TRANSACTION IS CONSUMMATED.**

**Summary of Plan Classification and Treatment of Claims and Interests**

Under the Bankruptcy Code, only holders of claims or interests in "impaired" Classes are entitled to vote on the Plan (unless, for reasons discussed in more detail below, such holders are deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code). Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" unless (i) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan, among other things, cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

Holders of Claims and Interests in the following Classes are being solicited under, and entitled to vote on, the Plan:

1. First Lien Notes Claims

2. Second Lien Notes Claims

3. HoldCo Unsecured Notes Claims

4. Intermediate HoldCo Unsecured Notes Claims

5. ASCAP/BMI Settlement Claims

6. Ongoing Trade Claims

7. General Unsecured Claims

The following table summarizes the treatment of Claims and Interests under the Plan. The table is qualified in its entirety by reference to the full text of the Plan. For a more detailed summary of the terms and provisions of the Plan, see Article VI—Summary of the Plan below. A discussion of the amount of claims in each Class is set forth in Article II.E.i hereof.

| **Class** | **Claim or Equity Interest** | **Treatment** | **Impaired or Unimpaired** | **Entitled to Vote on the Plan** | **Approx. Allowed Amount[4]** | **Approx. Recovery** |
|---|---|---|---|---|---|---|
| 1 | Priority Non-Tax Claims | Except to the extent that a holder of an Allowed Priority Non-Tax Claim against any of the Debtors agrees to a less favorable treatment of such Claim, in full and final satisfaction of such Allowed Priority Non-Tax Claim, at the option of the Debtors or the Reorganized Debtors, as applicable, (i) each such holder shall receive payment in Cash in an amount equal to the amount of such Allowed Claim, payable on the later of the Effective Date and the date that is ten (10) Business Days after the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, in each case, or as soon as reasonably practicable thereafter, (ii) such holder's Allowed Priority Non-Tax Claim shall be Reinstated, or (iii) such holder shall receive such other treatment so as to render such holder's Allowed Priority Non-Tax Claim Unimpaired pursuant to section 1124 of the Bankruptcy Code. | Unimpaired | No (Presumed to Accept) | $0 | 100% |
| 2 | Other Secured Claims | Except to the extent that a holder of an Allowed Other Secured Claim against any of the Debtors agrees to a less favorable treatment of such Claim, in full and final satisfaction of such Allowed Other Secured Claim, at the option of the Debtors or the Reorganized Debtors, as applicable, (i) each such holder shall receive payment in Cash in an amount equal to the amount of such Allowed Claim, payable on the later of the Effective Date and the date that is ten (10) Business Days after the date on which such Other Secured Claim becomes an Allowed Other Secured Claim, in each case, or as soon as reasonably practicable thereafter, (ii) such holder's Allowed Other Secured Claim shall be Reinstated, (iii) such holder shall receive the collateral securing its Allowed Other Secured Claim, or (iv) such holder shall receive such other treatment so as to render such holder's Allowed Other Secured Claim Unimpaired pursuant to section 1124 of the Bankruptcy Code. | Unimpaired | No (Presumed to Accept) | $220,000 | 100% |

[4] The amounts set forth herein are estimates primarily based on, among others things, and as further described herein, the Debtors' books and records and is net of amounts paid during the pendency of the Chapter 11 Cases pursuant to Bankruptcy Court orders. Actual Allowed amounts will depend upon, among other things, final reconciliation and resolution of all Claims scheduled and/or filed by the applicable bar date. Consequently, the actual Allowed Claim amounts may differ materially from these estimates.

| Class | Claim or Equity Interest | Treatment | Impaired or Unimpaired | Entitled to Vote on the Plan | Approx. Allowed Amount[4] | Approx. Recovery |
|---|---|---|---|---|---|---|
| 3 | First Lien Notes Claims | On the Effective Date, the Allowed First Lien Notes Claims shall receive from LBI Media, in full and final satisfaction, settlement, release, and discharge of such Allowed Claims: (i) if a Reorganization Transaction occurs, either (A) if Class 4 is an Accepting Class (x) the Exit Facility (less the amount of the DIP Claims converted into the Exit Facility (if any)), and (y) 95% of the New Equity Interests, or (B) if Class 4 is not an Accepting Class, (x) the Exit Facility (less the amount of the DIP Claims converted into the Exit Facility (if any)), and (y) 100% of the New Equity Interests; or, (ii) if an Alternative Transaction occurs, indefeasible payment in full in Cash. | Impaired | Yes | $327 million | (i)(A): <100%<br>(i)(B): <100%<br>(ii): 100% |
| 4 | Second Lien Notes Claims | Except to the extent that a holder of an Allowed Second Lien Notes Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Second Lien Notes Claim, on the Effective Date, or as soon as reasonably practicable thereafter, each holder of an Allowed Second Lien Notes Claim shall receive: (i) if a Reorganization Transaction occurs, (A) if Class 4 is an Accepting Class, such holder's Pro Rata share of 5.0% of the New Equity Interests, and the Consenting First Lien Noteholders shall waive any claims they may have under Section 8.21 of the Intercreditor Agreement, or (B) if Class 4 is not an Accepting Class, no recovery under the Plan; or, (ii) if an Alternative Transaction occurs, such holder's Pro Rata share of the Net Alternative Transaction Proceeds, if any. | Impaired | Yes | $278 million | (i)(A): <100%<br>(i)(B): 0%<br>(ii): To be determined |



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| Class | Claim or Equity Interest | Treatment | Impaired or Unimpaired | Entitled to Vote on the Plan | Approx. Allowed Amount[4] | Approx. Recovery |
|---|---|---|---|---|---|---|
| 5 | HoldCo Unsecured Notes Claims | Except to the extent that a holder of an Allowed HoldCo Unsecured Notes Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for each Allowed HoldCo Unsecured Notes Claim, on the Effective Date, or as soon as reasonably practicable thereafter, each holder of an Allowed HoldCo Unsecured Notes Claim shall receive: (i) if a Reorganization Transaction occurs, (y) if either Class 5 or Class 6 (or both) is an Accepting Class, such holder's Pro Rata share of the HoldCo Cash, shared on a *pari passu* basis with the holders of Allowed (1) Intermediate HoldCo Unsecured Notes Claims, (2) HoldCo General Unsecured Claims, and (3) HoldCo Intercompany Claims held by Intermediate HoldCo, or (z) if neither Class 5 nor Class 6 is an Accepting Class, such holder's Pro Rata share of the HoldCo Cash, shared on a *pari passu* basis with the holders of Allowed (1) Intermediate HoldCo Unsecured Notes Claims, (2) HoldCo General Unsecured Claims, and (3) HoldCo Intercompany Claims; or (ii) if an Alternative Transaction occurs: such holder's Pro Rata share of the Alternative Transaction Recovery Pool. | Impaired | Yes | $6.8 million | (i)(y): 1.4%<br>(i)(z): 0.7%<br>(ii): To be determined |
| 6 | Intermediate HoldCo Unsecured Notes Claims | Except to the extent that a holder of an Allowed Intermediate HoldCo Unsecured Notes Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Intermediate HoldCo Unsecured Notes Claim, on the Effective Date, or as soon as reasonably practicable thereafter, each holder of an Allowed Intermediate HoldCo Unsecured Notes Claim shall receive: (i) if a Reorganization Transaction occurs, (y) if either Class 5 or Class 6 is an Accepting Class, (1) such holder's Pro Rata share of the HoldCo Cash, shared on a *pari passu* basis with the holders of Allowed (A) HoldCo Unsecured Notes Claims, (B) HoldCo General Unsecured Claims, and (C) HoldCo Intercompany Claims held by Intermediate HoldCo, *plus* (2) any HoldCo Cash distributed to Intermediate HoldCo on account of any Allowed HoldCo Intercompany Claims held by Intermediate HoldCo, shared on a *pari passu* basis with the holders of Allowed Intermediate HoldCo General Unsecured Claims, or (z) if neither Class 5 nor Class 6 is an Accepting Class, (1) such holder's Pro Rata share of the HoldCo Cash, shared on a *pari passu* basis with the holders of Allowed (A) HoldCo Unsecured Notes Claims, (B) HoldCo General Unsecured Claims, and (C) HoldCo Intercompany Claims, *plus* (2) any HoldCo Cash distributed to Intermediate HoldCo on account of any Allowed HoldCo Intercompany Claims held by | Impaired | Yes | $28 million | (i)(y): 2.6%<br>(i)(z): 1.3%<br>(ii): To be determined |



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| Class | Claim or Equity Interest | Treatment | Impaired or Unimpaired | Entitled to Vote on the Plan | Approx. Allowed Amount[4] | Approx. Recovery |
|---|---|---|---|---|---|---|
| | | Intermediate HoldCo, shared on a *pari passu* basis with the holders of Allowed Intermediate HoldCo General Unsecured Claims or; (ii) if an Alternative Transaction occurs, such holder's Pro Rata share of the Alternative Transaction Recovery Pool. | | | | |
| 7 | ASCAP/BMI Settlement Claims | Except to the extent that a holder of an ASCAP/BMI Settlement Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed ASCAP/BMI Settlement Claim, each holder of an Allowed ASCAP/BMI Settlement Claim shall receive: (i) if a Reorganization Transaction occurs, such holder's Pro Rata share of the ASCAP/BMI Settlement Claims Recovery Pool; or, (ii) if an Alternative Transaction occurs, such holder's Pro Rata share of the Alternative Transaction Recovery Pool. | Impaired | Yes | $2.0 million | (i): 100% of Settlement Payment Amounts (ii): To be determined |
| 8 | Ongoing Trade Claims | Except to the extent that a holder of an Allowed Ongoing Trade Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Ongoing Trade Claim, each holder of an Allowed Ongoing Trade Claim shall receive: (i) if a Reorganization Transaction occurs, such holder's Pro Rata share of the Ongoing Trade Claims Recovery Pool; or (ii) if an Alternative Transaction occurs, such holder's Pro Rata share of the Alternative Transaction Recovery Pool. In the event a Reorganization Transaction occurs, solely for purposes of distributions on account of Ongoing Trade Claims in accordance with Section 4.8 of the Plan, (i) each holder of an Ongoing Trade Claim shall receive its Pro Rata share of the Ongoing Trade Claims Recovery Pool, irrespective of the Debtor against which such Ongoing Trade Claim was filed, (iii) all Guarantee Claims will not be entitled to distributions from the Ongoing Trade Claims Recovery Pool, and (iii) all multiple Ongoing Trade Claims against any Debtors on account of joint obligations of two or more Debtors shall be treated as a single Ongoing Trade Claim. | Impaired | Yes | $0.8-$1.4 million | (i): 96-98% (ii): To be determined |
| 9 | General Unsecured Claims | Except to the extent that a holder of an Allowed General Unsecured Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed General Unsecured Claim: (i) if a Reorganization Transaction occurs, (x) each holder of a General Unsecured Claim that is not a HoldCo General Unsecured Claim or an Intermediate HoldCo General Unsecured Claim shall receive such holder's Pro Rata share of the General Unsecured Claims Recovery Pool, (y) each holder of a HoldCo General Unsecured Claim | Impaired | Yes | $1.5 million | (i): 3.3-6.7% (ii): To be determined |

| Class | Claim or Equity Interest | Treatment | Impaired or Unimpaired | Entitled to Vote on the Plan | Approx. Allowed Amount[4] | Approx. Recovery |
|---|---|---|---|---|---|---|
| | | shall receive its Pro Rata share of the HoldCo Cash, and (z) each holder of an Intermediate HoldCo General Unsecured Claim shall receive its Pro Rata share of the HoldCo Cash distributable to Intermediate HoldCo on account of any Allowed HoldCo Intercompany Claims held by Intermediate HoldCo on a *pari passu* basis with the holders of Allowed Intermediate HoldCo Unsecured Notes Claims; or (ii) if an Alternative Transaction occurs, such holder's Pro Rata share of the Alternative Transaction Recovery Pool. In the event a Reorganization Transaction occurs, solely for purposes of distributions on account of General Unsecured Claims in accordance with Section 4.9 of the Plan, (i) each holder of a General Unsecured Claim shall receive its Pro Rata share of the General Unsecured Claims Recovery Pool irrespective of the Debtor against which such General Unsecured Claim was filed, (ii) all Guarantee Claims will not be entitled to distributions from the General Unsecured Claims Recovery Pool, and (iii) all multiple General Unsecured Claims against any Debtors on account of joint obligations of two or more Debtors shall be treated as a single General Unsecured Claim. | | | | |
| 10 | Intercompany Claims | On the Effective Date, all Intercompany Claims shall be adjusted, Reinstated, or discharged, to the extent determined to be appropriate by the Reorganized Debtors, provided that, if a Reorganization Transaction occurs: (i) if either Class 5 or Class 6 (or both) is an Accepting Class, HoldCo Intercompany Claims shall receive no recovery under the Plan provided that Allowed HoldCo Intercompany Claims held by Intermediate HoldCo shall receive their Pro Rata share of the HoldCo Cash, or (ii) if neither Class 5 nor Class 6 is an Accepting Class, Allowed HoldCo Intercompany Claims shall receive their Pro Rata share of the HoldCo Cash. | Unimpaired | No (Presumed to Accept) | $80.0 million | (i): 0.7%<br>(ii): 1.4% |
| 11 | Existing LBI Parent Interests | On the Effective Date, all Existing LBI Parent Interests shall be cancelled, and the holders of Existing LBI Parent Interests shall not receive or retain any property under the Plan on account of such Interests. | Impaired | No (Deemed to Reject) | $0 | N/A |
| 12 | Intercompany Interests | On the Effective Date, all Allowed Intercompany Interests shall either be (i) canceled (or otherwise eliminated) and receive no distribution under the Plan or (ii) Reinstated. | Unimpaired | No (Presumed to Accept) | N/A | N/A |

In the event of a Reorganization Transaction, it is Debtors' view that recoveries for junior claim and interest holders, including holders of Ongoing Trade Claims, General Unsecured Claims, and ASCAP/BMI Settlement Claims, will be carved out of the recoveries available to the holders of First Lien Notes Claims with the consent of the Consenting First Lien Noteholders. Absent such consent, in the event of a Reorganization Transaction, holders of Claims or interests junior to the First Lien Notes Claims

would not be expected to be entitled to receive any recovery under the Plan. As a result, in a Reorganization Transaction, any recovery to such junior classes is in accordance with the priority scheme of the Bankruptcy Code.

It is the Debtors' view that this treatment, resulting from the agreement of the Consenting First Lien Noteholders to forego a portion of their recoveries under the Plan in the event of a Reorganization Transaction, provides substantial recoveries for unsecured creditors in the form of cash pools totaling up to approximately $3.5 million:

- the ASCAP/BMI Settlement Claims Recovery Pool will be funded with approximately $2.0 million;

- the Ongoing Trade Claims Recovery Pool will be funded with an amount equal to $1.4 million less any actual payments made to Critical Vendors under the Critical Vendor Order; and

- the General Unsecured Claims Recovery Pool will be funded with $100,000 (if Class 9 is an Accepting Class) or $50,000 (if Class 9 is not an Accepting Class).

The Debtors will inform holders of Ongoing Trade Claims and General Unsecured Claims of the classification of their Claims through customized ballots mailed to such voting creditors in such holder's Solicitation Package.[5] After the Debtors mail the Solicitation Packages, they will not seek to modify the classification of any General Unsecured Claim or Ongoing Trade Claim (i) without providing notice to such holder and an opportunity to change its vote, or (ii) after the Voting Deadline.

These cash pools are in addition to the (i) approximately $3.4 million paid to date to prepetition creditors pursuant to the First Day Orders (as defined herein) during the duration of the Chapter 11 Cases (as described in further detail in Section IV.B herein), (ii) the approximately $3.3 million the Debtors expect to be paid in cure costs upon the assumption of executory contracts and unexpired leases during the Chapter 11 Cases or pursuant to the Plan, and (iii) the waiver of an approximately $54 million Intercompany Claim held by LBI Media against HoldCo if Class 5 or Class 6 vote to accept the Plan, which supports enhanced recoveries for the holders of Class 5 and Class 6 claims, by allowing such Holders to share pro rata in the HoldCo Cash, which as of the date hereof is at a balance of $810,000.

## II. OVERVIEW OF THE COMPANY'S OPERATIONS

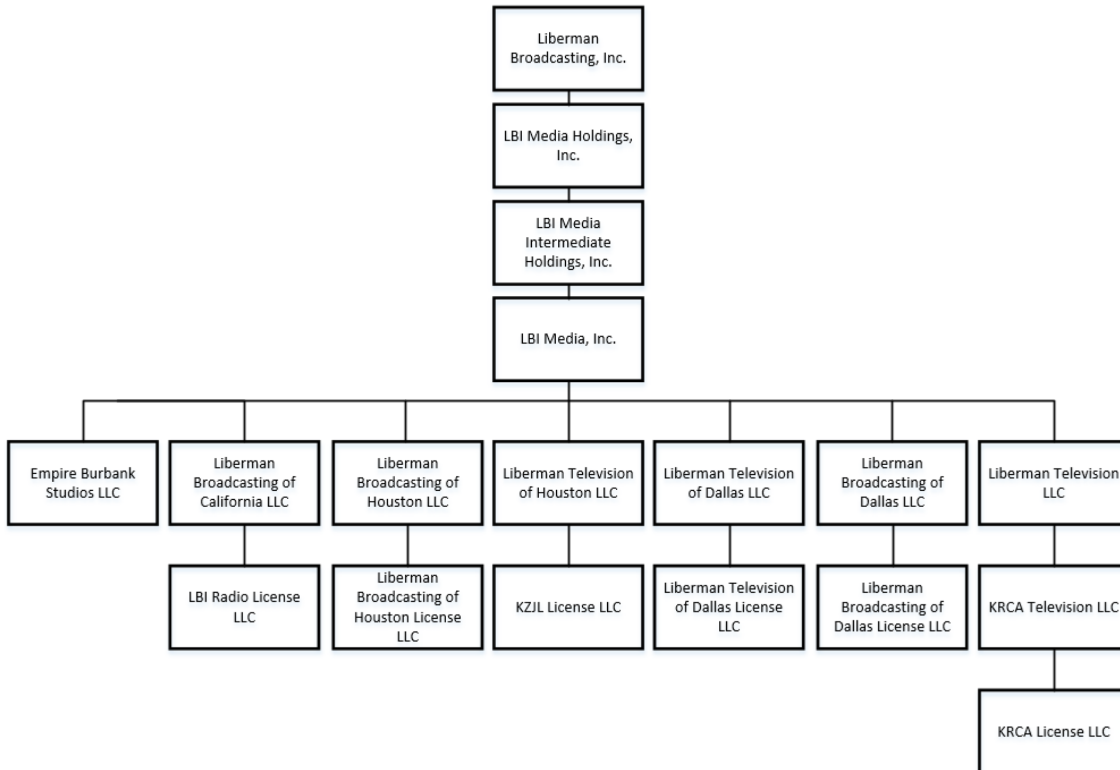
### A. Corporate History and Organizational Structure

LBI is a family-owned and operated television and radio broadcasting, and media company, co-founded in 1987 by Lenard D. Liberman ("**Mr. Liberman**", the "**Chief Executive Officer**", or the "**CEO**"), LBI Media's Chief Executive Officer, and his father José Liberman. In 1988, LBI purchased two unprofitable radio stations and converted one into Orange County, California's first Spanish-language radio station. LBI replicated this pattern across the country through the successful

[5] Pursuant to the Disclosure Statement Order, solicitation packages ("**Solicitation Packages**") shall contain copies of the (i) Disclosure Statement Order (excluding exhibits), (ii) the Confirmation Hearing Notice, (iii) a USB flash drive containing the Proposed Plan and Proposed Disclosure Statement, and (iv) if a recipient is entitled to vote on the Proposed Plan, a ballot (customized if applicable) (each as defined in the *Motion of Debtors for Entry of Order (I) Approving Proposed Disclosure Statement and Form and Manner of Notice of Disclosure Statement Hearing, (II) Establishing Solicitation and Voting Procedures, (III) Scheduling Confirmation Hearing, (IV) Establishing Notice and Objection Procedures for Confirmation of Proposed Plan, and (V) Granting Related Relief* [D.I. 45]).

reformatting of over twenty (20) radio stations to Spanish-language stations to serve the nation's growing Hispanic communities. From its humble beginnings, over the years, LBI has grown into the largest privately-held, minority-owned Spanish-language broadcaster in the United States. LBI's stations and programming reach millions of listeners and viewers in the United States, including in, among other markets, Los Angeles, Miami, New York City, Houston, Dallas, and Chicago. LBI also owns EstrellaTV, a Spanish-language television broadcast network. LBI produces popular, original programming for its owned and affiliated television stations and digital platforms from its studios in Burbank, California.

Liberman Broadcasting, Inc. ("**LBI Parent**") is the ultimate parent company of LBI's principal operating subsidiary, LBI Media. The majority of LBI's operations are conducted through LBI Media and its direct and indirect subsidiaries. The Company's organizational structure is depicted below:




## B. Company's Business

### i. Business Operations

LBI operates in three primary business segments: (i) radio station operations, (ii) television station operations, and (iii) television network operations. As a diversified multi-platform media company, LBI primarily derives its revenue from the sale of advertising airing on its radio stations, television stations, and the EstrellaTV network. These primary revenue streams are supplemented by, among other things, the sale of digital advertisements in connection with LBI's delivery of digital and streaming services and content, as well as revenue from affiliate fees and syndication sales.

LBI generates the majority of its advertising sales through advertising agencies and direct solicitations of local businesses. LBI offers advertisers the opportunity to advertise across multiple platforms and reach audiences both locally and nationally. The Company's advertiser relationships are built on LBI being an integral part of each market it serves, as well as LBI's unique Spanish-language content that reaches an audience that advertisers desire.

LBI centralizes the management of its overall executive, administrative and support functions, including sales, marketing, finance, legal, and human resources. LBI's primary operational and capital expenditures are programming spend, technical expenses, payments to its employees and independent contractors (including commissions paid to its local and national sales staff), marketing expenses, and general and administrative expenses. LBI's programming expenses for television mainly consist of costs related to the production and licensing of original programming content for the EstrellaTV network and the production of local and national newscasts.

For the year ended December 31, 2017, the Debtors' audited consolidated financial statements reflected total revenues of approximately $127.8 million and a net profit of approximately $78.0 million, including a one-time $92.3 million net gain on the Spectrum Sale (as defined herein). For the quarter ended September 30, 2018, the Debtors' unaudited consolidated financial statements reflected total revenues of approximately $32.5 million and a net loss of approximately $11.9 million. As of September 30, 2018, the Debtors' unaudited consolidated financial statements reflected assets totaling approximately $239.4 million and liabilities totaling approximately $545.5 million. Parties that certify they are beneficial owners of the Second Lien Notes and that they are qualified institutional buyers, broker-dealers, securities analysts, and market makers and agree to confidentiality restrictions may view the historical financial statements of LBI Media and its subsidiaries for the preceding five years prior to the Petition Date at the following site: https://dm.epiq11.com/#/case/LBM/info.

### C. Board of Directors and Senior Executive Managers

The following table sets forth the names of the members of each of LBI Parent's and LBI Media's current board of directors:

| Name |
|---|
| José Liberman |
| Lenard D. Liberman |
| Winter Horton |
| Peter Connoy |
| Rockard Delgadillo |
| Neal P. Goldman |

The following table sets forth the names of the Debtors' senior executive managers:

| Name | Position |
|---|---|
| Lenard D. Liberman | Chief Executive Officer |
| Winter Horton | Chief Operating Officer |
| Brian Kei | Chief Financial Officer |
| Kim Zeldin | General Counsel |

The composition of the board of directors of the Reorganized Debtors will be disclosed prior to the entry of the Confirmation Order in accordance with section 1129(a)(5) of the Bankruptcy Code.

### D. Regulation of Debtors' Business

The Company's businesses are regulated by a variety of governmental authorities, including federal, state and local agencies that regulate trade practices, building standards, labor, and health and safety matters, such as the Occupational Safety and Health Administration. The Debtors' operations are also subject to significant regulation by the Federal Communications Commission (the "**FCC**") under the

Communications Act[6] and FCC rules and regulations promulgated thereunder. A radio or television station may not operate in the United States without the authorization of the FCC.

## E. Prepetition Capital Structure

### i. Prepetition Indebtedness

As of the Petition Date, in addition to any unpaid interest, fees, penalties, or premiums under their debt documents, the Debtors had outstanding funded debt obligations in the aggregate principal amount of approximately $530 million:

a. First Lien Notes issued by LBI Media (the holders of which are referred to as the "**First Lien Noteholders**") in the principal amount of $233 million;

b. 11½% / 13½% PIK Toggle Second Priority Secured Notes due April 15, 2020 issued by LBI Media (the "**Second Lien Notes**", and the holders of such notes, the "**Second Lien Noteholders**") in the principal amount of approximately $262 million;

c. 11% PIK Unsecured Senior Notes due April 30, 2022 (the "**Intermediate HoldCo Unsecured Notes**", and the holders of such notes, the "**Intermediate HoldCo Unsecured Noteholders**") issued by LBI Intermediate Holdings, Inc. ("**Intermediate HoldCo**") in the principal amount of approximately $28 million; and

d. 11% Unsecured Senior Notes due April 30, 2017 (the "**HoldCo Unsecured Notes**", and the holders of such notes, the "**HoldCo Noteholders**") issued by LBI Media Holdings, Inc. ("**HoldCo**") in the principal amount of approximately $5.6 million beneficially owned by third parties.

The Company's secured and unsecured financing obligations are described in greater detail below. Such description is for informational purposes only and is qualified in its entirety by reference to the documents setting forth the specific terms of such obligations and their respective related agreements.

#### a) First Lien Notes

Certain of the Debtors are party to that certain Indenture (as amended, modified, or otherwise supplemented from time to time, the "**First Lien Indenture**"), dated as of March 18, 2011, among LBI Media, as issuer, each of the guarantors named therein (each of LBI Media's direct and indirect subsidiaries, the "**Debtor Guarantors**"), and Wilmington Savings Fund Society, FSB, as indenture trustee (the "**First Lien Trustee**"). The obligations under the First Lien Indenture are jointly and severally guaranteed by each of the Debtor Guarantors and are secured by first-priority liens (subject to certain permitted liens) over substantially all of the assets (other than certain excluded assets) of LBI Media and the Debtor Guarantors (the "**Common Collateral**"). As of the date hereof, the aggregate amount outstanding under the First Lien Indenture is $233 million in principal amount, plus any unpaid interest, fees, premiums, or other amounts due thereunder.

[6] "**Communications Act**" means 47 U.S.C. § 151, et. seq.

b) **Second Lien Notes**

On December 23, 2014, certain of the Debtors supplemented that certain Indenture dated as of December 31, 2012, among LBI Media, as issuer, the Debtor Guarantors, and U.S. Bank National Association ("**U.S. Bank**"), as indenture trustee (the "**Second Lien Trustee**"), and entered into that certain Series II Indenture, among the same parties (collectively, as amended, modified, or otherwise supplemented from time to time, the "**Second Lien Indenture**"). As of the date hereof, the aggregate amount outstanding under the Second Lien Indenture is approximately $262 million in principal amount, plus any unpaid interest, fees, or other amounts due thereunder. The Second Lien Notes are secured by the same Common Collateral as the First Lien Notes, and the Second Lien Noteholders have a second-priority interest in the Common Collateral. Pursuant to the Second Lien Indenture, the Second Lien Notes are subordinated in right of payment to the First Lien Notes. The Debtors estimate that as of the Petition Date, the Second Lien Notes Claims were equal to approximately $278 million.

c) **Intercreditor Agreement**

The relative rights, positions, and priorities of the holders of the First Lien Notes and the Second Lien Notes (and their respective trustees) with respect to the Common Collateral are set forth in that certain Amended and Restated Intercreditor Agreement, dated as of December 23, 2014, by and among LBI Media, the Debtor Guarantors, Credit Suisse AG Cayman Islands Branch, in its capacity First Priority Lien Collateral Trustee, and U.S. Bank, in its capacity as Second Priority Collateral Agent (the "**Intercreditor Agreement**"). Pursuant to the Intercreditor Agreement, the First Lien Noteholders have a first-priority interest in the Common Collateral, while the Second Lien Noteholders have a second-priority interest in the Common Collateral. The Intercreditor Agreement provides, among other things, that (i) any lien on the Common Collateral securing any claim of the First Lien Noteholders shall have priority over and be senior in all respects and prior to any lien on the Common Collateral securing any claim of the Second Lien Noteholders, and (ii) until the discharge of the claims arising under the First Lien Indenture has occurred, the Common Collateral and all proceeds thereof shall first be applied by the First Lien Trustee to such claims, prior to applying any such proceeds to claims arising under the Second Lien Indenture.

d) **Intermediate HoldCo Unsecured Notes**

HoldCo and Intermediate HoldCo are party to that certain Indenture (as amended, modified, or otherwise supplemented from time to time, the "**Intermediate HoldCo Indenture**"), dated as August 4, 2017, among Intermediate HoldCo as issuer, HoldCo, as guarantor, and TMI Trust Company, as trustee, pursuant to which Intermediate HoldCo issued approximately $24.3 million of unsecured payment-in-kind notes. The obligations under the Intermediate HoldCo Indenture are irrevocably and unconditionally guaranteed by HoldCo. The Debtors estimate that as of the Petition Date, the Intermediate HoldCo Unsecured Notes Claims are equal to approximately $28 million.

e) **HoldCo Unsecured Notes**

HoldCo is party to that certain Indenture (as amended, modified, or otherwise supplemented from time to time, the "**HoldCo Indenture**"), dated as of December 31, 2012, by and among HoldCo, as issuer and U.S. Bank, as trustee, pursuant to which HoldCo issued the HoldCo Unsecured Notes. The Debtors estimate that as of the Petition Date, the HoldCo Unsecured Notes Claims are equal to approximately $6.8 million.

f) **Other Secured Claims**

In the ordinary course of business, the Debtors engage with certain service providers that, as a matter of various state and local laws, may be entitled to assert statutory liens against the Debtors' assets or draw on deposits or letters of credit issued by the Debtors if the Debtors fail to pay for amounts the Debtors owe to them. To the extent such parties have not been timely paid, they may have statutory lien rights against the Debtors' assets. Further, the real property owned by Debtor Empire Burbank Studios LLC ("**Empire Burbank**") is pledged as collateral for a note with approximately $190,000 outstanding. The Debtors estimate that as of the Petition Date, the Other Secured Claims are equal to approximately $220,000.

g) **ASCAP/BMI Settlement Claims**

ASCAP/BMI Settlement Claims include Claims arising from, or related to, settlements reached with ASCAP and BMI (each as defined below).

The Debtors hold FCC licenses for various commercial radio stations, full-power commercial television stations, and certain low-power commercial television stations. Nearly all of the Debtors' radio broadcasts, and many of their television broadcasts, whether broadcast or streamed online, include the public performance of musical compositions. Such compositions are the lifeblood of the Debtors' business. When a composition is broadcast or streamed by the Debtors, the Debtors incur performance royalty obligations owed to the copyright owners of the compositions, who are typically songwriters and publishers. Composition owners generally rely on intermediaries known as performing rights organizations ("**Performing Rights Organizations**" or "**PROs**") to negotiate licenses with copyright users for the public performance of their compositions, collect royalty obligations under such licenses, and distribute royalties to copyright owners. Two of the PROs relied heavily upon by the Debtors (and the broadcasting industry generally) are the American Society of Composers, Authors and Publishers ("**ASCAP**") and Broadcast Music, Inc. ("**BMI**").

Prior to the Petition Date, LBI Parent had disputes with BMI and ASCAP concerning the royalty obligations owed to such PROs. ASCAP and BMI asserted that the Debtors owed them amounts in the aggregate that were in excess of the ASCAP/BMI Settlement Claims Recovery Pool. Prior to the Petition Date, following lengthy negotiations, LBI Parent entered into settlement agreements with each of ASCAP and BMI to settle their claims and allow the Debtors to have continued licensed access to musical compositions, thereby securing access to essential inputs into their businesses and ensuring certainty regarding the Debtors' liability to ASCAP and BMI. Pursuant to such settlement agreements, the Debtors estimate that the ASCAP/BMI Settlement Claims equal $2.015 million.

h) **Ongoing Trade Claims**

In the ordinary course of business, the Debtors incur Claims that are fixed, liquidated, and undisputed payment obligations to third-party providers of goods and services to the Debtors that facilitate the Debtors' operations (the "**Trade Claims**"). Certain Trade Claims (i) are entitled to statutory priority, such as under section 503(b)(9) of the Bankruptcy Code, (ii) may give rise to shippers, warehouseman, or mechanics liens against the Debtors' property if unpaid, (iii) relate to funds held in trust by the Debtors that are not property of the Debtors' estates, or (iv) are secured by letters of credit, security deposits, or rights of setoff (collectively, the "**Priority Trade Claims**"). The Debtors estimate that the total unsecured non-priority Trade Claims (the "**Ongoing Trade Claims**") equal approximately $0.8-$1.4 million. Estimated amounts do not include Claims that have been, or are expected to be, paid down pursuant to First Day Orders or are expected to be cured through the assumption of executory

contracts and unexpired leases. Additional amounts, including amounts disputed by the Debtors, may be asserted by potential claimants.

i) **General Unsecured Claims**

General Unsecured Claims consist of any claims against the Debtors (other than any Notes Claims, Intercompany Claims, Administrative Expense Claims, or Ongoing Trade Claims) as of the Petition Date that are neither secured by collateral nor entitled to priority under the Bankruptcy Code or any order of the Bankruptcy Court. As of the date hereof, the Debtors estimate that the aggregate amount of undisputed General Unsecured Claims outstanding is approximately $1.5 million, though additional amounts, including amounts disputed by the Debtors, may be asserted by potential claimants. Estimated amounts do not include claims (i) that have been, or are expected to be, paid down pursuant to First Day Orders, (ii) that are expected to be cured through the assumption of executory contracts and unexpired leases, or (iii) for which there may be coverage under the Debtors' insurance policies to cover such claims.

j) **Intercompany Claims**

Certain Debtors hold Claims against other Debtors resulting primarily from the normal functioning of the Company's centralized cash management system. As is typical for an enterprise of the Debtors' size and scale, certain of the Debtors have historically engaged in a series of both ordinary-course and non-recurring intercompany transactions. Certain of these intercompany transactions were not settled in cash between the relevant Debtor entities, and instead resulted in various intercompany balances, claims, and obligations. These intercompany transactions related to, among other things, (i) professional fees, taxes, and other administrative costs; (ii) principal, interest, and transaction costs associated with certain of the Debtors' debt service obligations; (iii) equity contributions and other capital transactions; and (iv) various rent and mortgage payments relating to real property owned by the Debtors. These intercompany transactions were historically booked in a number of different ways, including (i) as accounts receivable and accounts payable entries on entity-level balance sheets, and (ii) through contractual obligations, investments in affiliates, and intercompany loans.

Prior to the Petition Date, the Debtors generally did not record all intercompany transactions for ordinary course operating activities of LBI Media, the Debtors' primary operating entity, or its direct and indirect subsidiaries (collectively, the "**LBI Operating Entities**"). However, the Debtors have historically recorded and accounted for intercompany transactions between the LBI Operating Entities and the LBI Holding Companies, as well as certain transactions among the LBI Holding Companies,[7] including the following:

- The Debtors' books and records include a net intercompany obligation owed to LBI Media by HoldCo totaling approximately $53.7 million on account of various payments made by LBI Media on HoldCo's behalf related to certain third-party debt obligations of HoldCo. Specifically, this claim is related to (i) approximately $34.2 million in payments made by LBI Media on HoldCo's behalf in connection with interest payments on HoldCo's debt obligations between 2009-2013; (ii) approximately $8.6 million in payments made by LBI Media to repurchase certain debt obligations of HoldCo on HoldCo's behalf in 2008; (iii) approximately $9.8 million in payments made by LBI Media on behalf of HoldCo in connection with a 2013 exchange offer; and (iv) approximately $1 million of professional fees paid by LBI Media on behalf of HoldCo in

[7] The "**LBI Holding Companies**" are LBI Parent, Intermediate HoldCo, and HoldCo.

connection with the 2017 HoldCo Exchange (as defined and described in greater detail in Article III.C.ii below).

- Pursuant to the HoldCo Exchange, certain third-party investors (the "**Exchanging Noteholders**"), holding approximately $24 million of principal and accrued interest in notes issued by HoldCo agreed to transfer and assign their respective beneficial and other interests in such notes (the "**Exchanged Notes**") to Intermediate HoldCo in exchange for approximately $24 million of Intermediate HoldCo Unsecured Notes. The Debtors understand that the records of DTC show that there is approximately $28 million in aggregate principal amount of notes issued under the HoldCo Indenture and outstanding as of the Petition Date. Based on HoldCo's books and records and other information available to it, HoldCo estimates there (i) are approximately $6.8 million of HoldCo Unsecured Notes Claims outstanding to third parties (including interest), and (ii) an approximately $24 million Intercompany Claim held by Intermediate HoldCo against HoldCo on account of the Exchanged Notes. The Debtors believe that certain aspects of the transfer of the Exchanged Notes to Intermediate HoldCo remain subject to completion. The Exchanging Noteholders are contractually obligated to execute and deliver all such other and additional instruments and documents and to do such other acts and things as may be reasonably necessary or appropriate to cause the transfer of their respective beneficial and other interests in the Exchanged Notes to Intermediate HoldCo, including by transfer of the Exchanged Notes to a broker or custodian designated by Intermediate HoldCo. The Exchanging Noteholders are further contractually obligated to not in any way, directly or indirectly, among other things, sell, exchange, transfer, hypothecate, negotiate, gift, convey in trust, pledge, assign, encumber, or otherwise dispose of the Exchanged Notes, other than to Intermediate HoldCo. Intermediate HoldCo is taking steps to work with the Exchanging Noteholders, and, among others, as appropriate, the HoldCo Unsecured Notes Trustee to confirm or otherwise settle the transfer of the Exchanged Notes to Intermediate HoldCo in accordance with the HoldCo Exchange and finalize the reconciliation of these amounts.

- The Debtors' books and records also reflect net intercompany obligations due to LBI Media from Empire Burbank Studio LLC in the amount of approximately $1.9 million, relating to historical mortgage service obligations owed by Empire Burbank Studios LLC and paid by LBI Media.

Pursuant to the Plan, Intercompany Claims will be adjusted, Reinstated, or discharged, to the extent determined to be appropriate by the Debtors or the Reorganized Debtors, as applicable, subject to the treatment of Intercompany Claims against HoldCo, as described herein and in the Plan.

#### ii. Equity Ownership

LBI Parent is a privately held company. As of the Petition Date, Mr. Liberman owns 99.35% of the Class A stock of LBI Parent and 100% of such entity's Class B Stock, which has the effect of Mr. Liberman holding 99.75% of the economic interest and 99.96% of the voting interest in LBI Parent. The remaining Debtors are all wholly-owned direct or indirect subsidiaries of LBI Parent.

## III.
## KEY EVENTS LEADING TO COMMENCEMENT OF CHAPTER 11 CASES

### A. Challenging Media and Advertising Market Conditions

Starting in 2008, the Company began to face significant market challenges and other pressures, including, among other things, a decline in advertising and marketing spending generally during the global economic downturn. Even as the broader economy began to recover, the Debtors' industry faced

new and intense competition from rapidly-growing internet and digital advertising, which siphoned off the share of advertiser revenues allocated by agencies and brands to broadcast television and radio. LBI also has not been immune from the broader market challenges affecting U.S. television and radio broadcasters, including shifting viewer and listener habits.

Further, the media industry, including the Spanish-language media industry, remains highly competitive. The Company faces stiff competition across multiple market segments, including from local, regional, national, and international media companies, specialty radio and television operators, and a rapidly growing online media market.

## B. Unsustainable Capital Structure

As part of their competitive response to the market challenges noted above, the Debtors invested heavily in their businesses, including through the development and expansion of EstrellaTV and digital distribution channels. However, declines in revenue, coupled with the Company's growth and investment efforts, forced the Company to incur substantial indebtedness and concomitant debt service obligations. The cost of servicing such debt has limited the Company's free cash flow available for operations and capital expenditures. Prior to the Petition Date, the Debtors, in consultation with their advisors, concluded that the Second Lien Notes could not be refinanced under current market conditions.

## C. Prepetition Efforts to Improve Performance

### i. Operational Initiatives

From an operational standpoint, the Company has sought to increase its liquidity through continued improvements to operating performance and the growth of EstrellaTV. While many competitor Spanish-language networks experienced a drop in ratings in recent years, EstrellaTV grew its primetime audiences by 16% year-over-year from 2017 to 2018, and improved earnings by $13.7 million from 2015 to 2017. At the same time, when necessary, in recent years the Company engaged in cost-cutting measures to improve operational efficiencies, primarily by cutting programming expenses and utilizing existing content in the place of producing new content.

### ii. HoldCo Exchange and Repayment of Term Loan

In 2017, the Company sought to proactively refinance or otherwise extend the maturity of its debt when necessary or appropriate to ease the Company's overall debt service obligations. On April 28, 2017, the Company secured an extension of the maturity of certain of its unsecured debt by entering into a note exchange agreement (as amended and restated on August 4, 2017) with holders of approximately 80% of the HoldCo Unsecured Notes, pursuant to which, among other things, such noteholders agreed to exchange their outstanding HoldCo Unsecured Notes maturing in 2017 for Intermediate HoldCo Unsecured Notes maturing in 2022 (the "**HoldCo Exchange**"), giving the Company additional runway to repay the Intermediate HoldCo Unsecured Notes.[8]

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[8] As of the date hereof, the Debtors understand that the only non-Debtor beneficial holder of HoldCo Unsecured Notes is Caspian Capital L.P. The HoldCo Unsecured Notes matured on April 30, 2017, but the principal amount remains outstanding.

On or around July 25, 2017, following the sale of certain broadcast spectrum assets (the "**Spectrum Sale**"),[9] the Debtors repaid their then-outstanding $50 million senior secured term loan in full using a portion of the Spectrum Proceeds.

**iii. Engagement with Secured Lenders**

Starting in 2017, the Company engaged with groups of holders of its First Lien Notes and Second Lien Notes regarding a potential refinancing or restructuring of either or both tranches of debt.

In July 2017, the Company increased its engagement with an ad hoc group of investment funds purporting to hold a majority of LBI's Second Lien Notes (the "**Junior Noteholder Group**") regarding a potential refinancing or restructuring transaction. The Company and the Junior Noteholder Group exchanged a variety of proposals, but no agreement was reached. The Junior Noteholder Group was primarily focused on consummating an exchange of the Second Lien Notes for a controlling interest in the Company. The Junior Noteholder Group, however, did not offer any new-money investment in the Company in connection with such proposed transaction that would allow for value-enhancing capital investment or a reduction of the Company's first lien debt. The Company determined that the restructuring proposed by the Junior Noteholder Group would not address the Company's long-term needs. Consequently, negotiations with the Junior Noteholder Group stalled.

On January 3, 2018, the Junior Noteholder Group delivered to LBI a notice of default under the Second Lien Notes Indenture, alleging – wrongly – that LBI was in default under the Second Lien Notes Indenture for failing to apply the Spectrum Proceeds in accordance with such indenture. The Company disputed, and continues to dispute, the occurrence of an event of default.

Thereafter, the Company determined that it was prudent and appropriate to focus efforts on other market participants willing to invest in and grow LBI's business and to provide the Company with an opportunity to create a sustainable capital structure through a refinancing of the First Lien Notes. Accordingly, in January 2018, the Company solicited and communicated with a number of potential financing partners, including a number of investment funds, regarding the potential financing opportunity. During that time, potential investors performed extensive due diligence and HPS and another party each delivered a proposal pursuant to which it would provide the Company with additional liquidity through a new-money investment, an extension of the maturity of the First Lien Notes, and the alteration of certain other terms of the First Lien Notes. Each proposal contemplated the investor owning "non-callable" senior notes, including a "make-whole" provision, which is a customary provision in high-yield debt. The Company determined that HPS's proposal was the superior proposal of the two received and agreed to negotiate exclusively with HPS with respect to a financing transaction related to the First Lien Notes.

While the Company and HPS were negotiating from January to February 2018, the Junior Noteholder Group continued to assert that a default had occurred under the Second Lien Notes Indenture, and the Company filed a lawsuit in California seeking a declaratory judgment that no default had occurred. In light of these circumstances and under threat from the Junior Noteholder Group of an involuntary bankruptcy filing against HoldCo, the Company entered into a Forbearance Agreement with the Junior Noteholder Group on March 12, 2018 (the "**Forbearance Agreement**"), in part in an attempt to resume negotiations with the Junior Noteholder Group. Concurrent with pursuing a first-lien financing transaction with HPS, the Company hoped to achieve a complete capital structure solution. However,

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[9] On March 29, 2016, the FCC commenced the first-ever "incentive auction," designed to repurpose spectrum – the invisible infrastructure historically used for television broadcasting but now also commonly used for mobile device communications. LBI participated in the FCC incentive auction and sold control of its spectrum license relating to KRCA 62, an owned television station in Riverside, California for $142.3 million (the "**Spectrum Proceeds**").

during subsequent negotiations, the Junior Noteholder Group did not make an offer sufficient, in the Company's view, to right-size the Company's capital structure.

**iv. First Lien Financing Transaction**

Although the Debtors negotiated extensively with the Junior Noteholder Group, in April 2018, the Debtors ultimately determined, in their business judgment, to instead consummate a financing under the First Lien Notes Indenture in a transaction (the "**First Lien Financing Transaction**") with HPS. Among other things, the transaction (i) resulted in HPS (or its affiliates) acquiring 100% of the First Lien Notes, (ii) extended the maturity of the First Lien Notes to 2023, and (iii) provided the Debtors with additional liquidity. The First Lien Financing Transaction also provided for the inclusion of a "make-whole" provision. The First Lien Financing Transaction was negotiated at arms'-length, followed a marketing process, was approved by the board of directors of the Company with the receipt of advice from the Company's advisors, and was permissible under LBI's operative debt documents, including the First Lien Notes Indenture, the Second Lien Notes Indenture, and the Intercreditor Agreement.

**v. Second Lien Noteholder Litigation**

On April 25, 2018, the Junior Noteholder Group commenced an action in New York State Court against LBI Media and Mr. Liberman asserting, among other things, breaches of the Second Lien Notes Indenture.[10] The Junior Noteholder Group also filed an accompanying motion for a preliminary injunction (the "**Preliminary Injunction Motion**") to enjoin the closing of the First Lien Financing Transaction. On May 16, 2018, the New York State Court denied the Preliminary Injunction Motion, and on May 17, 2018, the First Lien Financing Transaction closed.

Following such closing, LBI sought to continue its growth efforts. However, such efforts were weakened by the Junior Noteholder Group's continued prosecution of their lawsuit against LBI Media and its Chief Executive Officer. The parties engaged in mediation in June 2018, but no resolution was reached. Notwithstanding that the Company made an $11.5 million cash interest payment to the Second Lien Noteholders in July 2018, a subset of the Junior Noteholder Group subsequently brought another action against LBI Media, its Chief Executive Officer, and HPS.[11] The multiple lawsuits commenced by the Junior Noteholder Group, and threats of further lawsuits, distracted the Debtors' management from operations, and required the Debtors to incur substantial defense costs, not only on their own behalf, but also on behalf of the Chief Executive Officer and HPS, to whom the Debtors owed indemnification obligations. The State Court Litigation was stayed upon the commencement of these Chapter 11 Cases.[12]

**vi. Appointment of Restructuring Committee**

When coupled with the Debtors' tightening liquidity (which was exacerbated by the expense of the Junior Noteholder Group litigation), the impact of the Junior Noteholder Group's actions made it more difficult to achieve the turnaround LBI had hoped for, and the Debtors determined that a comprehensive reorganization might be necessary. Understanding the need for transparency and independence in connection with any such process, on July 2, 2018, LBI Parent and LBI Media each appointed a new and experienced independent board member, Neal Goldman, and formed a committee of

[10] *See Caspian Select Credit Master Fund, Ltd., et al. v. LBI Media, Inc., et al.,* Index No. 652034/2018 ("**Caspian I**").

[11] *See Caspian Select Credit Master Fund, Ltd., et al. v. HPS Investment Partners, LLC, et al.*, Index No. 653685/2018 ("**Caspian II**", and collectively with Caspian I, the "**State Court Litigation**").

[12] A more detailed description of the State Court Litigation is provide in Article V hereof.

independent directors (the "**Restructuring Committee**") consisting of Mr. Connoy and Mr. Goldman. The Restructuring Committee was empowered and granted the authority to, among other things: (i) consider, evaluate, and pursue and authorize a strategic transaction it deems to be in the best interests of the company, (ii) determine whether a strategic restructuring transaction should be pursued, (iii) oversee discussions with the company's stakeholders in respect of a strategic restructuring transaction, (iv) oversee the implementation and execution of a strategic restructuring transaction, and (v) take such other actions as it considers necessary or desirable in order to carry out its mandate. Accordingly, the Restructuring Committee is empowered to oversee the Debtors' prosecution of these chapter 11 cases.

Led by the Restructuring Committee, LBI explored a variety of alternatives (both in-court and out-of-court) in pursuit of a deleveraging restructuring transaction. As part of the process, the Debtors worked closely with their legal counsel, Weil, Gotshal & Manges LLP, and their investment banker, Guggenheim Securities, LLC. Further, Alvarez & Marsal North America LLC ("**A&M**") was engaged in August 2018 to, among other things, support the Company and the Restructuring Committee in their efforts, act as independent advisor in respect of cash management and liquidity forecasting, and report directly to the board of directors and Restructuring Committee with respect to such matters.

### vii. Liquidity Concerns and Re-Engagement with Lenders

At the direction of the Restructuring Committee, the Debtors sought to reach a settlement with the Junior Noteholder Group that provided for a withdrawal of the litigation. However, the Junior Noteholder Group did not respond to the Debtors' settlement offer, nor propose any alternative restructuring or refinancing transaction. The Debtors, overseen by the Restructuring Committee, also engaged in preliminary discussions with HPS regarding a restructuring proposal that provided for the delevering of LBI's balance sheet. The Debtors also solicited potential third-party investors to refinance the Debtors' Second Lien Notes. However, no third party expressed an interest in any potential refinancing of the Second Lien Notes prior to the Petition Date.

The Debtors' strategic efforts intensified in advance of November 15, 2018, when cash coupon payments totaling $28 million in the aggregate were due under the First Lien Notes Indenture and Second Lien Notes Indenture (the "**Coupon Payments**").[13] Faced with a liquidity crisis caused by, among other things, the impending Coupon Payments and the continued cost of litigation, the Debtors attempted to bring both parties to the table with the goal of developing a process to achieve a consensual, prearranged or pre-negotiated plan of reorganization that would achieve LBI's goals of (i) delevering the Company, (ii) resolving the dispute regarding the first lien transactions and "make-whole" provision, and (iii) allowing LBI to focus on its television and radio broadcasting and production operations.

In October 2018 the Debtors presented their long-range business plan to HPS, and asked HPS to respond to certain restructuring proposals presented by the Debtors. HPS quickly engaged. The Debtors also sought to provide their long-range business plan to the Junior Noteholder Group and engage them in negotiations regarding potential in-court and out-of-court restructuring proposals that could be sponsored or otherwise supported by the Junior Noteholder Group. However, the Junior Noteholder Group determined not to engage with the Debtors, or enter into a confidentiality agreement with the Debtors to allow for constructive restructuring discussions to occur. Instead, encouraged by the Debtors, HPS and the Junior Noteholder Group engaged in direct settlement discussions, but were unable to resolve their dispute. The Debtors were supportive of such negotiations as they believed a settlement was in the best interests of all stakeholders. Unfortunately, the parties were unable to reach resolution.

[13] The Debtors did not have sufficient cash to satisfy the Coupon Payments, but utilized the grace period available under the relevant indentures.

In the absence of a viable third-party alternative or an agreement among the Company's lenders, LBI determined to press forward and commence chapter 11 cases with an emergence plan that allowed them to maximize value for their stakeholders. Accordingly, following diligence and further constructive arm's-length negotiations among the Debtors, HPS, and their respective advisors, the Company secured a commitment from HPS pursuant to the Restructuring Support Agreement to provide debtor-in-possession financing and support the Plan.

### D. Restructuring Support Agreement

On November 20, 2018, the Debtors, with the approval of the Restructuring Committee, entered into the Restructuring Support Agreement with the Consenting First Lien Noteholders, pursuant to which the Consenting First Lien Noteholders have committed to vote in favor, and support confirmation, of the Plan. The Restructuring Support Agreement may be terminated upon the occurrence of certain breaches by the parties thereto and upon the occurrence of certain events, including, for example, the failure to meet specified milestones relating to the solicitation, confirmation, and consummation of the Plan.

The RSA provides the Debtors with flexibility to consummate a transaction that is in the best interests of the Debtors' estates, creditors, and parties in interest. The RSA does not require the Debtors to take any actions or refrain from taking any actions to the extent that doing so would be inconsistent with their fiduciary duties.[14]

### E. Independent Investigation

Neal Goldman was appointed to the board of directors of LBI Media and LBI Parent on July 2, 2018. Mr. Goldman has extensive business and restructuring experience, as well as a strong background as an independent director. Since his appointment, Mr. Goldman has actively participated as a member of the board with management and the Company's advisors on the Restructuring. This includes approval of the entry into the Restructuring Support Agreement and the commencement of the Chapter 11 Cases.

In addition, Mr. Goldman, in his capacity as an independent director of the board of LBI Media, oversaw an investigation into certain claims and estate causes of action that are proposed to be released pursuant to the Plan. In connection with the investigation, Mr. Goldman, in his capacity as an independent director of the board of LBI Media, retained Richards, Layton & Finger, P.A. ("**RLF**") to assist in evaluating the colorability of those certain potential claims and estate causes of action. The investigation included extensive factual and legal analysis, and RLF conferred with, and reported on, its investigation to Mr. Goldman over the course of such investigation.

This investigation process included the review of various pleadings, filings and documents produced in the State Court Litigation, as well as the review of certain documents collected from the Company. RLF had access to and reviewed over 4,500 documents, comprising over 42,000 pages, and RLF also interviewed eight witnesses from the Debtors and their advisors, which were conducted in nine separate sessions.

Based upon the information available to the Restructuring Committee, including but not limited to the results of the investigation, the Restructuring Committee has concluded that it is in the best interests of the Company and its stakeholders to pursue the Plan and grant the releases provided for in the Plan. The Restructuring Committee's determination was based on, among other things, the meaningful

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[14] The Debtors have not sought Court approval of the RSA or the Intermediate HoldCo RSA (collectively, the "**RSAs**"), and the RSAs have therefore not been approved by the Court.

recoveries sponsored by HPS provided to creditors under the Plan, the deleveraging achieved by the Plan supported by HPS, and its consideration of the results of the investigation.

The Debtors are working with the Creditors' Committee in an effort to respond to its requests for further information regarding the investigation, while maintaining privilege, work product or other protections that apply to the investigation or the investigation report.

## IV.
## THE CHAPTER 11 CASES

### A. Commencement of Chapter 11 Cases

On November 21, 2018, the Debtors commenced the Chapter 11 Cases. The Debtors are continuing to manage their properties and operate their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

### B. First-Day Motions

Following the commencement of the Chapter 11 Cases, the Debtors filed various motions (the "**First Day Motions**") seeking relief from the Bankruptcy Court to enable the Debtors to promote a seamless transition between the Debtors' prepetition and postpetition business operations, facilitate a smooth reorganization through the Chapter 11 Cases and the Plan, and minimize any disruptions to the Debtors' operations. A description of the First Day Motions is set forth in the First Day Declaration. The Bankruptcy Court granted substantially all of the relief requested in the First Day Motions and entered various final orders authorizing the Debtors to, among other things:

- Pay certain prepetition taxes and assessments [D.I. 177];
- Pay certain prepetition obligations for on-air talent and critical vendors [D.I. 178];
- Continue certain customer programs, promotions, and practices [D.I. 179];
- Establish procedures for utility companies to request adequate assurance of payment and to prohibit utility companies from altering or discontinuing service [D.I. 180];
- Continue insurance programs and the processing of workers' compensation claims [D.I. 181];
- Continue paying employee wages and benefits [D.I. 182];
- Continue the use of the Debtors' cash management system, bank accounts, and business forms [D.I. 185]; and
- Obtain postpetition financing and use cash collateral [D.I. 198].

### C. DIP Financing and Cash Collateral

The Debtors entered chapter 11 with minimal cash on hand. Access to debtor-in-possession financing ("**DIP Financing**") and the use of Cash Collateral (as such term is defined in section 363(a) of the Bankruptcy Code) was critical to ensure that the Debtors have sufficient liquidity to operate their business and administer their estates during the Chapter 11 Cases. To address their working capital needs and fund their reorganization efforts, in the weeks leading up to the Petition Date, the Debtors solicited

interest in providing DIP Financing from the First Lien Noteholders as well as alternative third-party investors. The Debtors, with the assistance of their advisors, carefully reviewed each of their options with respect to DIP Financing and carefully weighed the advantages and disadvantages of each proposal received. The Debtors ultimately selected HPS's proposal for a $38 million senior secured superpriority financing facility (the "**DIP Facility**") only after determining it was the best option reasonably available under the totality of the circumstances. The Debtors and their advisors, under the auspices of the Restructuring Committee, negotiated the terms of the proposed DIP Facility with the First Lien Noteholders in good faith and at arm's-length.

As adequate protection for any diminution in value of their respective interests in the Common Collateral resulting from the Debtors' continued use thereof, the Debtors provided the holders of the First Lien Notes Claims and the Second Lien Notes Claims with, among other things, additional liens on the Debtors' unencumbered property and replacement liens on the Debtors' encumbered property. In addition, the Debtors anticipate that their adequate protection obligations will constitute superpriority claims under section 507(b) of the Bankruptcy Code. Through the use of the DIP Financing and Cash Collateral, the Debtors expect to have adequate liquidity to finance these Chapter 11 Cases and consummate the Plan.

On December 13, 2018, the Court entered the *Final Order (I) Authorizing Debtors to (A) Obtain Postpetition Senior Secured Financing and (B) Use Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Parties, (III) Granting Liens and Superpriority Claims, (IV) Modifying the Automatic Stay, and (V) Granting Related Relief* [D.I. 198] (the "**DIP Order**"), approving on a final basis, among other things, the Debtors' entry into the DIP Facility. Pursuant to the DIP Order, the Creditors' Committee has until March 6, 2019 to challenge the validity of the Prepetition Debt or the Prepetition Liens and to prosecute Challenges against, among others, the Prepetition Secured Parties (each as defined in the DIP Order).

### D. <u>Procedural Motions</u>

The Debtors also filed various motions regarding procedural issues common to chapter 11 cases of similar size and complexity. The Bankruptcy Court granted substantially all of the relief requested in such motions and entered various orders authorizing the Debtors to, among other things:

- Jointly administer the Debtors' chapter 11 cases [D.I. 22]
- Establish procedures for interim compensation and reimbursement of expenses of chapter 11 professionals [D.I. 190]; and
- Employ professionals utilized by the Debtors in the ordinary course of business [D.I. 191].

### E. <u>Retention of Chapter 11 Professionals</u>

The Debtors also filed several applications and obtained authority to retain various professionals to assist the Debtors in carrying out their duties under the Bankruptcy Code during the Chapter 11 Cases. These professionals include (i) Weil, Gotshal & Manges LLP as counsel; (ii) Richards, Layton & Finger, P.A. as co-counsel; (iii) Guggenheim Securities, LLC as investment banker; (iv) Alvarez & Marsal North America, LLC as financial advisor; (v) Epiq Corporate Restructuring, LLC as claims and noticing agent and administrative advisor; and (vi) Ernst & Young LLP as tax advisor.

### F. Appointment of Creditors' Committee

On December 6, 2018, the Creditors' Committee was appointed by the Office of the United States Trustee for the District of Delaware (the "**U.S. Trustee**") pursuant to section 1102 of the Bankruptcy Code to represent the interests of unsecured creditors in the Chapter 11 Cases. *See Notice of Appointment of Committee of Unsecured Creditors* [D.I. 133]. The members of the Creditors' Committee are: (i) BUC, Inc.; (ii) Natural Concepts Marketing; (iii) ASCAP; (iv) TMI Trust Company, indenture trustee for the Intermediate HoldCo Unsecured Notes; and (v) Karla Amezola.

On January 14, 2019, the Court authorized the Creditors' Committee to employ and retain Squire Patton Boggs (US) LLP as counsel [D.I. 319], Dundon Advisers LLC as financial advisor [D.I. 320], and Bayard, P.A. as co-counsel [D.I. 322].

### G. Statements and Schedules and Claims Bar Dates

On December 12, 2018, the Bankruptcy Court entered an order approving (i) January 22, 2019, at 5:00 p.m., prevailing Eastern Time, as the deadline for all non-governmental units (as defined in section 101(27) of the Bankruptcy Code) to file proofs of claim in the Chapter 11 Cases (the "**General Bar Date**"); (ii) May 20, 2019, at 5:00 p.m., prevailing Eastern Time, as the deadline for all governmental units (as defined in section 101(27) of the Bankruptcy Code) to file proofs of claim in the Chapter 11 Cases (the "**Governmental Bar Date**"); (iii) the later of (a) the General Bar Date or the Governmental Bar Date, as applicable, and (b) 5:00 p.m., prevailing Eastern Time, on the date that is thirty (30) days from the date on which the Debtors provide notice of a previously unfiled Schedule or an amendment or supplement to the Schedule as the deadline by which persons or entities affected by such filing, amendment, or supplement must file proofs of claim in the Chapter 11 Cases; and (iv) the later of (y) the General Bar Date or the Governmental Bar Date, as applicable, and (z) 5:00 p.m., prevailing Eastern Time, on the date that is thirty (30) days following the entry of an order approving rejection of any executory contract or unexpired lease of the Debtors as the deadline by which persons or entities asserting claims resulting from such rejection must file proofs of claim in the Chapter 11 Cases.

On December 18, 2018, the Debtors each filed their schedules of assets and liabilities and statements of financial affairs (collectively, the "**Schedules**") [D.I. 206-241].

### H. Exclusivity

Section 1121(b) of the Bankruptcy Code provides for a period of 120 days after the commencement of a chapter 11 case during which time a debtor has the exclusive right to file a plan of reorganization (the "**Exclusive Plan Period**"). In addition, section 1121(c)(3) of the Bankruptcy Code provides that if a debtor files a plan within the Exclusive Plan Period, it has a period of 180 days after commencement of the chapter 11 case to obtain acceptances of such plan (the "**Exclusive Solicitation Period**," and together with the Exclusive Plan Period, the "**Exclusive Periods**"). Pursuant to section 1121(d) of the Bankruptcy Code, the Bankruptcy Court may, upon a showing of cause, extend the Exclusive Periods.

The Exclusive Periods currently remain in effect. The Exclusive Plan Period and the Exclusive Solicitation Period may be further extended by the Bankruptcy Court through no later than May 21, 2020, and July 21, 2020, respectively.

## I. Marketing Process

Commencing on the Petition Date, the Debtors, with the assistance of their advisors, began a comprehensive marketing effort (the "**Marketing Process**") to solicit bids for a potential sale of all or substantially all of the Debtors' assets or an alternative sale or plan sponsor-type transaction and seek the highest or best bid for the Debtors' businesses. The Debtors, with the assistance of their advisors, contacted over fifty (50) parties, including both potential financial and strategic investors, to solicit transaction proposals. In connection with the Marketing Process, the Debtors' advisors also contacted advisors for the Junior Noteholder Group to gauge their interest in participating in the Marketing Process or exercising the First Lien Notes Refinance Option. Several parties (but not the Junior Noteholder Group) executed non-disclosure agreements, and received a copy of a confidential information memorandum and access to a data room. To date, a number of parties have submitted non-binding indications of interest from participants, and the Debtors are providing further information and access to the Debtors' management and advisors to these interested parties. The marketing process is ongoing. The deadline for interested parties to submit binding bids is expected to be no later than February 4, 2019, and the Debtors intend to select a successful bidder or determine to proceed with the Reorganization Transaction by no later than February 14, 2019, at which point they will promptly announce such election and seek consummation of such transaction or the Reorganization Transaction contemplated by the Plan thereafter. If an Alternative Transaction is elected, the Debtors will file and serve a notice of such election, attaching any applicable agreement. The Debtors expect the outcome of the Marketing Process to be indicative of the going concern market value of the Debtors' assets.

In reviewing any final binding bids received pursuant to the Marketing Process, the Debtors will consider, among other things, (i) the proposed consideration, including assumed liabilities, (ii) the execution risk of such bid, including conditions to closing, necessary organizational approvals, and the proof of availability of funds necessary to consummate the proposed transaction, (iii) other material terms of the proposed transaction, and (iv) whether the transaction (a) results in payment of the Allowed First Lien Notes Claims in full in Cash on the Effective Date, (b) otherwise generally provides better recoveries to holders of Claims when compared to a Reorganization Transaction, and (c) in the Debtors' business judgment, is otherwise superior to a Reorganization Transaction.

The Debtors' marketing process does not limit an Alternative Transaction to any particular transaction structure. Consequently, consummation of an Alternative Transaction may render certain of the Debtors ineligible for a discharge under section 1141(d) of the Bankruptcy Code.

## J. First Lien Notes Refinance Option

The proposed chapter 11 plans filed by the Debtors on November 23, 2018 [D.I. 43] (the "**Initial Proposed Plan**"), January 4, 2019 [D.I. 277], and January 15, 2019 [D.I 325] provided that in the event that the Restructuring Committee elected to implement a Reorganization Transaction, the holders of Second Lien Notes Claims could elect, by January 16, 2019, to purchase the (i) the aggregate amount of DIP Claims outstanding as of the Voting Deadline, and (ii) the Allowed amount of the First Lien Notes Claims outstanding as of the Voting Deadline, without paying the Applicable Premium or any other unpaid premiums (the "**First Lien Notes Refinance Option**"). If the holders of Second Lien Notes Claims had consummated the First Lien Notes Refinance Option by January 16, 2019, and otherwise supported the Plan, the holders of Second Lien Notes Claims would have received 100% of the New Equity Interests (but waived their recovery on the newly-purchased First Lien Notes Claims). The First Lien Notes Refinance Option was intended by HPS to afford the holders of Second Lien Notes Claims the option to refinance the First Lien Notes Claims – and obtain 100% of the equity interests of the Reorganized Debtors – without having to pay the Applicable Premium on the First Lien Notes Claims.

The First Lien Notes Refinance Option was also discussed in the proposed disclosure statements filed on November 23, 2018, January 4, 2019, and January 15, 2019, and was discussed on the record at the Debtors' first day hearing on November 27, 2018. Accordingly, the First Lien Notes Refinance Option was disclosed to, and was available for exercise by, the holders of Second Lien Notes Claims from November 23, 2018 to January 16, 2019. Following the Petition Date, the Debtors also offered to provide the Junior Noteholder Group with the Debtors' long-range business plan pursuant to a non-disclosure agreement if the holders were willing to be an interested participant in the Marketing Process or show interest in the First Lien Notes Refinance Option. The Debtors' investment banker also attempted to engage with the Junior Noteholder Group's advisors regarding both the First Lien Notes Refinance Option and the possibility of the Junior Noteholder Group's participation in the Marketing Process, but the Junior Noteholder Group did not engage with the Debtors. Although the Junior Noteholder Group has insisted that the Second Lien Notes are in the money and that they are the fulcrum security holders in the Debtors' capital structure, the Junior Noteholder Group has not engaged with the Debtors and elected not to exercise the First Lien Notes Refinance Option. Accordingly, it was removed from the Plan.

# V.
# PENDING LITIGATION

## A. Litigation with Junior Noteholder Group[15]

As discussed above, on April 25, 2018, the Junior Noteholder Group filed a complaint and a motion for preliminary injunction in the Caspian I action against LBI Media and Lenard Liberman. The nature of the allegations is that the First Lien Financing Transaction allegedly provided no benefit to the Company and was entered into solely to benefit Mr. Liberman. The Caspian I plaintiffs further allege that the First Lien Financing Transaction resulted in the addition of a "no call" provision to the First Lien Notes Indenture, allegedly to the detriment of the Caspian I plaintiffs.

The causes of action set forth in the Caspian I Complaint arise out of LBI Media's agreement to enter into the First Lien Financing Transaction and include (i) allegations that LBI Media breached the Forbearance Agreement by, among other things, failing to negotiate with the Caspian I plaintiffs in good faith regarding a restructuring, and (ii) allegations against Mr. Liberman of breaches of fiduciary duty, for negotiating and causing LBI Media to enter into the First Lien Financing Transaction, and tortious interference with the Forbearance Agreement. On May 8, 2018, the Caspian I plaintiffs amended their complaint to add a fourth cause of action seeking a declaratory judgment that the Company breached the Second Lien Notes Indenture by allegedly failing to apply the Spectrum Proceeds in accordance therewith, triggering an alleged event of default and acceleration of the Second Lien Notes. On May 16, 2018, following a hearing, the New York State Court denied the motion for preliminary injunction that sought to enjoin the First Lien Financing Transaction.

On July 24, 2018, a subset of the Caspian I plaintiffs filed the Caspian II action against not only LBI Media and Mr. Liberman, but also HPS, in the same court where the Caspian I action was pending. The Caspian II plaintiffs allege that the First Lien Financing Transaction was a fraudulent transfer, and that LBI Media and Mr. Liberman committed fraud by concealment by failing to timely disclose the First Lien Financing Transaction. The Caspian II plaintiffs also alleged that HPS aided and abetted in the foregoing and that HPS tortiously interfered with the Forbearance Agreement by requesting a "no-shop" agreement despite its knowledge of LBI Media's obligation to negotiate in good faith with the Junior Noteholder Group under the Forbearance Agreement. Finally, the Caspian II plaintiffs (i) alleged that the

[15] This discussion of the litigation with the Junior Noteholder Group reflects the views of the Debtors, and no court has made judicial findings or determinations with respect to the merits of such claims. Holders of Claims and Interests may review the public court dockets for the State Court Litigation for further details on the positions of the parties thereto.

defendants committed civil conspiracy by allegedly agreeing to and facilitating the First Lien Financing Transaction as a fraudulent scheme, and (ii) asserted a claim against the defendants for deepening insolvency. The Caspian II plaintiffs seek monetary damages, declaratory relief that the defendants committed the various torts outlined above, and attorneys' fees and costs.

As they did prior to the Petition Date, the Debtors continue to dispute the claims asserted in these actions on the basis that, among other things, the First Lien Financing Transaction was (i) in the best interests of the Company, (ii) negotiated at arms'-length, (iii) entered into following a competitive marketing process, (iv) the best proposal available to the Debtors, (v) approved by the board of directors of the Company following the receipt of advice of the Company's advisors, and (vii) permissible under LBI's operative debt documents, including the First Lien Notes Indenture, the Second Lien Notes Indenture, and the Intercreditor Agreement. Further, the Debtors assert that (a) the Debtors complied with the Second Lien Indenture with respect to the application of the Spectrum Proceeds, and (b) did not breach the terms of the Forbearance Agreement or commit fraud by concealment or civil conspiracy by merely negotiating and pursuing and consummating the First Lien Financing Transaction, which was plainly permitted under the terms of the Forbearance Agreement, and in the best interests of the Company at that time.

Prior to the Petition Date, LBI Media had filed (i) in Caspian I, a motion to dismiss the fourth cause of action, and (ii) in Caspian II, a motion to dismiss all causes of actions asserted against LBI Media. As of the Petition Date, both motions to dismiss were pending. Pursuant to section 362 of the Bankruptcy Code, the State Court Litigation was stayed upon the commencement of these Chapter 11 Cases.

The Junior Noteholder Group sought to continue the litigation following the Petition Date. On December 10, 2018, the Junior Noteholder Group filed a motion seeking relief from the automatic stay [D.I. 141] (the "**Lift Stay Motion**") to continue to assert its claims against HPS and Mr. Liberman (the "**State Court Claims**"). Each of the Debtors, HPS, the Creditors' Committee, and Mr. Liberman objected to the Lift Stay Motion. *See* D.I. 253, 254, 255, and 256, respectively. The Debtors' objection to the Lift Stay Motion stated that, among other things, (i) the Junior Noteholder Group lacked standing to pursue the State Court Claims against HPS and Mr. Liberman in both state court and Bankruptcy Court because all such claims are derivative claims owned by the Debtors' estates; (ii) even if the State Court Claims were not derivative, the automatic stay should be extended to the non-debtor defendants or enjoined pursuant to section 105(a) of the Bankruptcy Code; and (iii) that the Junior Noteholder Group was barred from seeking relief from the automatic stay pursuant to the Intercreditor Agreement. On December 30, 2018, the parties stipulated and consented (x) that the Bankruptcy Court has jurisdiction over certain claims among the parties, including claims (a) that are proposed to be released under the Plan, and (b) related to the Intercreditor Agreement, and (y) to the prompt dismissal of the State Court Litigation, without prejudice [D.I. 265]. Such stipulation was so-ordered by the Court on January 2, 2019 [D.I. 270]. Although the stipulation requires the Junior Noteholder Group to dismiss its State Court Claims from state court, the Junior Noteholder Group has failed to do so as of the date hereof. On January 15, 2019, the Junior Noteholder Group filed an adversary complaint against LBI Media, its directors, and HPS [D.I. 323] asserting claims arising from similar facts and circumstances as the State Court Claims. The Debtors have reserved all rights and defenses with respect thereto.

### B. The Junior Noteholder Group's and the HoldCo Unsecured Noteholders' Position

**THIS SECTION SUMMARIZES THE POSITION OF THE JUNIOR NOTEHOLDER GROUP AND THE HOLDCO UNSECURED NOTEHOLDERS. THE DEBTORS DO NOT ADOPT OR SUPPORT THE JUNIOR NOTEHOLDER GROUP'S POSITIONS OR DESCRIPTION OF FACTS, AND RESERVE ALL RIGHTS WITH RESPECT THERETO. CERTAIN OF THE**

**DEBTORS' POSITIONS WITH RESPECT TO THE STATEMENTS AND ALLEGATIONS MADE HEREIN CAN BE FOUND IN SECTION V.A HEREIN, AND IN THE DEBTORS' PLEADINGS IN THE PREPETITION STATE COURT ACTIONS.**

**NOTWITHSTANDING THE STATEMENTS OF THE JUNIOR NOTEHOLDER GROUP AND THE HOLDCO UNSECURED NOTEHOLDERS, THE DEBTORS BELIEVE THAT (1) THE PLAN IS THE BEST ALTERNATIVE AVAILABLE TO CREDITORS, AND THAT ALL CREDITORS WILL RECEIVE A BETTER RECOVERY UNDER THE PLAN THAN ANY OTHER AVAILABLE ALTERNATIVE, (2) THE PURSUIT OF LITIGATION IN THESE CHAPTER 11 CASES WILL RESULT IN AN UNCERTAIN OUTCOME FOR CREDITORS, AND (3) THE JUNIOR NOTEHOLDER GROUP AND HOLDCO UNSECURED NOTEHOLDERS HAVE NOT RECOMMENDED OR SOUGHT TO PURSUE ANY ALTERNATIVE PATH FORWARD.**

The Junior Noteholder Group, purported holders of approximately 94% of the Second Lien Notes, and the HoldCo Unsecured Noteholders (consisting entirely of certain members or affiliates of members of the Junior Noteholder Group) do not support the Plan. The information presented below summarizes the Junior Noteholder Group and HoldCo Unsecured Noteholders' position and view of facts underlying such position, so that creditors can consider such position when deciding whether to vote to accept or reject the Plan. For the reasons set forth below, the Junior Noteholder Group and HoldCo Unsecured Noteholders urge creditors to vote to reject the Plan.

In the Junior Noteholder Group's view, since at least 2008, LBI has suffered from deteriorating financial performance and a capital structure that has ballooned to unsustainable levels. By the time of the filing of these Chapter 11 Cases, the Debtors had debt with an aggregate principal amount of $530 million (not including the First Lien Notes make-whole amount).

The Junior Noteholder Group asserts that various members of the Junior Noteholder Group, who have invested with LBI at multiple levels of its capital structure, have provided financing to LBI multiple times in the last few years in an effort to assist the Debtors in turning around their business. The Junior Noteholder Group asserts that the last time members of the Junior Noteholder Group did so was in 2014, when they agreed to a debt exchange which resulted in the issuance of Second Lien Notes under the Second Lien Indenture.[16]

At the time of the issuance, the Junior Noteholder Group anticipated that the Company would generate significant cash proceeds through Spectrum Sale, and the Junior Noteholder Group believed that such proceeds were sorely needed by LBI to relieve its debt obligations and sustain its business. The Junior Noteholder Group asserts that (i) the purpose of the debt exchange was to serve as a bridge until the FCC Spectrum Sale concluded and LBI could use the cash generated thereby to reduce its debt, and (ii) to ensure that this happened, the Second Lien Noteholders that were a part of that transaction, including certain members of the Junior Noteholder Group, negotiated specific provisions in the Second Lien Indenture that restricted the Company's ability to use the proceeds from the sale of spectrum assets and required LBI to apply those proceeds to reduce its debt.

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[16] In addition, certain members of the Junior Noteholder Group are also the HoldCo Unsecured Noteholders holding the HoldCo Unsecured Notes. The HoldCo Unsecured Notes matured and were fully due and payable on April 30, 2017. HoldCo, however, never repaid this debt to the outstanding holders of HoldCo Unsecured Notes. In the Junior Noteholder Group's view, despite such default, the HoldCo Unsecured Noteholders did not seek immediate remedies in the hopes that a broader restructuring of the Debtors could be achieved.

In the Junior Noteholder Group's view, the additional restrictions demanded by the Second Lien Noteholders are reflected in the Second Lien Indenture and that it was modeled after the version of the First Lien Indenture that existed prior to the First Lien Financing Transaction (the "**Pre-Transaction First Lien Indenture**"). The Junior Noteholder Group asserts that both indentures restricted LBI's ability to sell certain assets and the uses to which the proceeds from asset sales could be put, but in the Junior Noteholder Group's view, the difference was that, while the Pre-Transaction First Lien Indenture permitted LBI to use asset sale proceeds up to a certain amount to either repay debt or for a permitted business purpose within 365 days of receiving such proceeds, the Second Lien Indenture specifically and expressly required that *all* net proceeds from a Spectrum Sale must be used to repay debt, starting with LBI's first lien debt.

The Junior Noteholder Group's interpretation of the Second Lien Indenture is that, *the Company was only permitted to use Net Proceeds from the Spectrum Sale to repay, or to repurchase and redeem, certain of its debt, and was required to do so within sixty (60) days of its "receipt" of those proceeds*. As discussed below, the Junior Noteholder Group asserts that LBI failed to comply with this requirement.

According to the Junior Noteholder Group, on July 21, 2017, LBI received approximately $92.3 million in gross proceeds from the Spectrum Sale, and that after paying off its senior term loan debt and applicable taxes, LBI was left with approximately $40.8 million in net cash proceeds. In the Junior Noteholder Group's view, (i) such cash proceeds should have been used to reduce the indebtedness under the First Lien Notes and alleviate the Debtors' already strained capital structure, and (ii) under the terms of the Second Lien Indenture, LBI was required to use those proceeds to repay its senior debt by September 19, 2017, which was 60 days after its "receipt" of the Spectrum Sale proceeds. The Junior Noteholder Group asserts that LBI used the proceeds to acquire a television station in Miami and for other general corporate purposes and operations over the Junior Noteholder Group's objections and without its members' consent. The Junior Noteholder Group asserts they were damaged by these acts and have asserted corresponding claims against LBI and Mr. Liberman.

The Junior Noteholder Group asserts that application of the proceeds in accordance with their interpretation of the Second Lien Indenture would have reduced LBI's overall indebtedness and left LBI with several viable options, including what should have been, in the Junior Noteholder Group's view, a relatively straightforward restructuring transaction with the Second Lien Noteholders, and points to the fact that in the fall 2017, LBI and its advisors engaged with the Junior Noteholder Group in negotiating a series of restructuring proposals revolving around the Second Lien Notes.

Throughout the fall and winter of 2017, LBI and the Junior Noteholder Group exchanged multiple term sheets with the assistance of their respective legal and financial advisors. The Junior Noteholder Group asserts that all of such term sheets, including those proposed by LBI, contemplated the exchange of the Second Lien Notes for substantially all of the equity of LBI. According to the Junior Noteholder Group, (i) at that time, and all times since, the First Lien Notes traded at above par and it was understood that they could and would simply be refinanced once the Second Lien Notes equitized and the capital structure of the company was reduced by more than half, and (ii) at no times during these negotiations did LBI discuss with the Junior Noteholder Group that it had any plans, or was discussing, a refinancing transaction involving the First Lien Notes.

In the Junior Noteholder Group's view, over the course of the negotiations, the sticking point was Mr. Liberman's insistence that he be awarded equity, mostly in the form of a management incentive plan that, with warrants, totaled upwards of 25%. However the Junior Noteholder Group states that it was not prepared to grant Liberman 25% of the Company or numerous board seats. Negotiations broke down, and in the Junior Noteholder Group's view the only open issue on the term sheets that were exchanged related to the size and specifics of Mr. Liberman's equity compensation. The Junior Noteholder Group has

asserted that Mr. Liberman's actions were a breach of his fiduciary duties and that corresponding claims exist against LBI and Mr. Liberman.

After the Junior Noteholder Group determined that negotiations would not produce a resolution, and seeing no other options, the Junior Noteholder Group sent a notice of default to LBI asserting that LBI failed to apply the Spectrum Sale proceeds in accordance with Section 4.10(b)(ii) of the Second Lien Indenture. The Junior Noteholder Group subsequently delivered a notice of acceleration of the Second Lien Notes to LBI,[17] which the Junior Noteholder Group asserts resulted in approximately $260 million becoming immediately due and payable.

On February 16, 2018, LBI brought an action against the Second Lien Noteholders in California State Court seeking (among other things) a declaration that LBI was not in breach of the Second Lien Indenture, arguing that they had more time to properly apply the Spectrum Sale proceeds to pay down its debt. The Junior Noteholder Group asserts that the California action was entirely lacking in any legal merit and was brought for purely tactical reasons—namely, to try to manufacture a "bona fide" dispute under Section 303 of the Bankruptcy Code so as to prevent the Junior Noteholder Group from commencing an involuntary bankruptcy.

That action was subsequently withdrawn by LBI without prejudice with the Junior Noteholder Group's understanding that, so long as the Junior Noteholder Group agreed to forbear from enforcing its rights, the parties could resume their restructuring negotiations in good faith. According to the Junior Noteholder Group, before the Forbearance Agreement was executed, LBI and Mr. Liberman were in discussions with HPS to engage in a deal that, in the Junior Noteholder Group's view, would deprive the Second Lien Noteholders of their economic rights and allow Mr. Liberman to retain control of the business his family founded. The Junior Noteholder Group has asserted that LBI and Mr. Liberman's actions were a breach of the Forbearance Agreement and has asserted corresponding claims against LBI, Mr. Liberman and HPS.

The Junior Noteholder Group asserts that the First Lien Financing Transaction was approved by the LBI board of directors before the Forbearance Agreement with the Junior Noteholder Group was set to expire, was structured so as to make HPS the sole holder of all outstanding First Lien Notes, and in the Junior Noteholder Group's view, to maximize HPS's position in LBI's eventual bankruptcy.

The Junior Noteholder Group's view is that the First Lien Financing Transaction was implemented as follows:[18] First, LBI identified an ad hoc group of holders of the First Lien Notes who held a majority of the then $220 million principal amount of First Lien Notes. HPS negotiated to purchase their notes and ultimately bought approximately $165 million of the First Lien Notes that were outstanding for approximately 101 cents on the dollar. Such First Lien Notes were originally held under a global note held by a nominee, but upon the purchase, were converted and issued to HPS as "Definitive Notes" held in the name of HPS's acquiring entities. Second, the Pre-Transaction First Lien Indenture was amended such that only the holders of "Definitive Notes" had the ability to decline a redemption by LBI of the First Lien Notes. Third, LBI sent notice that it was redeeming all of the First Lien Notes.

[17] LBI's position was that the Junior Noteholder Group lacked standing under the Second Lien Indenture to issue the default notice or the acceleration notice. Without conceding that point, the Junior Noteholder Group instructed the trustee for the holders of the Second Lien Notes to issue a default notice and an acceleration notice, which the trustee did on January 24, 2018, and April 20, 2018, respectively.

[18] The following is the Junior Noteholder Group and HoldCo Unsecured Noteholders' description of the transaction steps and is qualified in its entirety by reference to the applicable transaction documents, and the Debtors reserve all rights.

HPS, as the sole holder of Definitive Notes with the ability to decline, sent notice to LBI declining such redemption. Fourth, LBI agreed to issue additional notes to HPS in an aggregate principal amount of approximately $68 million, and then, from the proceeds of those additional notes, LBI used approximately $55 million to fulfill its redemption of all the non-HPS owned First Lien Notes. Fifth, the Pre-Transaction First Lien Indenture was re-written to provide a make whole that could be worth up to $87 million.

The Junior Noteholder Group asserts that any benefits purportedly provided to LBI by the First Lien Financing Transaction are entirely illusory, based on the following assertions made by the Junior Noteholder Group: (i) the First Lien Financing Transaction provided LBI with less than $3 million in additional liquidity after taking account of various transaction-related fees, while the transaction increased the principal amount of debt outstanding under the First Lien Notes by $13 million; (ii) the First Lien Financing Transaction nominally appeared to extend the maturity of the First Lien Notes from April 15, 2019, to 2023, but in reality, the First Lien Notes would become due in March 2020, less than a year after their original maturity date unless the Second Lien Notes were refinanced or prepaid by that time (which had virtually no chance of happening),[19] (iii) while the interest rate expense under the Pre-Transaction First Lien Indenture was fixed at 10% per annum, the rate under the post-transaction First Lien Indenture was variable and expected to climb to almost 10.5% by March 2019, resulting in $1.7 million in additional interest expense; and (iv) the new First Lien Indenture also required LBI to pay a "make whole" to HPS that could be worth up to $86.5 million, triggerable upon either a bankruptcy filing or acceleration of the Second Lien Notes. The Junior Noteholder Group's view is that while make-whole provisions are hardly out of the norm where an issuer is solvent, they assert that the make-whole could already be triggered at the time the First Lien Financing Transaction was consummated by virtue of the asserted defaulting and acceleration of the Second Lien Notes.

Further, the Junior Noteholder Group asserts that as part of the First Lien Financing Transaction, LBI consented to HPS purchasing First Lien Notes on the secondary market and agreed: (a) to pay a fee of 2% to HPS on those third-party purchases that LBI was not a party to; and (b) to indemnify HPS for any and all costs or expenses (including attorney's fees) it might incur for any claims or investigations that might arise out of those purchases.

In the Junior Noteholder Group's view (i) LBI spent at least $9.4 million on fees to obtain less than one-third of that amount in additional liquidity, and on terms that were demonstrably harmful to LBI and its stakeholders, when it was already insolvent, and (ii) had LBI not increased its first lien debt through the transaction with HPS, and instead decreased its debt load with the proceeds from the Spectrum Sale, as the Second Lien Indenture required, LBI's first lien debt would have been much smaller and more easily refinanced, and a consensual deal could have been entered into quickly and with fewer costs. The Junior Noteholder Group has asserted that Mr. Liberman chose to put his own interests ahead of LBI and its stakeholders, inflating LBI's capital structure for no other reason than to maintain his control over LBI.

Following the First Lien Financing Transaction, the Junior Noteholder Group's view was that it was left with little choice but to commence litigation, and accordingly, on April 25, 2018, certain members of the Junior Noteholder Group filed a complaint in the Supreme Court of New York against LBI and Mr. Liberman, alleging claims for breach of contract and breach of fiduciary duty (among

[19] As discussed above, the Junior Noteholder Group asserts that the Second Lien Notes were already in default and accelerated, and the First Lien Notes could have become immediately due and owing as soon as the First Lien Financing Transaction closed.

others), and seeking declaratory, monetary and preliminary and permanent injunctive relief.[20] The request for preliminary injunctive relief enjoining the First Lien Financing Transaction was denied. In the Junior Noteholder Group's view, the denial was principally based on Mr. Liberman's testimony that LBI had no imminent plans to file for bankruptcy.

The Junior Noteholder Group's view is that following the preliminary injunction hearing, the state court immediately referred the parties to mediation and warned that, were the litigation to proceed, the court could undo the First Lien Financing Transaction. Despite being overseen by a highly respected former bankruptcy judge with expertise in the issues presented, the mediation was not successful. With the parties again at an impasse, the state court action proceeded until the Debtors filed these Chapter 11 Cases on the date the parties were scheduled to appear at a hearing before the state court on November 21, 2018.

The Junior Noteholder Group and HoldCo Unsecured Noteholders believe that (i) the Plan is proceeding on an accelerated timetable, is flawed, and cannot be confirmed until there is a full investigation of, and prosecution of, the First Lien Financing Transaction, and (ii) Mr. Liberman caused LBI to create claims in favor of HPS for no value while it was demonstrably insolvent and, in return, HPS agreed to support a restructuring of LBI that keeps Mr. Liberman at its helm. The Junior Noteholder Group believes it went from getting substantially all of the equity of LBI to getting nothing, unless its members agree to give over broad releases, satisfy newly created senior claims, and support the Plan. The Junior Noteholder Group has communicated that it intends to seek standing to bring certain claims in the very near term.[21] As such, the Junior Noteholder Group and HoldCo Unsecured Noteholders recommend that creditors vote to reject the Plan.

### C. Other Litigation

The Debtors are involved in certain other prepetition lawsuits and matters, including three pending prepetition employment litigation Claims in which the Debtors are defendants. Any Claims relating to such litigation will be classified as General Unsecured Claims. The Debtors expect that to the extent Allowed, certain of these Claims may be covered by the Debtors' insurance coverage, in whole or in part. The Debtors do not expect any liability they may have in these matters to have a material adverse effect on their business or restructuring efforts.

[20] In addition, on July 24, 2018, certain members of the Junior Noteholder Group commenced a separate litigation against HPS, LBI, and Mr. Liberman seeking declaratory and monetary relief in connection with the First Lien Financing Transaction, asserted claims: (i) against all defendants for fraudulent conveyance, civil conspiracy, and deepening insolvency; (ii) against LBI and Mr. Liberman for fraud based on concealment; and (iii) against HPS for aiding and abetting fraud based on concealment, aiding and abetting breach of fiduciary duty, and tortious interference with contract.

[21] As discussed in Article V of this Disclosure Statement, the Debtors and other parties in interest believe that the Junior Noteholder Group lacks standing to pursue any such claims because such claims are derivative in nature. Furthermore, the Debtors and HPS believe that any attempt by the Junior Noteholder Group to seek standing to pursue such claims would be in violation of the Intercreditor Agreement.

# VI.
# SUMMARY OF PLAN

This Section of the Disclosure Statement summarizes the Plan. This summary is qualified in its entirety by reference to the Plan.

## A. Administrative Expense and Priority Claims

### i. Administrative Expense Claims

Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to less favorable treatment, each holder of an Allowed Administrative Expense Claim (other than a DIP Claim or a Fee Claim) shall receive, in full and final satisfaction of such Claim, Cash in an amount equal to such Allowed Administrative Expense Claim on, or as soon thereafter as is reasonably practicable, the later of (a) the Effective Date and (b) the first Business Day after the date that is ten (10) calendar days after the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, unless otherwise required by a Final Order; *provided that* Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtors, as Debtors in Possession, shall be paid by the Reorganized Debtors in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any course of dealing or agreements governing, instruments evidencing, or other documents relating to such transactions; *provided further that*, if a Reorganization Transaction occurs, in the event that either Class 5 (HoldCo Unsecured Notes Claims) or Class 6 (Intermediate HoldCo Unsecured Notes Claims) is an Accepting Class, Administrative Expense Claims against HoldCo and Intermediate HoldCo shall be paid from the proceeds of the Exit Facility such that payment of Administrative Expense Claims against HoldCo or Intermediate HoldCo shall not reduce or affect distributions to holders of HoldCo Unsecured Notes Claims or Intermediate HoldCo Unsecured Notes Claims.

### ii. Fee Claims

a) All Entities seeking an award by the Bankruptcy Court of Fee Claims shall file and serve on counsel to the Reorganized Debtors, counsel to the Consenting First Lien Noteholders, and the U.S. Trustee, on or before the date that is forty-five (45) days after the Effective Date, their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred from the Petition Date through the Effective Date. Objections to any Fee Claims must be filed and served on counsel to the Reorganized Debtors, counsel to the Consenting First Lien Noteholders, the U.S. Trustee, and the requesting party no later than twenty-one (21) calendar days after the filing of the final applications for compensation or reimbursement (unless otherwise agreed by the Debtors or the Reorganized Debtors, as applicable, and the party requesting compensation of a Fee Claim).

b) Allowed Fee Claims shall be paid in full, in Cash, in such amounts as are Allowed by the Bankruptcy Court (i) within five (5) calendar days of an order relating to any such Allowed Fee Claim is entered or as soon as reasonably practicable thereafter, or (ii) upon such other terms as may be mutually agreed upon between the holder of such an Allowed Fee Claim and the Debtors or the Reorganized Debtors, as applicable. Notwithstanding the foregoing, any Fee Claims that are authorized to be paid pursuant to any administrative orders entered by the Bankruptcy Court, including the Interim Compensation Order, may be paid at the times and in the amounts authorized pursuant to such orders.

c) On or prior to the Effective Date, holders of Fee Claims shall provide a reasonable estimate of unpaid Fee Claims incurred in rendering services before the Effective Date to the

Debtors or the Reorganized Debtors, as applicable, and the Debtors and Reorganized Debtors, as applicable, shall separately escrow for such estimated amounts for the benefit of the holders of the Fee Claims until the fee applications related thereto are resolved by Final Order or agreement of the parties. If a holder of a Fee Claim does not provide an estimate, the Debtors or Reorganized Debtors, as applicable, may estimate the unpaid and unbilled reasonable and necessary fees and out-of-pocket expenses of such holder of a Fee Claim. When all such Allowed Fee Claims have been paid in full, any remaining amount in such escrow shall promptly be released from such escrow and revert to, and ownership thereof shall vest in, the Reorganized Debtors without any further action or order of the Bankruptcy Court.

d) The Reorganized Debtors are authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Effective Date in the ordinary course and without the need for Bankruptcy Court approval.

**iii. Priority Tax Claims**

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to less favorable treatment, each holder of an Allowed Priority Tax Claim shall receive, in full and final satisfaction of such Allowed Priority Tax Claim, at the option of the Debtors or the Reorganized Debtors, as applicable: (a) Cash in an amount equal to such Allowed Priority Tax Claim on, or as soon thereafter as is reasonably practicable, the later of (i) the Effective Date, to the extent such Claim is an Allowed Priority Tax Claim on the Effective Date, (ii) the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, and (iii) the date such Allowed Priority Tax Claim is due and payable in the ordinary course as such obligation becomes due, or (b) equal annual Cash payments in an aggregate amount equal to the amount of such Allowed Priority Tax Claim, together with interest at the applicable rate under section 511 of the Bankruptcy Code, over a period not exceeding five (5) years from and after the Petition Date; *provided that* the Debtors and the Reorganized Debtors reserve the right to prepay all or a portion of any such amounts at any time under this option at their discretion. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business or under applicable non-bankruptcy law as such obligations become due.

**iv. DIP Claims**

a) **DIP Claims.** On the Effective Date, in full and final satisfaction of the Allowed DIP Claims, all obligations under the DIP Documents, other than DIP Professional Fees, shall be, at the election of the DIP Lenders, (i) converted to and deemed to be obligations under, and as defined in, the Exit Facility Credit Agreement, and all Collateral (as such term is defined in the DIP Credit Agreement) that secures obligations under the DIP Documents shall be reaffirmed, ratified and shall automatically secure all obligations under the Exit Credit Agreement in accordance with Section 5.8 of the Plan, or (ii) indefeasibly paid in full in Cash from the proceeds of the Exit Facility.

b) **DIP Professional Fees.** On the Effective Date, any and all DIP Professional Fees not previously paid pursuant to the DIP Order shall be indefeasibly paid in full in Cash, *provided that*, on or prior to the Effective Date, any professional seeking payment of DIP Professional Fees from the Debtors shall provide the Debtors with a summary invoice of such professional's DIP Professional Fees and a reasonable estimate of such Professional's DIP Professional Fees through the Effective Date, provided further that any DIP Professional Fees not invoiced shall not be waived and may be invoiced following the Effective Date, and such DIP Professional Fees shall be promptly satisfied by the Reorganized Debtors. Any payments of DIP Professional Fees made pursuant to Section 2.4(b) of the Plan shall not be subject to further review or objection. Any amount of estimated DIP Professional Fees

that is not applied to actual DIP Professional Fees shall be returned to the Reorganized Debtors by the applicable professional as soon as reasonably practicable following the Effective Date.

## B. Classification of Claims and Interests

### i. Classification in General

A Claim or Interest is placed in a particular Class for all purposes, including voting, confirmation, and distribution under the Plan and under sections 1122 and 1123(a)(1) of the Bankruptcy Code; *provided that* a Claim or Interest is placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and such Allowed Claim or Allowed Interest has not been satisfied, released, or otherwise settled prior to the Effective Date.

### ii. Grouping of Debtors for Convenience Only

The Plan groups the Debtors together solely for the purpose of describing treatment under the Plan, confirmation of the Plan, and making distributions in accordance with the Plan in respect of Claims against and Interests in the Debtors under the Plan. Such groupings shall not affect any Debtor's status as a separate legal Entity, result in substantive consolidation of any Estates, change the organizational structure of the Debtors' business enterprise, constitute a change of control of any Debtor for any purpose, cause a merger or consolidation of any legal Entities, or cause the transfer of any Assets. Except as otherwise provided by or permitted under the Plan, all Debtors shall continue to exist as separate legal Entities after the Effective Date.

### iii. Summary of Classification

The following table designates the Classes of Claims against and Interests in each of the Debtors and specifies which of those Classes are (a) Impaired or Unimpaired by the Plan, (b) entitled to vote to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code, and (c) presumed to accept or deemed to reject the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Priority Tax Claims and DIP Claims, have not been classified. The classification of Claims and Interests set forth herein shall apply separately to each of the Debtors. All of the potential Classes for the Debtors are set forth herein. Certain of the Debtors may not have holders of Claims or Interests in a particular Class or Classes, and such Classes shall be treated as set forth in Section 3.5 of the Plan.

| Class | Designation | Treatment | Entitled to Vote |
|---|---|---|---|
| 1 | Priority Non-Tax Claims | Unimpaired | No (Presumed to Accept) |
| 2 | Other Secured Claims | Unimpaired | No (Presumed to Accept) |
| 3 | First Lien Notes Claims | Impaired | Yes |
| 4 | Second Lien Notes Claims | Impaired | Yes |
| 5 | HoldCo Unsecured Notes Claims | Impaired | Yes |
| 6 | Intermediate HoldCo Unsecured Notes Claims | Impaired | Yes |
| 7 | ASCAP/BMI Settlement Claims | Impaired | Yes |
| 8 | Ongoing Trade Claims | Impaired | Yes |
| 9 | General Unsecured Claims | Impaired | Yes |
| 10 | Intercompany Claims | Unimpaired | No (Presumed to Accept) |
| 11 | Existing LBI Parent Interests | Impaired | No (Deemed to Reject) |
| 12 | Intercompany Interests | Unimpaired | No (Presumed to Accept) |

**iv. Special Provision Governing Unimpaired Claims**

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors or the Reorganized Debtors, as applicable, in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to, or setoffs or recoupments against, any such Unimpaired Claims.

**v. Elimination of Vacant Classes**

Any Class of Claims against or Interests in a Debtor that, as of the commencement of the Confirmation Hearing, does not have at least one (1) holder of a Claim or Interest that is Allowed in an amount greater than zero for voting purposes shall be considered vacant, deemed eliminated from the Plan of such Debtor for purposes of voting to accept or reject such Debtor's Plan, and disregarded for purposes of determining whether such Debtor's Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to that Class.

**vi. Priority Non-Tax Claims (Class 1)**

a) **Classification: Class 1 consists of Priority Non-Tax Claims.**

b) **Treatment:** Except to the extent that a holder of an Allowed Priority Non-Tax Claim against any of the Debtors agrees to a less favorable treatment of such Claim, in full and final satisfaction of such Allowed Priority Non-Tax Claim, at the option of the Debtors or the Reorganized Debtors, as applicable, (i) each such holder shall receive payment in Cash in an amount equal to the amount of such Allowed Claim, payable on the later of the Effective Date and the date that is ten (10) Business Days after the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, in each case, or as soon as reasonably practicable thereafter, (ii) such holder's Allowed Priority Non-Tax Claim shall be Reinstated, or (iii) such holder shall receive such other treatment so as to render such holder's Allowed Priority Non-Tax Claim Unimpaired pursuant to section 1124 of the Bankruptcy Code.

c) **Voting:** Class 1 is Unimpaired, and the holders of Priority Non-Tax Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Priority Non-Tax Claims are not entitled to vote to accept or

reject the Plan, and the votes of such holders will not be solicited with respect to Priority Non-Tax Claims.

**vii. Other Secured Claims (Class 2)**

a) **Classification:** Class 2 consists of the Other Secured Claims. To the extent that the Other Secured Claims are secured by different collateral or different interests in the same collateral, such Claims shall be treated as separate subclasses of Class 2 for purposes of voting to accept or reject the Plan and receiving distributions under the Plan.

b) **Treatment:** Except to the extent that a holder of an Allowed Other Secured Claim against any of the Debtors agrees to a less favorable treatment of such Claim, in full and final satisfaction of such Allowed Other Secured Claim, at the option of the Debtors or the Reorganized Debtors, as applicable, (i) each such holder shall receive payment in Cash in an amount equal to the amount of such Allowed Claim, payable on the later of the Effective Date and the date that is ten (10) Business Days after the date on which such Other Secured Claim becomes an Allowed Other Secured Claim, in each case, or as soon as reasonably practicable thereafter, (ii) such holder's Allowed Other Secured Claim shall be Reinstated, (iii) such holder shall receive the collateral securing its Allowed Other Secured Claim, or (iv) such holder shall receive such other treatment so as to render such holder's Allowed Other Secured Claim Unimpaired pursuant to section 1124 of the Bankruptcy Code.

c) **Voting:** Class 2 is Unimpaired, and the holders of Other Secured Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Other Secured Claims are not entitled to vote to accept or reject the Plan, and the votes of such holders will not be solicited with respect to such Other Secured Claims.

**viii. First Lien Notes Claims (Class 3)**

a) **Classification: Class 3 consists of First Lien Notes Claims.**

b) **Allowance:** The First Lien Notes Claims are Allowed pursuant to section 506(a) of the Bankruptcy Code against LBI Media and the Subsidiary Debtors in the aggregate principal amount of $233,000,000, plus accrued but unpaid interest (including any applicable default interest), plus any other unpaid premiums (including the Applicable Premium), fees, costs, or other amounts due under the First Lien Notes Indenture as of the Petition Date. Neither the holders of the First Lien Notes Claims nor the First Lien Notes Trustee shall be required to file proofs of Claim on account of any First Lien Notes Claim.

c) **Treatment:** On the Effective Date, the Allowed First Lien Notes Claims shall receive from LBI Media, in full and final satisfaction, settlement, release, and discharge of such Allowed Claims:

(i) *If a Reorganization Transaction occurs*: either (A) if Class 4 is an Accepting Class, (x) the Exit Facility (less the amount of the DIP Claims converted into the Exit Facility (if any)), and (y) 95% of the New Equity Interests, or (B) if Class 4 is not an Accepting Class, (x) the Exit Facility (less the amount of the DIP Claims converted into the Exit Facility (if any)), and (y) 100% of the New Equity Interests; or

(ii) *If an Alternative Transaction occurs*: indefeasible payment in full in Cash.

d) **Voting:** Class 3 is Impaired, and the holders of First Lien Notes Claims in Class 3 are entitled to vote to accept or reject the Plan.

**ix. Second Lien Notes Claims (Class 4)**

a) **Classification: Class 4 consists of Second Lien Notes Claims.**

b) **Allowance:** The Second Lien Notes Claims are Allowed against LBI Media and the Subsidiary Debtors in the aggregate principal amount of $262,370,843, plus accrued but unpaid interest (including any applicable default interest), plus any other unpaid premiums, fees, costs, or other amounts due under the Second Lien Notes Indenture as of the Petition Date.

c) **Treatment:** Except to the extent that a holder of an Allowed Second Lien Notes Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Second Lien Notes Claim, on the Effective Date, or as soon as reasonably practicable thereafter, each holder of an Allowed Second Lien Notes Claim shall receive:

(i) *If a Reorganization Transaction occurs*: (A) if Class 4 is an Accepting Class, such holder's Pro Rata share of 5.0% of the New Equity Interests, and the Consenting First Lien Noteholders shall waive any claims they may have under Section 8.21 of the Intercreditor Agreement, or (B) if Class 4 is not an Accepting Class, no recovery under the Plan; or

(ii) *If an Alternative Transaction occurs*: such holder's Pro Rata share of the Net Alternative Transaction Proceeds, if any.

d) **Voting:** Class 4 is Impaired, and the holders of Second Lien Notes Claims in Class 4 are entitled to vote to accept or reject the Plan.

**x. HoldCo Unsecured Notes Claims (Class 5)**

a) **Classification: Class 5 consists of HoldCo Unsecured Notes Claims.**

b) **Allowance:** The HoldCo Unsecured Notes Claims are Allowed against HoldCo in the aggregate principal amount of $5,565,125, plus accrued but unpaid interest (including any applicable default interest), plus any other unpaid premiums, fees, costs, or other amounts due under the HoldCo Unsecured Notes Indenture as of the Petition Date.

c) **Treatment:** Except to the extent that a holder of an Allowed HoldCo Unsecured Notes Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for each Allowed HoldCo Unsecured Notes Claim, on the Effective Date, or as soon as reasonably practicable thereafter, each holder of an Allowed HoldCo Unsecured Notes Claim shall receive:

(i) *If a Reorganization Transaction occurs*:

(y) if either Class 5 or Class 6 (or both) is an Accepting Class, such holder's Pro Rata share of the HoldCo Cash, shared on a *pari passu* basis with the holders of Allowed (1) Intermediate HoldCo Unsecured Notes Claims, (2) HoldCo General

Unsecured Claims, and (3) HoldCo Intercompany Claims held by Intermediate HoldCo, or

(z) If neither Class 5 nor Class 6 is an Accepting Class, such holder's Pro Rata share of the HoldCo Cash, shared on a *pari passu* basis with the holders of Allowed (1) Intermediate HoldCo Unsecured Notes Claims, (2) HoldCo General Unsecured Claims, and (3) HoldCo Intercompany Claims; or

(ii) *If an Alternative Transaction occurs*: such holder's Pro Rata share of the Alternative Transaction Recovery Pool.

d) **Voting:** Class 5 is Impaired, and the holders of HoldCo Unsecured Notes Claims in Class 5 are entitled to vote to accept or reject the Plan.

**xi. Intermediate HoldCo Unsecured Notes Claims (Class 6)**

a) **Classification: Class 6 consists of Intermediate HoldCo Unsecured Notes Claims.**

b) **Allowance:** The Intermediate HoldCo Unsecured Notes Claims are Allowed against both Intermediate HoldCo and HoldCo each in the aggregate face amount of $27,784,959, *plus* accrued but unpaid interest (including any applicable default interest), *plus* any other unpaid premiums, fees, costs, or other amounts due under the Intermediate HoldCo Unsecured Notes Indenture as of the Petition Date**.**

c) **Treatment:** Except to the extent that a holder of an Allowed Intermediate HoldCo Unsecured Notes Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Intermediate HoldCo Unsecured Notes Claim, on the Effective Date, or as soon as reasonably practicable thereafter, each holder of an Allowed Intermediate HoldCo Unsecured Notes Claim shall receive:

(i) *If a Reorganization Transaction occurs*:

(y) if either Class 5 or Class 6 is an Accepting Class, (1) such holder's Pro Rata share of the HoldCo Cash, shared on a *pari passu* basis with the holders of Allowed (A) HoldCo Unsecured Notes Claims, (B) HoldCo General Unsecured Claims, and (C) HoldCo Intercompany Claims held by Intermediate HoldCo, *plus* (2) any HoldCo Cash distributed to Intermediate HoldCo on account of any Allowed HoldCo Intercompany Claims held by Intermediate HoldCo, shared on a *pari passu* basis with the holders of Allowed Intermediate HoldCo General Unsecured Claims, or

(z) if neither Class 5 nor Class 6 is an Accepting Class, (1) such holder's Pro Rata share of the HoldCo Cash, shared on a *pari passu* basis with the holders of Allowed (A) HoldCo Unsecured Notes Claims, (B) HoldCo General Unsecured Claims, and (C) HoldCo Intercompany Claims, *plus* (2) any HoldCo Cash distributed to Intermediate HoldCo on account of any Allowed

HoldCo Intercompany Claims held by Intermediate HoldCo, shared on a pari passu basis with the holders of Allowed Intermediate HoldCo General Unsecured Claims; or

(ii) *If an Alternative Transaction occurs*: such holder's Pro Rata share of the Alternative Transaction Recovery Pool.

d) **Voting:** Class 6 is Impaired, and the holders of Intermediate HoldCo Unsecured Notes Claims in Class 6 are entitled to vote to accept or reject the Plan**.**

**xii. ASCAP/BMI Settlement Claims (Class 7)**

a) **Classification: Class 7 consists of ASCAP/BMI Settlement Claims.**

b) **Treatment:** Except to the extent that a holder of an ASCAP/BMI Settlement Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed ASCAP/BMI Settlement Claim, each holder of an Allowed ASCAP/BMI Settlement Claim shall receive:

(i) *If a Reorganization Transaction occurs*: such holder's Pro Rata share of the ASCAP/BMI Settlement Claims Recovery Pool; or

(ii) *If an Alternative Transaction occurs*: such holder's Pro Rata share of the Alternative Transaction Recovery Pool.

In the event a Reorganization Transaction occurs, solely for purposes of distributions on account of ASCAP/BMI Settlement Claims in accordance with Section 4.7 of the Plan, (i) each holder of an ASCAP/BMI Settlement Claims shall receive its Pro Rata share of the ASCAP/BMI Settlement Claims Recovery Pool irrespective of the Debtor against which such ASCAP/BMI Settlement Claim was filed, (iii) all Guarantee Claims will not be entitled to distributions from the ASCAP/BMI Settlement Claims Recovery Pool, and (iii) all multiple ASCAP/BMI Settlement Claims against any Debtors on account of joint obligations of two or more Debtors shall be treated as a single ASCAP/BMI Settlement Claim.

c) **Voting:** Class 7 is Impaired, and the holders of ASCAP/BMI Settlement Claims in Class 7 are entitled to vote to accept or reject the Plan.

**xiii. Ongoing Trade Claims (Class 8)**

a) **Classification: Class 8 consists of Ongoing Trade Claims.**

b) **Treatment:** Except to the extent that a holder of an Allowed Ongoing Trade Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed Ongoing Trade Claim, each holder of an Allowed Ongoing Trade Claim shall receive:

(i) *If a Reorganization Transaction occurs*: such holder's Pro Rata share of the Ongoing Trade Claims Recovery Pool; or

(ii) *If an Alternative Transaction occurs*: such holder's Pro Rata share of the Alternative Transaction Recovery Pool.

In the event a Reorganization Transaction occurs, solely for purposes of distributions on account of Ongoing Trade Claims in accordance with Section 4.8 of the Plan, (i) each holder of an Ongoing Trade Claim shall receive its Pro Rata share of the Ongoing Trade Claims Recovery Pool irrespective of the Debtor against which such Ongoing Trade Claim was filed, (iii) all Guarantee Claims will not be entitled to distributions from the Ongoing Trade Claims Recovery Pool, and (iii) all multiple Ongoing Trade Claims against any Debtors on account of joint obligations of two or more Debtors shall be treated as a single Ongoing Trade Claim.

c) **Voting:** Class 8 is Impaired, and the holders of Ongoing Trade Claims in Class 8 are entitled to vote to accept or reject the Plan.

**xiv. General Unsecured Claims (Class 9)**

a) **Classification: Class 9 consists of General Unsecured Claims.**

b) **Treatment:** Except to the extent that a holder of an Allowed General Unsecured Claim agrees to a less favorable treatment of such Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed General Unsecured Claim:

(i) *If a Reorganization Transaction occurs*: (x) each holder of a General Unsecured Claim that is not a HoldCo General Unsecured Claim or an Intermediate HoldCo General Unsecured Claim shall receive such holder's Pro Rata share of the General Unsecured Claims Recovery Pool, (y) each holder of a HoldCo General Unsecured Claim shall receive its Pro Rata share of the HoldCo Cash, and (z) each holder of an Intermediate HoldCo General Unsecured Claim shall receive its Pro Rata share of the HoldCo Cash distributable to Intermediate HoldCo on account of any Allowed HoldCo Intercompany Claims held by Intermediate HoldCo on a *pari passu* basis with the holders of Allowed Intermediate HoldCo Unsecured Notes Claims; or

(ii) *If an Alternative Transaction occurs*: such holder's Pro Rata share of the Alternative Transaction Recovery Pool**.**

In the event a Reorganization Transaction occurs, solely for purposes of distributions on account of General Unsecured Claims in accordance with Section 4.9 of the Plan, (i) each holder of a General Unsecured Claim shall receive its Pro Rata share of the General Unsecured Claims Recovery Pool irrespective of the Debtor against which such General Unsecured Claim was filed, (ii) all Guarantee Claims will not be entitled to distributions from the General Unsecured Claims Recovery Pool, and (iii) all multiple General Unsecured Claims against any Debtors on account of joint obligations of two or more Debtors shall be treated as a single General Unsecured Claim.

c) **Voting:** Class 9 is Impaired, and the holders of General Unsecured Claims in Class 9 are entitled to vote to accept or reject the Plan**.**

**xv. Intercompany Claims (Class 10)**

a) **Classification: Class 10 consists of Intercompany Claims.**

b) **Treatment:** On the Effective Date, all Intercompany Claims shall be adjusted, Reinstated, or discharged, to the extent determined to be appropriate by the Reorganized Debtors, provided that, if a Reorganization Transaction occurs: (i) if either Class 5 or Class 6 (or both) is

an Accepting Class, HoldCo Intercompany Claims shall receive no recovery under the Plan provided that Allowed HoldCo Intercompany Claims held by Intermediate HoldCo shall receive their Pro Rata share of the HoldCo Cash, or (ii) if neither Class 5 nor Class 6 is an Accepting Class, Allowed HoldCo Intercompany Claims shall receive their Pro Rata share of the HoldCo Cash**.**

c) **Voting:** Class 10 is Unimpaired, and the holders of Intercompany Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Intercompany Claims are not entitled to vote to accept or reject the Plan, and the votes of such holders will not be solicited with respect to such Intercompany Claims.

**xvi. Existing LBI Parent Interests (Class 11)**

a) **Classification: Class 11 consists of Existing LBI Parent Interests.**

b) **Treatment:** On the Effective Date, all Existing LBI Parent Interests shall be cancelled, and the holders of Existing LBI Parent Interests shall not receive or retain any property under the Plan on account of such Interests.

c) **Voting:** Class 11 is Impaired, and the holders of Existing LBI Parent Interests are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, holders of Existing LBI Parent Interests are not entitled to vote to accept or reject the Plan, and the votes of such holders will not be solicited with respect to such Existing LBI Parent Interests.

**xvii. Intercompany Interests (Class 12)**

a) **Classification: Class 12 consists of Intercompany Interests.**

b) **Treatment:** On the Effective Date, all Allowed Intercompany Interests shall either be (i) canceled (or otherwise eliminated) and receive no distribution under the Plan or (ii) Reinstated.

c) **Voting:** Class 12 may be Unimpaired. The holders of Intercompany Interests are plan proponents and are conclusively presumed to have accepted the Plan. Therefore, the votes of holders of Intercompany Interests will not be solicited with respect to such Intercompany Interests.

## C. <u>Means for Implementation</u>

### i. No Substantive Consolidation

The Plan is being proposed as a joint plan of reorganization of the Debtors for administrative purposes only and constitutes a separate chapter 11 plan for each Debtor. The Plan is not premised on, and does not provide for, the substantive consolidation of the Debtors with respect to the Classes of Claims or Interests set forth in the Plan, or otherwise.

### ii. Compromise and Settlement of Claims, Interests and Controversies

a) Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the Plan is and shall be deemed a good-faith compromise and settlement of all Claims, Interests, and controversies

relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Interest, or any distribution to be made on account of such Allowed Claim or Interest, including with respect to the HoldCo Unsecured Notes Claims, Intermediate HoldCo Unsecured Notes Claims, ASCAP/BMI Settlement Claims, Ongoing Trade Claims, and General Unsecured Claims.

b) The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests and is fair, equitable, and reasonable. The compromises, settlements, and releases described herein shall be deemed nonseverable from each other and from all other terms of the Plan. In accordance with the provisions of the Plan, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against, and Interests in, the Debtors and their Estates and Causes of Action against other Entities.

**iii. Restructuring Expenses**

To the extent not otherwise paid, the Debtors shall promptly pay outstanding and invoiced Restructuring Expenses as follows: (a) on the Effective Date, Restructuring Expenses incurred during the period prior to the Effective Date to the extent invoiced to the Debtors on or about the Effective Date and (b) after the Effective Date, any unpaid Restructuring Expenses within ten (10) Business Days of receiving an invoice; *provided that* such Restructuring Expenses shall be paid in accordance with the terms of any applicable engagement letters or other contractual arrangements without the requirement for the filing of retention applications, fee applications, or any other applications in the Chapter 11 Cases, and without any requirement for further notice or Bankruptcy Court review or approval; provided further that to the extent timely invoiced Restructuring Expenses are not paid by the Debtors within the timeframes set forth in Section 5.3 of the Plan, such Restructuring Expenses shall not be waived and shall be included in a subsequent invoice.

**iv. Plan Implementation**

On or before the Implementation Election Date, the Restructuring Committee shall elect whether to consummate a Reorganization Transaction or an Alternative Transaction.

**v. Alternative Transaction**

a) **Alternative Transaction Process**. Prior to the Effective Date, the Restructuring Committee shall have the exclusive right to exercise the Debtors' authority to oversee and manage the sale process relating to any potential Alternative Transaction. Any references to acts to be performed or determinations to be made by the Debtors with respect to an Alternative Transaction shall be deemed to refer to the acts to be performed or determinations to be made by the Restructuring Committee. If the Restructuring Committee elects to consummate an Alternative Transaction, the Debtors shall be authorized to consummate an Alternative Transaction on the Effective Date.

b) Wind Down and Dissolution or Termination of the Debtors. If an Alternative Transaction occurs, the Debtors will make distributions to Holders of Allowed Claims in accordance with the priorities set forth in the Plan and implement the Wind Down pursuant to the Plan. As soon as practicable after the Effective Date and only to the extent necessary and not otherwise resolved by the Debtors, the Debtors or an Entity selected by the Debtors shall: (i) without having to obtain shareholder, board, director, manager, member or equivalent approval, file for the Debtors a

certificate of dissolution, certificate of cancellation, or such similar document for each Debtor, together with all other necessary corporate and company documents, to effect the dissolution or termination of the existence of the Debtors under the applicable laws of their state of incorporation or formation (as applicable); (ii) make distributions to Holders of Allowed Claims as provided in the Plan; (iii) prosecute, settle, or compromise any Causes of Action; (iv) complete and file, as necessary, all final or otherwise required federal, state, and local tax returns for the Debtors; and (v) take such other actions as the Debtors or the Entity selected by the Debtors to conduct the Wind Down may determine to be necessary or desirable to implement the Wind Down.

**vi. Restructuring Transactions; Effectuating Documents**

a) Following the Confirmation Date or as soon as reasonably practicable thereafter, the Debtors or the Reorganized Debtors, as applicable, may take all actions as may be necessary or appropriate to effectuate any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including (i) the execution and delivery of appropriate agreements or other documents of merger, amalgamation, consolidation, restructuring, conversion, disposition, transfer, arrangement, continuance, dissolution, cancellation, sale, purchase, or liquidation containing terms that are consistent with the terms of the Plan, (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan, (iii) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, amalgamation, arrangement, continuance, cancellation, or dissolution pursuant to applicable state or federal law, (iv) the execution and delivery of the Definitive Documents, (v) the issuance of securities, all of which shall be authorized and approved in all respects in each case without further action being required under applicable law, regulation, order, or rule, (vi) such other transactions that are necessary or appropriate to implement the Plan in the most tax efficient manner, and (vii) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law or the Exit Facility Credit Agreement, as applicable.

b) Each officer, member of the board of directors, or manager of the Debtors is, and each officer, member of the board of directors, or manager of the Reorganized Debtors shall be, authorized and directed to issue, execute, deliver, file, or record such contracts, securities, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, all of which shall be authorized and approved in all respects, in each case, without the need for any approvals, authorization, consents, or any further action required under applicable law, regulation, order, or rule (including any action by the stockholders or directors or managers of the Debtors or the Reorganized Debtors) except for those expressly required pursuant to the Plan.

c) All matters provided for herein involving the corporate structure of the Debtors or Reorganized Debtors, or any corporate, limited liability company, or related action required by the Debtors or Reorganized Debtors in connection herewith shall be deemed to have occurred and shall be in effect, without any requirement of further action by the stockholders, members, board, or directors or managers of the Debtors or Reorganized Debtors, and with like effect as though such action had been taken unanimously by the stockholders, members, directors, managers, or officers, as applicable, of the Debtors or Reorganized Debtors.

**vii. Continued Corporate Existence; Dissolution**

a) Except as otherwise provided in the Plan, the Debtors shall continue to exist after the Effective Date as Reorganized Debtors in accordance with the applicable laws of the respective jurisdictions in which they are incorporated or organized and pursuant to the Amended Organizational Documents. On or after the Effective Date, each Reorganized Debtor may, in its sole discretion, take such action that may be necessary or appropriate as permitted by applicable law, instruments and agreements, and such Reorganized Debtor's organizational documents, as such Reorganized Debtor may determine is reasonable and appropriate.

b) If a Reorganization Transaction occurs, after the Effective Date, the Reorganized Debtors shall be authorized to dissolve the Debtors or the Reorganized Debtors in accordance with applicable law or otherwise as part of a Reorganization Transaction.

c) If the Alternative Transaction occurs, the Debtors, or an Entity selected by the Debtors, shall implement the Wind Down in accordance with Section 5.5(b) of the Plan.

d) Any such dissolution described in Section 5.7 of the Plan may be effective as of the Effective Date without any further action by any shareholder, director, manager, board, or member of the Debtors.

**viii. Exit Facility**

If a Reorganization Transaction occurs:

a) At the DIP Lenders' election, on the Effective Date, or as soon as reasonably practicable thereafter, all obligations under the DIP Documents, other than DIP Professional Fees, shall be automatically converted to and deemed to be obligations under the Exit Facility Credit Agreement or shall be indefeasibly paid in full in Cash. All Collateral (as such term is defined in the DIP Credit Agreement) that secures the obligations under the DIP Documents shall be reaffirmed, ratified and shall automatically secure all obligations under the Exit Facility Credit Agreement. The Exit Facility and the proceeds thereof shall be used, among other things, to (i) fund distributions, costs and expenses contemplated by the Plan, and/or (ii) fund general working capital and for general corporate purposes of the Reorganized Debtors. In the event that either Class 5 (HoldCo Unsecured Notes Claims) or Class 6 (Intermediate HoldCo Unsecured Notes Claims) is an Accepting Class, Administrative Expense Claims against HoldCo and Intermediate HoldCo shall be paid from the proceeds of the Exit Facility.

b) The obligations under the Exit Facility Credit Agreement shall be secured by valid and perfected first priority security interests in, and Liens on, the DIP Collateral.

c) On the Effective Date, the Exit Facility Credit Agreement shall be executed and delivered. The Reorganized Debtors shall be authorized to execute, deliver, and enter into and perform under the Exit Facility Credit Agreement without the need for any further corporate or limited liability company action and without further action by the holders of Claims or Interests.

**ix. Authorization, Issuance, and Distribution of New Equity Interests**

On and after the Effective Date, if the Reorganization Transaction occurs, the Reorganized Debtors are authorized to issue, or cause to be issued, and shall issue the New Equity Interests to the holders of the First Lien Notes Claims in accordance with the terms of Section 4.3 of the Plan (and, if Class 4 is an Accepting Class, to the holders of the Second Lien Notes Claims in accordance

with the terms of Section 4.4 of the Plan), without the need for any further corporate, limited liability company, or shareholder action. All of the New Equity Interests distributable under the Plan shall be duly authorized, validly issued, and fully paid and non-assessable.

**x. Section 1145 Exemption**

a) The offer, issuance, and distribution of the New Equity Interests, as applicable, hereunder to holders of First Lien Notes Claims under Section 4.3 of the Plan (and, if Class 4 is an Accepting Class, to the holders of Second Lien Notes Claims in accordance with the terms of Section 4.4 of the Plan) shall be exempt, pursuant to section 1145 of the Bankruptcy Code, without further act or action by any Entity, from registration under (i) the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder and (ii) any state or local law requiring registration for the offer, issuance, or distribution of Securities.

b) Under section 1145 of the Bankruptcy Code, any securities issued under the Plan that are exempt from such registration pursuant to section 1145(a) of the Bankruptcy Code will be freely tradable by the recipients thereof, subject to (i) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act of 1933, as amended, (ii) compliance with any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such securities or instruments, (iii) the restrictions, if any, on the transferability of such securities and instruments, including any restrictions on the transferability under the terms of the Amended Organizational Documents, (iv) any applicable procedures of DTC, and (v) applicable regulatory approval.

**xi. Unsecured Claims Recovery Pool Account.**

a) On the Effective Date, the Debtors shall establish and fund the Unsecured Claims Recovery Pool Account with Cash in an amount equal to: (i) if a Reorganization Transaction occurs, the ASCAP/BMI Settlement Claims Recovery Pool, the Ongoing Trade Claims Recovery Pool, and the General Unsecured Claims Recovery Pool, or (ii) if an Alternative Transaction occurs, the Alternative Transaction Recovery Pool, which, in each case, shall be held in trust for Pro Rata distributions on account of Recovery Pool Unsecured Claims as provided herein.

b) The Unsecured Claims Recovery Pool Account (i) shall not be and shall not be deemed property of the Debtors or the Reorganized Debtors; (ii) shall be held in trust to fund distributions on account of Recovery Pool Unsecured Claims as provided herein; and (iii) and no Liens, Claims, or Interests shall encumber the Unsecured Claims Recovery Pool Account in any way. If the Debtors affirmatively elect to have such right on or prior to the Effective Date, to the extent that there is any Cash remaining in the Unsecured Claims Recovery Pool Account after the satisfaction in full of the applicable Recovery Pool Unsecured Claims, any such Cash shall revert to the Reorganized Debtors.

c) The initial Unsecured Claims Distribution Date shall occur no earlier than sixty (60) days after the Effective Date.

d) On the Effective Date, the Reorganized Debtors shall establish the Disputed Unsecured Claims Reserve in accordance with Section 7.3(b) of the Plan.

**xii. Cancellation of Existing Securities and Agreements**

a) Except for the purpose of evidencing a right to a distribution under the Plan and except as otherwise set forth in the Plan, including with respect to executory contracts or

unexpired leases that shall be assumed by the Debtors, on the Effective Date, all agreements, instruments, and other documents evidencing any Allowed DIP Claims and Allowed Notes Claims, or any Interest (other than Intercompany Interests that are not modified by the Plan) and any rights or Liens of any holder in respect thereof shall be deemed cancelled, discharged, and of no force or effect and the obligations of the Debtors thereunder shall be deemed fully satisfied, released, and discharged, and the holders of First Lien Notes Claims and Second Lien Notes Claims shall be authorized and directed to release any collateral or other property of the Debtors (including any Cash collateral) held by such holder.

b) Notwithstanding such cancellation and discharge and the releases contained in Article X of the Plan, the DIP Credit Agreement, the Indentures (or any agreement relating to such applicable Indentures), the First Lien Notes, the Second Lien Notes, Intermediate HoldCo Unsecured Notes, and HoldCo Unsecured Notes shall continue in effect solely to the extent necessary to (i) allow the holders of Allowed DIP Claims and Allowed Notes Claims to receive distributions under the Plan and the terms of the applicable Indentures, (ii) allow the Debtors, the Reorganized Debtors, the Indenture Trustees and the Disbursing Agent, as applicable, to make post Effective Date distributions or take such other action pursuant to the Plan on account of the Allowed DIP Claims and Allowed Notes Claims, as applicable, and to otherwise exercise their rights and discharge their obligations relating to the interests of the holders of such Claims in accordance with the Plan and the terms of the applicable Indentures, (iii) allow holders of Claims to retain their respective rights and obligations vis-à-vis other holders of Claims pursuant to any applicable loan documents, (iv) allow the DIP Agent and the Indenture Trustees to enforce any obligations owed to them under the Plan (including seeking compensation and reimbursement for any reasonable and documented fees and expenses pursuant to their respective Charging Liens as provided in the Indentures or DIP Documents, as applicable), (v) preserve the DIP Agent's and the DIP Lenders' right to any contingent or indemnification obligations of the Debtors pursuant and subject to the terms of the DIP Credit Agreement or DIP Order, (vi) allow and preserve the rights of the Indenture Trustees to maintain and enforce (A) any right to indemnification, expense reimbursement, contribution, or subrogation or any other claim, entitlement, or protection that the Indenture Trustees may have under the applicable Indentures (or any agreement relating to such applicable Indentures) against any Person or Entity other than the Reorganized Debtors, and (B) any exculpations of the Indenture Trustees under the applicable Indenture (or any agreement relating to such applicable Indenture), (vii) permit the DIP Agent and/or Indenture Trustees to perform any function necessary to effectuate the foregoing, and (viii) permit the DIP Agent and/or the Indenture Trustees to appear in the Chapter 11 Cases or in any proceeding in the Bankruptcy Court or any other court relating to the DIP Documents or the Indentures, as applicable, provided that nothing in Section 5.12 of the Plan shall affect the discharge of Claims pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan or result in any liability or expense to the Reorganized Debtors. Notwithstanding the foregoing, so long as the distribution to the holders of First Lien Notes Claims and/or holders of Second Lien Notes Claims, is eligible to be distributed through the facilities of DTC, such distribution shall be made in accordance with customary procedures and policies of DTC. Without limiting the foregoing, the Indenture Trustees, as applicable, shall receive all distributions made by the Disbursing Agent under the Plan on account of their respective Notes Claims and shall distribute them in any manner permitted by the applicable Indenture, the Plan, or the Confirmation Order, including by the establishment of a record date or by requiring the holders of the Notes Claims, as applicable, on a date selected by the respective Indenture Trustee on or after the Effective Date to surrender their First Lien Notes, Second Lien Notes, HoldCo Unsecured Notes, or Intermediate HoldCo Notes, as applicable, in order to receive distributions. The Indenture Trustees shall be entitled to receive from the Reorganized Debtors their reasonable fees and expenses incurred in making distributions, as applicable, in accordance with the relevant Indentures, the Plan, and the Confirmation Order.

c) Notwithstanding the foregoing, any provision in any document, instrument, lease, or other agreement that causes or effectuates, or purports to cause or effectuate, a

default, termination, waiver, or other forfeiture of, or by, the Debtors of their interests, as a result of the cancellations, terminations, satisfaction, releases, or discharges provided for in Section 5.12 of the Plan shall be deemed null and void and shall be of no force and effect.

d) Except for the foregoing, on and after the Effective Date, all duties and responsibilities of the Indenture Trustees and the DIP Agent shall be fully discharged (i) unless otherwise specifically set forth in or provided for under the Plan, the Plan Supplement, or the Confirmation Order, and (ii) except with respect to such other rights of the Indenture Trustees and the DIP Agent that, pursuant to the applicable Indentures or DIP Documents, as applicable, survive the termination of such Indentures or DIP Documents. Subsequent to the performance by each Indenture Trustee or DIP Agent of its obligations pursuant to the Plan and Confirmation Order, such Indenture Trustee or DIP Agent and its agents shall be relieved of all further duties and responsibilities related to the applicable Indenture or DIP Documents.

**xiii. Retention of Causes of Action**

Except as otherwise provided in the Plan or the Confirmation Order, on the Effective Date, each Reorganized Debtor, shall retain all of the applicable Debtor's Causes of Action. Each Reorganized Debtor may enforce, prosecute, settle, release, or compromise (or decline to do any of the foregoing) all such Causes of Action.

**xiv. Officers and Boards of Directors**

a) If a Reorganization Transaction occurs, on the Effective Date, the New Board shall consist of: (i) the Chief Executive Officer and (ii) such other initial directors, as determined by the Requisite Consenting First Lien Noteholders in their sole discretion. The members of the boards of directors or managers of the Reorganized Debtors (other than Reorganized LBI Parent), to the extent deemed necessary by the New Board, shall be selected by the New Board. The composition of the New Board shall be disclosed in accordance with section 1129(a)(5) of the Bankruptcy Code.

b) Except as otherwise provided in the Plan Supplement, the officers of the respective Debtors immediately before the Effective Date, as applicable, shall serve as the initial officers of each of the respective Reorganized Debtors on and after the Effective Date and in accordance with Section 5.16 of the Plan and applicable non-bankruptcy law.

c) Except to the extent that a member of the board of directors or managers, as applicable, of a Debtor continues to serve as a director or manager of the respective Reorganized Debtor on and after the Effective Date, the members of the board of directors or managers of each Debtor prior to the Effective Date, in their capacities as such, shall have no continuing obligations to the Reorganized Debtors on or after the Effective Date and each such director or manager will be deemed to have resigned or shall otherwise cease to be a director or manager of the applicable Debtor on the Effective Date.

d) Commencing on the Effective Date, each of the directors and managers of each of the Reorganized Debtors shall be elected and serve pursuant to the terms of the applicable organizational documents of such Reorganized Debtor and may be replaced or removed in accordance with such organizational documents.

**xv. Cancellation of Liens**

Except as otherwise specifically provided herein, including pursuant to Section 5.8 of the Plan, upon the payment in full in Cash of an Other Secured Claim, any Lien securing an Other Secured Claim that is paid in full, in Cash, shall be deemed released, and the holder of such Other Secured Claim shall be authorized and directed to release any collateral or other property of the Debtors (including any Cash collateral) held by such holder and to take such actions as may be requested by the Reorganized Debtors, to evidence the release of such Lien, including the execution, delivery and filing or recording of such releases as may be requested by the Reorganized Debtors.

**xvi. Employee Matters**

a) On the Effective Date, if a Reorganization Transaction occurs, the Debtors shall be deemed to have rejected all Employment Arrangements, other than those included on the Assumption Schedule, *provided that* the Debtors shall assume the Key Employee Agreements. Notwithstanding anything contrary in the Employment Arrangements or the Key Employee Agreements, the consummation of the Plan shall not be treated as a change in control or change of control or other similar transaction under the Employment Arrangements or the Key Employee Agreements. If an Alternative Transaction occurs, the Employment Arrangements shall be treated in accordance with the terms of such Alternative Transaction.

b) Any Interests granted prior to the Effective Date to a current or former employee, officer, director or contractor under an Employee Arrangement or otherwise shall be deemed cancelled on the Effective Date. For the avoidance of doubt, if and Employment Arrangement or a Key Employee Agreement is assumed and the Employment Arrangement or the Key Employee Agreement provides in part for an award or potential award of Interests in the Debtors, such Employment Arrangement or Key Employee Agreement shall be assumed in all respects other than the provisions of such agreement relating to Interest awards.

**xvii. Nonconsensual Confirmation**

The Debtors intend to undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code as to any Classes that reject or are deemed to reject the Plan.

**xviii. Closing of Chapter 11 Cases**

The Reorganized Debtors shall seek authority from the Bankruptcy Court to close the applicable Chapter 11 Case(s) in accordance with the Bankruptcy Code and Bankruptcy Rules.

**xix. Notice of Effective Date**

As soon as practicable, but not later than three (3) Business Days following the Effective Date, the Debtors shall file a notice of the occurrence of the Effective Date with the Bankruptcy Court.

**xx. Separability**

Notwithstanding the combination of the separate plans of reorganization for the Debtors set forth in the Plan for purposes of economy and efficiency, the Plan constitutes a separate chapter 11 plan for each Debtor. Accordingly, if the Bankruptcy Court does not confirm the Plan with

respect to one or more Debtors, it may still, subject to the consent of the applicable Debtors and the Requisite Consenting First Lien Noteholders, confirm the Plan with respect to any other Debtor that satisfies the confirmation requirements of section 1129 of the Bankruptcy Code.

## D. Distributions

### i. Distributions Generally

Except as otherwise provided in the Plan, the Disbursing Agent shall make all distributions under the Plan to the appropriate holders of Allowed Claims in accordance with the terms of the Plan.

### ii. Distribution Record Date

As of the close of business on the Distribution Record Date, the various transfer registers for each of the Classes of Claims or Interests as maintained by the Debtors or their respective agents, shall be deemed closed, and there shall be no further changes in the record holders of any of the Claims or Interests. The Debtors or the Reorganized Debtors shall have no obligation to recognize any transfer of the Claims or Interests occurring on or after the Distribution Record Date. In addition, with respect to payment of any Cure Amounts or disputes over any Cure Amounts, neither the Debtors nor the Disbursing Agent shall have any obligation to recognize or deal with any party other than the non-Debtor party to the applicable executory contract or unexpired lease as of the close of business on the Distribution Record Date, even if such non-Debtor party has sold, assigned, or otherwise transferred its Claim for a Cure Amount. For the avoidance of doubt, the Distribution Record Date shall not apply to the First Lien Notes, Second Lien Notes, HoldCo Unsecured Notes, and Intermediate HoldCo Unsecured Notes, the holders of which shall receive a distribution in accordance with Article IV of the Plan and the customary procedures of DTC on or as soon as practicable after the Effective Date. For the further avoidance of doubt, all distributions made pursuant to the Plan on account of the Notes Claims shall be made by the Disbursing Agent to, or at the direction of, the applicable Indenture Trustee, for further distribution to holders of Notes Claims, as applicable, in accordance with the Plan and the Confirmation Order, subject to and in accordance with the terms of the applicable Indentures including, without limitation, subject to the application of the charging lien of the applicable Indenture Trustee for payment of any unpaid fees and expenses.

### iii. Date of Distributions

Except as otherwise provided in the Plan, any distributions and deliveries to be made under the Plan shall be made on the Effective Date or as otherwise determined in accordance with the Plan, including the treatment provisions of Article IV of the Plan, or as soon as practicable thereafter; *provided that* the Reorganized Debtors may implement periodic distribution dates to the extent they reasonably determine them to be appropriate.

### iv. Disbursing Agent

A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties, and all reasonable fees and expenses incurred by such Disbursing Agents directly related to distributions hereunder shall be reimbursed by the Reorganized Debtors. The Reorganized Debtors shall use commercially reasonable efforts to provide the Disbursing Agent (if other than the Reorganized Debtors) with the amounts of Claims and the identities and addresses of holders of Claims and Interests as of the Distribution Record Date, in each case, as set forth on the claims register. The Reorganized Debtors shall cooperate in good faith with the applicable

Disbursing Agent (if other than the Reorganized Debtors) to comply with the reporting and withholding requirements outlined in Section 6.19 of the Plan.

**v. Rights and Powers of Disbursing Agent**

a) From and after the Effective Date, the Disbursing Agent, solely in its capacity as Disbursing Agent, shall be exculpated by all Entities, including holders of Claims against and Interests in the Debtors and other parties in interest, from any and all claims, Causes of Action, and other assertions of liability arising out of the discharge of the powers and duties conferred upon such Disbursing Agent by the Plan or any order of the Bankruptcy Court entered pursuant to or in furtherance of the Plan, or applicable law, except for actions or omissions to act arising out of the gross negligence or willful misconduct, fraud, malpractice, criminal conduct, or ultra vires acts of such Disbursing Agent. No holder of a Claim or Interest or other party in interest shall have or pursue any claim or Cause of Action against the Disbursing Agent, solely in its capacity as Disbursing Agent, for making payments in accordance with the Plan or for implementing provisions of the Plan, except for actions or omissions to act arising out of the gross negligence or willful misconduct, fraud, malpractice, criminal conduct, or ultra vires acts of such Disbursing Agent**.**

b) A Disbursing Agent shall be empowered to (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties hereunder, (ii) make all distributions contemplated hereby, (iii) employ professionals to represent it with respect to its responsibilities, and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions of the Plan.

**vi. Expenses of Disbursing Agent**

To the extent the Disbursing Agent is an Entity other than a Debtor or Reorganized Debtor, except as otherwise ordered by the Bankruptcy Court and subject to the written agreement of the Reorganized Debtors, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement Claims (including for reasonable attorneys' and other professional fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors in the ordinary course of business.

**vii. No Postpetition Interest on Claims**

Except as otherwise provided in the Plan, the Confirmation Order, or another order of the Bankruptcy Court or required by the Bankruptcy Code, interest shall not accrue or be paid on any Claims on or after the Petition Date, *provided that*, other than with respect to DIP Claims or other Secured Claims, if interest is payable pursuant to the preceding sentence, interest shall accrue at the federal judgment rate pursuant to 28 U.S.C. § 1961 on a non-compounded basis from the date the obligation underlying the Claim becomes due and is not timely paid through the date of payment.

**viii. Delivery of Distributions**

a) In the event that any distribution to any holder is returned as undeliverable, no further distributions shall be made to such holder unless and until such Disbursing Agent is notified in writing of such holder's then-current address, at which time all currently-due, missed distributions shall be made to such holder as soon as reasonably practicable thereafter without interest.

Nothing herein shall require the Disbursing Agent to attempt to locate holders of undeliverable distributions and, if located, assist such holders in complying with Section 6.19 of the Plan.

b) Distributions of the New Equity Interests to be held through DTC shall be made through the facilities of DTC in accordance with DTC's customary practices. All New Equity Interests to be distributed pursuant to the Plan shall be issued in the names of such holders, their nominees of record, or their permitted designees as of the Distribution Record Date in accordance with DTC's book-entry procedures, to the extent applicable; *provided that* such New Equity Interests are permitted to be held through DTC's book-entry system; provided, further, that to the extent that the New Equity Interests are not eligible for distribution in accordance with DTC's customary practices, the Reorganized Debtors will take such reasonable actions as may be required to cause distributions of the New Equity Interests under the Plan. No distributions will be made other than through DTC if the New Equity Interests are permitted to be held through DTC's book entry system. Any distribution that otherwise would be made to any holder eligible to receive a distribution of a security available solely through DTC who does not own or hold an account eligible to receive a distribution through DTC on a relevant distribution date shall be forfeited. The Debtors or the Reorganized Debtors, as applicable, shall seek the cooperation of DTC in an attempt to ensure that any distribution on account of an Allowed First Lien Notes Claim that is held in the name of, or by a nominee of, DTC, shall be made through the facilities of DTC on the Effective Date or as soon as practicable thereafter.

**ix. Distributions after Effective Date**

Distributions made after the Effective Date to holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be deemed to have been made on the Effective Date.

**x. Unclaimed Property**

Undeliverable distributions or unclaimed distributions shall remain in the possession of the Debtors, or in the Unsecured Claims Recovery Pool in accordance with Section 5.11 of the Plan, as applicable, until such time as a distribution becomes deliverable or holder accepts distribution, or such distribution reverts back to the Debtors, the Reorganized Debtors, or the Unsecured Claims Recovery Pool, as applicable, and shall not be supplemented with any interest, dividends, or other accruals of any kind. Such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one hundred and eighty (180) days from the date of distribution. After such date, and notwithstanding Section 5.11 or any other provision of the Plan, all unclaimed property or interest in property shall revert to the Reorganized Debtors and the Claim of any other holder to such property or interest in property shall be discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary.

**xi. Time Bar to Cash Payments**

Checks issued by the Disbursing Agent in respect of Allowed Claims shall be null and void if not negotiated within one hundred eighty (180) days after the date of issuance thereof. Thereafter, the amount represented by such voided check shall irrevocably revert to the Reorganized Debtors, and any Claim in respect of such voided check shall be discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary. Requests for re-issuance of any check within one hundred eighty (180) days after issuance shall be made to the Disbursing Agent by the holder of the Allowed Claim to whom such check was originally issued.

**xii. Manner of Payment under Plan**

Except as otherwise specifically provided in the Plan, at the option of the Debtors or the Reorganized Debtors, any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements or customary practices of the Debtors.

**xiii. Satisfaction of Claims**

Except as otherwise specifically provided in the Plan, any distributions and deliveries to be made on account of Allowed Claims under the Plan shall be in complete and final satisfaction, settlement, and discharge of and exchange for such Allowed Claims.

**xiv. Fractional Stock and Notes**

No fractional shares or equity interests of New Equity Interests shall be distributed. If any distributions of New Equity Interests pursuant to the Plan would result in the issuance of a fractional share or equity interest of New Equity Interests, then the number of shares or equity interests of New Equity Interests to be issued in respect of such distribution will be calculated to one decimal place and rounded up or down to the closest whole share or equity interest (with a half share or equity interest or greater rounded up and less than a half share or equity interest rounded down). The total number of shares or equity interests of New Equity Interests, as applicable, to be distributed in connection with the Plan shall be adjusted as necessary to account for the rounding provided for in Section 6.14 of the Plan. No consideration shall be provided in lieu of fractional shares or equity interests that are rounded down. Neither the Reorganized Debtors nor the Disbursing Agent shall have any obligation to make a distribution that is less than (1) share or equity interest of New Equity Interests. Any New Equity Interest that is not distributed in accordance with Section 6.14 of the Plan shall be returned to, and ownership thereof shall vest in, Reorganized LBI Parent.

**xv. Minimum Cash Distributions**

The Disbursing Agent shall not be required to make any distribution of Cash less than One Hundred Dollars ($100) to any holder of an Allowed Claim; *provided that* if any distribution is not made pursuant to Section 6.15 of the Plan, such distribution shall be added to any subsequent distribution to be made on behalf of the holder's Allowed Claim.

**xvi. Setoffs and Recoupments**

The Debtors and the Reorganized Debtors, as applicable, may, but shall not be required to, set off or recoup against any Claim, and any distribution to be made on account of such Claim, any and all claims, rights, and Causes of Action of any nature whatsoever that the Debtors or the Reorganized Debtors may have against the holder of such Claim pursuant to the Bankruptcy Code or applicable nonbankruptcy law; *provided that* neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by a Debtor or a Reorganized Debtor or its successor of any claims, rights, or Causes of Action that a Debtor or Reorganized Debtor or its successor or assign may possess against the holder of such Claim.

**xvii. Allocation of Distributions between Principal and Interest**

Except as otherwise required by law (as reasonably determined by the Debtors or the Reorganized Debtors), distributions with respect to Allowed Claims shall be allocated first to the

principal portion of such Allowed Claim (as determined for United States federal income tax purposes) and, thereafter, to the remaining portion of such Allowed Claim, if any.

**xviii. No Distribution in Excess of Amount of Allowed Claim**

Notwithstanding anything in the Plan to the contrary, no holder of an Allowed Claim shall receive, on account of such Allowed Claim, distributions under this Plan in excess of the Allowed amount of such Claim.

**xix. Withholding and Reporting Requirements**

a) *Withholding Rights.* In connection with the Plan, any party issuing any instrument or making any distribution described in the Plan shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions pursuant to the Plan and all related agreements shall be subject to any such withholding or reporting requirements. In the case of a non-Cash distribution that is subject to withholding, the distributing party may withhold an appropriate portion of such distributed property and either (i) sell such withheld property to generate Cash necessary to pay over the withholding tax (or reimburse the distributing party for any advance payment of the withholding tax), or (ii) pay the withholding tax using its own funds and retain such withheld property. Any amounts withheld pursuant to the preceding sentence, and paid over to the applicable Governmental Unit, shall be deemed to have been distributed to and received by the applicable recipient for all purposes of the Plan. Notwithstanding the foregoing, each holder of an Allowed Claim or any other Entity that receives a distribution pursuant to the Plan shall have responsibility for any taxes imposed by any Governmental Unit, including income, withholding, and other taxes, on account of such distribution. In the event any party issues any instrument or makes any non-Cash distribution pursuant to the Plan that is subject to withholding tax and such issuing or distributing party has not sold such withheld property to generate Cash to pay the withholding tax or paid the withholding tax using its own funds and retains such withheld property as described above, such issuing or distributing party has the right, but not the obligation, to not make a distribution until such holder has made arrangements reasonably satisfactory to such issuing or disbursing party for payment of any such tax obligations.

b) ***Forms.*** Any party entitled to receive any property as an issuance or distribution under the Plan shall, upon request, deliver to the Disbursing Agent or such other Entity designated by the Reorganized Debtors (which Entity shall subsequently deliver to the Disbursing Agent any applicable IRS Form W-8 or Form W-9 received) an appropriate Form W-9 or (if the payee is a foreign Entity) Form W-8, and any other forms or documents reasonably requested by any Reorganized Debtor to reduce or eliminate any withholding required by any federal, state, or local taxing authority. If such request is made and the holder fails to comply before the date that is 180 days after the request is made, the amount of such distribution shall irrevocably revert to the applicable Debtor or Reorganized Debtor, as applicable, and any Claim in respect of such distribution shall be discharged and forever barred from assertion against such Debtor or Reorganized Debtor, as applicable, or their respective property.

**E. <u>Procedures for Disputed Claims</u>**

**i. Objections to Claims**

The Debtors or Reorganized Debtors, as applicable, shall exclusively be entitled to object to Claims. After the Effective Date, the Debtors or Reorganized Debtors, as applicable, shall have and retain any and all rights and defenses that the Debtors had with regard to any Claim to which they may object, except with respect to any Claim that is Allowed. Any objections to Claims shall be served and filed on or before the Claims Objection Bar Date.

**ii. Resolution of Disputed Administrative Expenses and Disputed Claims**

On and after the Effective Date, the Debtors or Reorganized Debtors, as applicable, shall have the authority to compromise, settle, otherwise resolve, or withdraw any objections to Claims without approval of the Bankruptcy Court, other than with respect to Fee Claims**.**

**iii. Payments and Distributions with Respect to Disputed Claims**

a) *Generally.* Notwithstanding anything herein to the contrary, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim**.**

b) *Disputed Unsecured Claims Reserve.* The Debtors or Reorganized Debtors, as applicable, shall withhold and retain from distribution from the Unsecured Claims Recovery Pool Account, in individual accounts or in a single account, (i) an amount sufficient to pay holders of Disputed ASCAP/BMI Settlement Claims, Ongoing Trade Claims, and General Unsecured Claims, as applicable, the amount such holders would be entitled to receive under the Plan if such Claims were to become Allowed Claims, (ii) such lesser amount as estimated or otherwise ordered by the Bankruptcy Court, or (iii) such lesser amount as agreed to between the Reorganized Debtors and the holders thereof (each such account, a "Disputed Unsecured Claims Reserve"). As Disputed Claims are resolved pursuant to Article VII hereof, the Debtors or Reorganized Debtors, as applicable, shall direct the Disbursing Agent, to make distributions on account of such Disputed Claims as if such Disputed Claims were Allowed Claims as of the Effective Date. Such distributions shall be made on the Unsecured Claims Distribution Date that is at least sixty (60) days after the date on which a Disputed Claim becomes an Allowed Claim, or on an earlier date selected by the Debtors or Reorganized Debtors, as applicable, in their sole discretion. To the extent that any of the HoldCo Cash has to be withheld on account of Disputed Claims, it may be treated in a similar manner to that of the Unsecured Claims Recovery Pool Account in section 7.3 of the Plan.

c) *Tax Treatment of Disputed Unsecured Claims Reserves*. All parties to the Plan shall (i) treat each Disputed Unsecured Claims Reserve as a "disputed ownership fund" governed by Treas. Reg. §1.468B-9 for U.S. federal income tax purposes, and (ii) to the extent permitted by applicable law, report consistently with the foregoing for all federal, state, and local income tax purposes. All taxes imposed on assets or income of such Disputed Unsecured Claims Reserve will be payable from the assets of the Disputed Unsecured Claims Reserve.

d) *Request for Expedited Determination of Taxes*. The Reorganized Debtors shall have the right to request an expedited determination under section 505(b) of the Bankruptcy Code with respect to tax returns of each Disputed Unsecured Claims Reserve filed or to be filed for any and all taxable periods of such reserve.

**iv. Distributions after Allowance**

After such time as a Disputed Claim becomes, in whole or in part, an Allowed Claim, the holder thereof shall be entitled to distributions, if any, to which such holder is then entitled as provided in this Plan, without interest, as provided in Section 7.9 of the Plan. Such distributions shall be made as soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Disputed Claim (or portion thereof) becomes a Final Order.

**v. Disallowance of Claims**

Except to the extent otherwise agreed to by the Debtors or Reorganized Debtors, as applicable, any Claims held by Entities from which property is recoverable under sections 542, 543, 550, or 553 of the Bankruptcy Code or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code, as determined by a Final Order, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and holders of such Claims may not receive any distributions on account of such Claims until such time as such Causes of Action against that Entity have been settled or a Final Order with respect thereto has been entered and all sums due, if any, to the Debtors by that Entity have been turned over or paid to the Debtors or the Reorganized Debtors. All proofs of claim filed on account of an indemnification obligation to a current or former director, officer, or employee shall be deemed satisfied and expunged from the claims register as of the Effective Date to the extent such indemnification obligation is assumed (or honored or reaffirmed, as the case may be) pursuant to the Plan, without any further notice to or action, order, or approval of the Bankruptcy Court.

**vi. Estimation of Claims**

The Debtors or the Reorganized Debtors, as applicable, may determine, resolve and otherwise adjudicate all contingent Claims, unliquidated Claims and Disputed Claims in the Bankruptcy Court. The Debtors or the Reorganized Debtors, as applicable, may at any time request that the Bankruptcy Court estimate any contingent, unliquidated, or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code for any reason or purpose, regardless of whether any party has previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, during the pendency of any appeal relating to any such objection. If the Bankruptcy Court estimates any contingent Claim, unliquidated Claim or Disputed Claim, that estimated amount shall constitute the maximum limitation on such Claim, and the Debtors or the Reorganized Debtors, as applicable, may pursue supplementary proceedings to object to the ultimate allowance of such Claim; *provided that* such limitation shall not apply to Claims requested by the Debtors to be estimated for voting purposes only.

**vii. No Distributions Pending Allowance**

If an objection, motion to estimate, or other challenge to a Claim is filed, no payment or distribution provided under the Plan shall be made on account of such Claim unless and until (and only to the extent that) such Claim becomes an Allowed Claim.

**viii. Claim Resolution Procedures Cumulative**

All of the objection, estimation, and resolution procedures in the Plan are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently settled, compromised, withdrawn, or resolved in accordance with the Plan without further notice or Bankruptcy Court approval.

**ix. Interest**

To the extent that a Disputed Claim becomes an Allowed Claim after the Effective Date, the holder of such Claim shall not be entitled to any interest that accrued thereon from and after the Effective Date.

## F. Executory Contracts and Unexpired Leases

### i. General Treatment

a) As of and subject to the occurrence of the Effective Date, all executory contracts and unexpired leases to which any of the Debtors are parties shall be deemed rejected, unless such contract or lease (i) subject to the reasonable consent of the Requisite First Lien Consenting Noteholders, was previously assumed or rejected by the Debtors pursuant to an order of the Bankruptcy Court, (ii) previously expired or terminated pursuant to its own terms or by agreement of the parties thereto, (iii) subject to the reasonable consent of the Requisite First Lien Consenting Noteholders, is the subject of a motion to assume filed by the Debtors on or before the Confirmation Date, (iv) is a Key Employee Agreement, or (v) is specifically designated as a contract or lease to be assumed on the Assumption Schedule.

b) Subject to the occurrence of the Effective Date, entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the assumptions, assumptions and assignments, including assignments to another Debtor, or rejections provided for in this Plan pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Each executory contract and unexpired lease assumed or assumed and assigned pursuant to this Plan shall vest in and be fully enforceable by the applicable Reorganized Debtor in accordance with its terms, except as modified by the provisions of this Plan, any order of the Bankruptcy Court authorizing and providing for its assumption or assumption and assignment, or applicable law.

### ii. Determination of Cure Disputes and Deemed Consent

a) Any Cure Amount shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the Cure Amount, as reflected in the applicable cure notice, in Cash on the Effective Date, subject to the limitations described below, or on such other terms as the parties to such executory contracts or unexpired leases and the Debtors may otherwise agree.

b) The Debtors shall file, as part of the Plan Supplement, the Assumption Schedule. At least twenty-one (21) days before the commencement of the Confirmation Hearing, the Debtors shall serve a notice on parties to executory contracts or unexpired leases to be assumed reflecting the Debtors' intention to assume the contract or lease in connection with this Plan and, where applicable, setting forth the proposed Cure Amount (if any). **Any objection by a counterparty to an executory contract or unexpired lease to the proposed assumption, assumption and assignment, or related Cure Amount must be filed, served, and actually received by the Debtors within ten (10) days of the service of the assumption notice, or such shorter period as agreed to by the parties or authorized by the Bankruptcy Court**. Any counterparty to an executory contract or unexpired lease that fails to object timely to the proposed assumption, assumption and assignment, or Cure Amount (i) shall be deemed to have assented to such assumption, assumption and assignment, or Cure Amount, notwithstanding any provision thereof that purports to (1) prohibit, restrict, or condition the transfer or assignment of such contract or lease, or (2) terminate or permit the termination of a contract or lease as a result of any direct or indirect transfer or assignment of the rights of the Debtors under such contract or lease or a change, if any, in the ownership or control to the extent contemplated by the Plan, and shall forever be barred and enjoined from asserting such objection against the Debtors or terminating or modifying such contract or lease on account of transactions contemplated by the Plan, and (ii) shall be forever barred, estopped, and enjoined from challenging the validity of such assumption or assumption and assignment, as applicable, thereafter.

c) If there is a dispute pertaining to the assumption of an executory contract or unexpired lease (other than a dispute pertaining to a Cure Amount), such dispute shall be heard by the Bankruptcy Court prior to the assumption being effective; *provided that* the Debtors or the Reorganized Debtors may settle any such dispute without any further notice to, or action by, any party or order of the Bankruptcy Court.

d) To the extent a dispute relates to Cure Amounts, the Debtors may assume and/or assume and assign the applicable executory contract or unexpired lease prior to the resolution of such cure dispute, *provided that* the Debtors or the Reorganized Debtors reserve Cash in an amount sufficient to pay the full amount reasonably asserted as the Cure Amount by the counterparty to such executory contract or unexpired lease.

e) Assumption or assumption and assignment of any executory contract or unexpired lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims against any Debtor or defaults by any Debtor, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed executory contract or unexpired lease at any time before the date that the Debtors assume or assume and assign such executory contract or unexpired Lease. Any proofs of claim filed with respect to an executory contract or unexpired lease that has been assumed or assumed and assigned shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity, upon the assumption of such executory contract or unexpired lease.

**iii. Rejection Damages Claims**

In the event that the rejection of an executory contract or unexpired lease hereunder results in damages to the other party or parties to such contract or lease, any Claim for such damages, if not heretofore evidenced by a timely filed proof of Claim, shall be forever barred and shall not be enforceable against the Debtors or the Reorganized Debtors, or their respective Estates, properties or interests in property as agents, successors, or assigns, unless a proof of Claim is filed with the Bankruptcy Court and served upon counsel for the Debtors or the Reorganized Debtors, as applicable, no later than thirty (30) days after the filing and service of the notice of the occurrence of the Effective Date.

**iv. Discharge of the Debtors' Indemnification Obligations**

Except as otherwise provided in the Plan, any and all obligations of the Debtors pursuant to their corporate charters, bylaws, limited liability company agreements, memorandum and articles of association, or other organizational documents or agreements to indemnify officers, directors, agents or employees employed by the Debtors on or after the Petition Date with respect to all present and future actions, suits, and proceedings against the Debtors or such officers, directors, agents, or employees based upon any act or omission for or on behalf of the Debtors shall be discharged pursuant to the Plan and shall not survive the consummation of the Plan. The Reorganized Debtors shall not indemnify any persons for any claims or Causes of Action arising out of or relating to any act or omission that is a criminal act or constitutes fraud, gross negligence or willful misconduct. Except as otherwise provided in the Plan, all such obligations shall be deemed and treated as executory contracts that are rejected by the Debtors under this Plan and shall not continue as obligations of the Reorganized Debtors.

**v. Insurance Policies**

Notwithstanding any other provision in the Plan, all insurance policies to which any Debtor is a party as of the Effective Date (including any "tail policy") shall be deemed to be and

treated as executory contracts and shall be assumed, or assumed and assigned, by the applicable Reorganized Debtors and shall continue as obligations of the Debtors or Reorganized Debtors in accordance with their respective terms. All other insurance policies shall vest in the Reorganized Debtors, as applicable.

**vi. Intellectual Property Licenses and Agreements**

Notwithstanding any other provision in the Plan, all intellectual property contracts, licenses, royalties, or other similar agreements to which the Debtors have any rights or obligations in effect as of the date of the Confirmation Order shall be deemed and treated as executory contracts pursuant to the Plan and shall be assumed, or assumed and assigned, by the respective Debtors and shall continue in full force and effect unless any such intellectual property contract, license, royalty, or other similar agreement otherwise is specifically rejected pursuant to a separate order of the Bankruptcy Court or is the subject of a separate rejection motion filed by the Debtors. Unless otherwise noted hereunder, as applicable, all other intellectual property contracts, licenses, royalties, or other similar agreements shall vest in the Reorganized Debtors and the Reorganized Debtors may take all actions as may be necessary or appropriate to ensure such vesting as contemplated herein.

**vii. Assignment**

To the extent provided under the Bankruptcy Code or other applicable law, any executory contract or unexpired lease transferred and assigned hereunder shall remain in full force and effect for the benefit of the transferee or assignee in accordance with its terms, notwithstanding any provision in such executory contract or unexpired lease (including those of the type set forth in section 365(b)(2) of the Bankruptcy Code) that prohibits, restricts, or conditions such transfer or assignment. To the extent provided under the Bankruptcy Code or other applicable law, any provision that prohibits, restricts, or conditions the assignment or transfer of any such executory contract or unexpired lease or that terminates or modifies such executory contract or unexpired lease or allows the counterparty to such executory contract or unexpired lease to terminate, modify, recapture, impose any penalty, condition renewal or extension, or modify any term or condition upon any such transfer and assignment, constitutes an unenforceable antiassignment provision and is void and of no force or effect.

**viii. Reservation of Rights**

a) The Debtors may amend the Assumption Schedule, subject to the reasonable consent of the Requisite Consenting First Lien Noteholders, until the Business Day immediately prior to the commencement of the Confirmation Hearing in order to (i) add, delete, or reclassify any executory contract or unexpired lease, *provided that* if the Confirmation Hearing is adjourned for a period of more than two (2) consecutive calendar days, the Debtors' right to amend such schedules and notices shall be extended to the Business Day immediately prior to the adjourned date of the Confirmation Hearing, with such extension applying in the case of any and all subsequent adjournments of the Confirmation Hearing. The Debtors shall provide notice of such amendment to any affected counterparty as soon as reasonably practicable.

b) Neither the exclusion nor the inclusion by the Debtors of any contract or lease on any exhibit, schedule, or other annex to this Plan or in the Plan Supplement, nor anything contained in this Plan, shall constitute an admission by the Debtors that any such contract or lease is or is not an executory contract or unexpired lease or that the Debtors or the Reorganized Debtors have any liability thereunder.

c) Except as explicitly provided in this Plan, nothing herein shall waive, excuse, limit, diminish, or otherwise alter any of the defenses, claims, Causes of Action, or other rights of the Debtors or the Reorganized Debtors under any executory or non-executory contract or unexpired or expired lease.

d) Nothing in this Plan shall increase, augment, or add to any of the duties, obligations, responsibilities, or liabilities of the Debtors or the Reorganized Debtors, as applicable, under any executory or non-executory contract or unexpired or expired lease.

**ix. Modifications, Amendments, Supplements, Restatements, or Other Agreements**

Unless otherwise provided in the Plan, each executory contract or unexpired lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such executory contract or unexpired lease, and executory contracts and unexpired leases related thereto, if any, including easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

**G. Conditions Precedent to Confirmation of Plan and Effective Date**

**i. Conditions Precedent to Confirmation of Plan**

The following are conditions precedent to confirmation of the Plan:

a) The Disclosure Statement Order shall have been entered;

b) the Plan Supplement and all of the schedules, documents, and exhibits contained therein shall have been filed;

c) the Restructuring Support Agreement shall not have been terminated and no termination notice shall have been given that with the passage of time would cause or permit a termination of the Restructuring Support Agreement; and

d) there shall be no event of default under the DIP Documents or the DIP Order.

**ii. Conditions Precedent to Effective Date**

The following are conditions precedent to the Effective Date of the Plan:

a) the Confirmation Order shall have been entered and shall be in full force and effect and no stay thereof shall be in effect;

b) the Restructuring Support Agreement shall not have been terminated and shall remain in full force and effect in accordance with its terms;

c) all outstanding Restructuring Expenses due and owing as of the Effective Date shall have been paid in full, in Cash;

d) there shall be no event of default under the DIP Documents or the DIP Order;

e) the Definitive Documents, including the Exit Facility Documents (if applicable), shall (i) have been executed and delivered, and any conditions precedent contained to effectiveness therein have been satisfied or waived in accordance therewith, and (ii) be in full force and effect and binding upon the relevant parties;

f) all actions, documents and agreements necessary to implement and consummate the Plan, including entry into the Definitive Documents and the Amended Organizational Documents, and the transactions and other matters contemplated thereby, shall have been effected or executed;

g) the Amended Organizational Documents shall have been filed with the appropriate governmental authority, as applicable; and

h) all governmental approvals and consents necessary in connection with the transactions contemplated by the Plan, including the FCC Approval, shall have been obtained, not be subject to unfulfilled conditions, and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent, or otherwise impose materially adverse conditions on such transactions.

**iii. Waiver of Conditions Precedent**

a) Except as otherwise provided herein, all actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously and no such action shall be deemed to have occurred prior to the taking of any other such action. Each of the conditions precedent in Section 9.1 and Section 9.2 may be waived in writing by the Debtors with the prior written consent of (i) the Requisite Consenting First Lien Noteholders and (ii) the DIP Agent or Exit Facility Agent, solely to the extent that the waiver of a particular conditions precedent would affect the legal and/or economic rights of the DIP Agent, the DIP Lenders, the Exit Facility Agent or the Exit Facility Lenders, as applicable, under the Plan, the DIP Credit Agreement, or the Exit Facility Credit Agreement. If the Plan is confirmed for fewer than all of the Debtors as provided for in Section 5.20 of the Plan, only the conditions applicable to the Debtor or Debtors for which the Plan is confirmed must be satisfied or waived for the Effective Date to occur as to such Debtors.

b) The stay of the Confirmation Order pursuant to Bankruptcy Rule 3020(e) shall be deemed waived by and upon the entry of the Confirmation Order, and the Confirmation Order shall take effect immediately upon its entry.

**iv. Effect of Failure of a Condition**

If the conditions listed in Section 9.2 of the Plan are not satisfied or waived in accordance with Section 9.3 of the Plan on or before the termination of the Restructuring Support Agreement, subject to the reasonable consent of the Requisite Consenting First Lien Noteholders, in a notice filed with the Bankruptcy Court prior to the expiration of such period, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall (a) constitute a waiver or release of any Claims by or against or any Interests in the Debtors, (b) prejudice in any manner the rights of any Entity, or (c) constitute an admission, acknowledgement, offer, or undertaking by the Debtors, the Requisite Consenting First Lien Noteholders, the Exit Facility Agent, or any other Entity.

## H. Effect of Confirmation of Plan

### i. Vesting of Assets

On the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the Debtors' Estates shall vest in the Reorganized Debtors free and clear of all Claims, Liens, encumbrances, charges, and other interests, except as provided pursuant to the Plan, the Confirmation Order, or the Exit Facility Credit Agreement (if applicable). On and after the Effective Date, the Reorganized Debtors may take any action, including the operation of their businesses, the use, acquisition, sale, lease, and disposition of property, and the entry into transactions, agreements, understandings, or arrangements, whether in or other than in the ordinary course of business, and execute, deliver, implement, and fully perform any and all obligations, instruments, documents, and papers or otherwise in connection with any of the foregoing, free of any restrictions of the Bankruptcy Code or Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code, except as expressly provided herein. Without limiting the foregoing, the Reorganized Debtors may pay the charges that they incur on or after the Effective Date for professional fees, disbursements, expenses, or related support services without application to the Bankruptcy Court.

### ii. Binding Effect

As of the Effective Date, the Plan shall bind all holders of Claims against and Interests in the Debtors and their respective successors and assigns, notwithstanding whether any such holders (a) were Impaired or Unimpaired under the Plan, (b) were deemed to accept or reject the Plan, (c) failed to vote to accept or reject the Plan, (d) voted to reject the Plan, or (e) received any distribution under the Plan.

### iii. Discharge of Claims and Termination of Interests

Upon the Effective Date and in consideration of the distributions to be made hereunder, except as otherwise expressly provided herein, each holder (as well as any representatives, trustees, or agents on behalf of each holder) of a Claim or Interest and any affiliate of such holder shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Interests, rights, and liabilities that arose prior to the Effective Date. Upon the Effective Date, all such Entities shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim against or terminated Interest in the Debtors against the Debtors or the Reorganized Debtors or any of their Assets or property, whether or not such holder has filed a proof of claim and whether or not the facts or legal bases therefor were known or existed prior to the Effective Date.

### iv. Term of Injunctions or Stays

Unless otherwise provided herein, the Confirmation Order, or in a Final Order of the Bankruptcy Court, all injunctions or stays arising under or entered during the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in the order providing for such injunction or stay.

### v. Injunction

a) Upon entry of the Confirmation Order, all holders of Claims and Interests and other parties in interest, along with their respective present or former employees, agents,

officers, directors, principals, and affiliates, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan in relation to any Claim or Interest extinguished, discharged, released or treated pursuant to the Plan.

b) Except as expressly provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court or as agreed to by the Debtors and a holder of a Claim against or Interest in the Debtors, all Entities who have held, hold, or may hold Claims against or Interests in any or all of the Debtors (whether proof of such Claims or Interests has been filed or not and whether or not such Entities vote in favor of, against or abstain from voting on the Plan or are presumed to have accepted or deemed to have rejected the Plan) and other parties in interest, along with their respective present or former employees, agents, officers, directors, principals, and affiliates are permanently enjoined, on and after the Effective Date, solely with respect to any Claims, Interests, and Causes of Action that will be or are extinguished, discharged, released, or treated pursuant to the Plan from (i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding of any kind (including any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Released Parties or the property of any of the Released Parties, (ii) enforcing, levying, attaching (including any prejudgment attachment), collecting, or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree, or order against the Released Parties or the property of any of the Released Parties, (iii) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Released Parties or the property of any of the Released Parties, (iv) asserting any right of setoff, directly or indirectly, against any obligation due the Released Parties or the property of any of the Released Parties, except as contemplated or allowed by the Plan; and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan.

c) By accepting distributions pursuant to the Plan, each holder of an Allowed Claim or Interest shall be deemed to have affirmatively and specifically consented to be bound by the Plan, including the injunctions set forth in Section 10.5 of the Plan.

d) The injunctions in Section 10.5 of the Plan shall extend to any successors of the Debtors and the Reorganized Debtors and their respective property and interests in property.

**vi. Releases**

a) **Releases by the Debtors**

**As of the Effective Date, except for the right to enforce the Plan or any right or obligation arising under the Definitive Documents that remains in effect after the Effective Date, for good and valuable consideration, on and after the Effective Date, the Released Parties shall be deemed released and discharged by the Debtors, the Reorganized Debtors, and the Estates, and any Person seeking to exercise the rights of the Estates, and any successors to the Debtors or any Estate representative appointed or selected pursuant to section 1123(b)(3) of the Bankruptcy Code, from any and all claims, obligations, rights, suits, judgments, damages, demands, debts, rights, Causes of Action, remedies, losses, and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, the Reorganized Debtors, or the Estates, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, matured or unmatured, contingent or fixed, existing or hereinafter arising, in law, equity or otherwise, that the Debtors, the Reorganized Debtors, or the Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Estates, the conduct of the Debtors' businesses, the Chapter 11 Cases, the purchase, sale or rescission of the**

**purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between the Debtors and any Released Party, the Restructuring, the Prepetition Actions or any of the transactions that are the subject of the Prepetition Actions, the restructuring of any Claim or Interest before or during the Chapter 11 Cases, the Disclosure Statement, the Plan, and the Definitive Documents, or any related agreements, instruments, or other documents, and the negotiation, formulation, or preparation thereof, the solicitation of votes with respect to the Plan, or any other act or omission, in all cases based upon any act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date.**

b) **Releases by Holders of Claims and Interests**

**As of the Effective Date, except for the right to enforce the Plan or any right or obligation arising under the Definitive Documents that remains in effect after the Effective Date, for good and valuable consideration, on and after the Effective Date, for good and valuable consideration, except as specifically set forth elsewhere in the Plan, the Releasing Parties conclusively, absolutely, unconditionally, irrevocably, and forever discharge and release (and each entity so discharged and released shall be deemed discharged and released by the Releasing Parties) the Released Parties and their respective property from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever (including contract claims, claims under ERISA and all other statutory claims, claims for contributions, withdrawal liability, reallocation liability, redetermination liability, interest on any amounts, liquidated damages, claims for attorneys' fees or any costs or expenses whatsoever), including any derivative claims, asserted or assertable on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, matured or unmatured, contingent or fixed, existing or hereinafter arising, in law, equity or otherwise, that such Entity would have been legally entitled to assert in its own right (whether individually or collectively) based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Estates, the Restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party (other than assumed contracts or leases), the Prepetition Actions or any of the transactions that are the subject of the Prepetition Actions, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation, preparation or consummation of the Plan (including the Plan Supplement), the Definitive Documents, or any related agreements, instruments or other documents, or the solicitation of votes with respect to the Plan, in all cases based upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date; *provided that* nothing in the Plan shall limit the liability of professionals to their clients pursuant to applicable law.**

**vii. Exculpation**

**Notwithstanding anything herein to the contrary, and to the maximum extent permitted by applicable law, no Exculpated Party will have or incur, and each Exculpated Party is hereby released and exculpated from, any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, remedy, loss, and liability for any claim in connection with or arising out of the administration of the Chapter 11 Cases, the negotiation, formulation, preparation, dissemination, implementation, administration, confirmation, consummation, and pursuit of the Disclosure Statement, the restructuring transactions, the Plan, or the solicitation of votes for, or confirmation of, the Plan, the funding or consummation of the Plan (including the Plan**

**Supplement), the Definitive Documents, or any related agreements, instruments, or other documents, the solicitation of votes on the Plan; the offer, issuance, and distribution of any Securities issued or to be issued pursuant to the Plan, whether or not such distribution occurs following the Effective Date, the occurrence of the Effective Date, negotiations regarding or concerning any of the foregoing, or the administration of the Plan or property to be distributed under the Plan, except for actions determined by Final Order to constitute gross negligence, willful misconduct, or intentional fraud. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations and any other applicable law or rules protecting such Exculpated Parties from liability.**

#### viii. Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

#### ix. Retention of Causes of Action/Reservation of Rights

Except as otherwise provided in Sections 10.5, 10.6, and 10.7 of the Plan, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any rights, Claims, Causes of Action, rights of setoff or recoupment, or other legal or equitable defenses that the Debtors had immediately prior to the Effective Date on behalf of the Estates or of themselves in accordance with any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including any affirmative Causes of Action against parties with a relationship with the Debtors. The Reorganized Debtors shall have, retain, reserve, and be entitled to assert all such Claims, Causes of Action, rights of setoff or recoupment, and other legal or equitable defenses notwithstanding the occurrence of the Effective Date, and all of the Debtors' legal and equitable rights in respect of any Unimpaired Claim may be asserted after the Confirmation Date and Effective Date to the same extent as if the Chapter 11 Cases had not been commenced.

#### x. Solicitation of Plan

As of and subject to the occurrence of the Confirmation Date: (a) the Debtors shall be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including sections 1125(a) and (e) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule, or regulation governing the adequacy of disclosure in connection with such solicitation and (b) the Debtors and each of their respective directors, officers, employees, affiliates, agents, financial advisors, investment bankers, professionals, accountants, and attorneys shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of any securities under the Plan, and therefore are not, and on account of such offer, issuance, and solicitation shall not be, liable at any time for any violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of any securities under the Plan.

### xi. Corporate and Limited Liability Company Action

Upon the Effective Date, all actions of the Debtors or the Reorganized Debtors, as applicable, contemplated by the Plan shall be deemed authorized and approved in all respects, including (a) those set forth in Section 5.6 of the Plan, (b) the selection of the managers, directors, and officers for the Reorganized Debtors, (c) the distribution, transfer, or issuance of the New Equity Interests, (d) the entry into the Exit Facility Credit Agreement; (e) the entry into the Exit Facility Credit Agreement (if applicable), and (f) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date), in each case, in accordance with and subject to the terms hereof. All matters provided for in the Plan involving the corporate or limited liability company structure of the Debtors or the Reorganized Debtors, and any corporate or limited liability company action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be in effect, without any requirement of further action by the security holders, directors, managers, or officers of the Debtors or the Reorganized Debtors. On or (as applicable) before the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, shall be authorized and directed to issue, execute, and deliver the agreements, documents, securities, and instruments, certificates of merger, certificates of conversion, certificates of incorporation, or comparable documents, or franchise tax reports contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including, (a) the Amended Organizational Documents, (b) the Exit Facility Credit Agreement, and (c) any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by Section 10.11 of the Plan shall be effective notwithstanding any requirements under non-bankruptcy law.

## I. Retention of Jurisdiction

On and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising in, arising under, and related to the Chapter 11 Cases for, among other things, the following purposes:

a) to hear and determine motions and/or applications for the assumption, assumption and assignment, or rejection of executory contracts or unexpired leases, including disputes over Cure Amounts, and the allowance, classification, priority, compromise, estimation, or payment of Claims resulting therefrom;

b) to determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced after the Confirmation Date;

c) to ensure that distributions to holders of Allowed Claims are accomplished as provided for in the Plan and Confirmation Order and to adjudicate any and all disputes arising from or relating to distributions under the Plan, including, cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the holder of a Claim or Interest for amounts not timely paid;

d) to consider the allowance, classification, priority, compromise, estimation, or payment of any Claim;

e) to enter, implement or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

f) to issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Entity with the

consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;

g) to hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistency in the Plan, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

h) to hear and determine all Fee Claims;

i) to adjudicate, decide, or resolve any and all matters related to section 1141 of the Bankruptcy Code;

j) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Plan Supplement, or the Confirmation Order or any agreement, instrument, or other document governing or relating to any of the foregoing, *provided that* any dispute arising under or in connection with the Exit Facility shall be dealt with in accordance with the provisions of the applicable document;

k) to take any action and issue such orders as may be necessary to construe, interpret, enforce, implement, execute, and consummate the Plan;

l) to determine such other matters and for such other purposes as may be provided in the Confirmation Order;

m) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code);

n) to hear, adjudicate, decide, or resolve any and all matters related to Article X of the Plan, including the releases, discharge, exculpations, and injunctions issued thereunder;

o) to resolve disputes concerning Disputed Claims or the administration thereof;

p) to hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code;

q) to enter one or more final decrees closing the Chapter 11 Cases;

r) to adjudicate any and all disputes arising from or relating to distributions under the Plan;

s) to resolve disputes as to the ownership of any Claim or Interest;

t) to recover all Assets of the Debtors and property of the Debtors' Estates, wherever located;

u) to resolve any disputes concerning whether an Entity had sufficient notice of the Chapter 11 Cases, the Disclosure Statement, any solicitation conducted in connection with the Chapter 11 Cases, any bar date established in the Chapter 11 Cases, or any deadline for responding or

objecting to a Cure Amount, in each case, for the purpose of determining whether a Claim or Interest is discharged hereunder or for any other purpose;

v) to hear and determine any rights, Claims, or Causes of Action held by or accruing to the Debtors pursuant to the Bankruptcy Code or pursuant to any federal statute or legal theory; and

w) to hear and resolve any dispute over the application to any Claim of any limit on the allowance of such Claim set forth in sections 502 or 503 of the Bankruptcy Code.

**ii. Courts of Competent Jurisdiction**

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising out of the Plan, such abstention, refusal, or failure of jurisdiction shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

**J. Miscellaneous Provisions**

**i. Payment of Statutory Fees**

On the Effective Date and thereafter as may be required, each and every Debtor or Reorganized Debtor, as applicable, shall pay all fees due and payable pursuant to section 1930(a) of title 28 of the United States Code for each Debtor's case, or until such time as a final decree is entered closing a particular Debtor's case, a Final Order converting such Debtor's case to a case under chapter 7 of the Bankruptcy Code is entered, or a Final Order dismissing such Debtor's case is entered.

**ii. Substantial Consummation of the Plan**

On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

**iii. Dissolution of Creditors' Committee**

On the Effective Date, the Creditors' Committee shall dissolve, and the members thereof shall be released and discharged from all rights and duties arising from, or related to, the Chapter 11 Cases, *provided that* following the Effective Date, the Creditors' Committee shall continue in existence and have standing and a right to be heard for the following limited purposes: (a) Claims and/or applications, and any relief related thereto, for compensation by professional persons retained in the Chapter 11 Cases pursuant to sections 327, 328, 329, 330, 331, 503(b), or 1103 of the Bankruptcy Code and requests for allowance of Administrative Expense Claims for substantial contribution pursuant to section 503(b)(3)(D) of the Bankruptcy Code; and (b) any appeals of the Confirmation Order or other appeals to which the Creditors' Committee is a party.

**iv. Plan Supplement**

The Plan Supplement shall be filed with the Clerk of the Bankruptcy Court. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Documents included in the Plan Supplement shall be posted at the website of the Debtors' notice, claims, and solicitation agent.

**v. Request for Expedited Determination of Taxes**

The Reorganized Debtors shall have the right to request an expedited determination under section 505(b) of the Bankruptcy Code with respect to tax returns of the Debtors filed, or to be filed, for any and all taxable periods ending after the Petition Date through the Effective Date.

**vi. Exemption from Certain Transfer Taxes**

To the extent permitted by section 1146 of the Bankruptcy Code, (a) the issuance, transfer or exchange of any securities, instruments or documents, (b) the creation of any Lien, mortgage, deed of trust, or other security interest, (c) the making or assignment of any lease or sublease or the making or delivery of any deed or other instrument of transfer under, pursuant to, in furtherance of, or in connection with the Plan, including any deeds, bills of sale, or assignments executed in connection with any of the transactions contemplated under the Plan or the revesting, transfer, or sale of any real or personal property of the Debtors pursuant to, in implementation of or as contemplated in the Plan (whether to one or more of the Reorganized Debtors or otherwise), (d) the grant of collateral under the Exit Facility Credit Agreement, and (e) the issuance, renewal, modification, or securing of indebtedness by such means, and the making, delivery or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including the Confirmation Order, shall not be subject to any document recording tax, stamp tax, conveyance fee, or other similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, sales tax, use tax, or other similar tax or governmental assessment. Consistent with the foregoing, each recorder of deeds or similar official for any county, city, or governmental unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument without requiring the payment of any filing fees, documentary stamp tax, deed stamps, stamp tax, transfer tax, intangible tax, or similar tax.

**vii. Amendments**

a) Subject to (i) the reasonable consent of the Requisite Consenting First Lien Noteholders, and (ii) solely with respect to amendments relating to the treatment of unsecured Claims or amendments that have a material adverse effect on the Debtors' Estates, consultation with the Creditors' Committee, the Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code. After entry of the Confirmation Order, the Debtors may, upon order of the Bankruptcy Court, amend, modify, or supplement the Plan in the manner provided for by section 1127 of the Bankruptcy Code or as otherwise permitted by law, in each case without additional disclosure pursuant to section 1125 of the Bankruptcy Code.

b) Before the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan and the documents contained in the Plan Supplement to cure any non-substantive ambiguity, defect (including any technical defect), or inconsistency without further order or approval of the Bankruptcy Court.

**viii. Effectuating Documents and Further Transactions**

Each of the officers of the Reorganized Debtors is authorized, in accordance with his or her authority under the resolutions of the applicable board of directors or managers (on terms materially consistent with the Plan), to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate

to effectuate and further evidence the terms and conditions of the Plan, which shall be in form and substance reasonably satisfactory to the Debtors and the Requisite Consenting First Lien Noteholders.

### ix. Revocation or Withdrawal of the Plan

The Debtors may, with the consent of the Requisite Consenting First Lien Noteholder, revoke or withdraw the Plan prior to the Effective Date as to any or all of the Debtors; *provided that* the Debtors may revoke or withdraw the Plan without such consent in the exercise of the Debtors' fiduciary duty. If, with respect to a Debtor, the Plan has been revoked or withdrawn prior to the Effective Date, or if confirmation or the occurrence of the Effective Date as to such Debtor does not occur on the Effective Date, then, with respect to such Debtor: (a) the Plan shall be null and void in all respects; (b) any settlement or compromise embodied in the Plan (including the fixing of or limiting to an amount of any Claim or Interest or Class of Claims or Interests), assumption of executory contracts or unexpired leases affected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void; and (c) nothing contained in the Plan shall (i) constitute a waiver or release of any Claim by or against, or any Interest in, such Debtor or any other Entity, (ii) prejudice in any manner the rights of such Debtor or any other Entity, or (iii) constitute an admission of any sort by any Debtor, any Consenting First Lien Noteholders, or any other Entity.

### x. Severability of Plan Provisions

If, before the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted; *provided that* any such alteration or interpretation shall be reasonably acceptable to the Debtors and the Requisite Consenting First Lien Noteholders. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is (a) valid and enforceable pursuant to its terms, (b) integral to the Plan and may not be deleted or modified without the consent of the Debtors, the Reorganized Debtors, the Requisite Consenting First Lien Noteholders and the DIP Agent or Exit Facility Agent, solely to the extent that a particular term or provision affects the legal and/or economic rights of the DIP Agent, the DIP Lenders, the Exit Facility Agent or the Exit Facility Lenders, as applicable, under the Plan, the DIP Credit Agreement or the Exit Facility Credit Agreement and (c) nonseverable and mutually dependent.

### xi. Governing Law

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit hereto or a schedule in the Plan Supplement or a Definitive Document provides otherwise, the rights, duties, and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of laws thereof.

### xii. Time

In computing any period of time prescribed or allowed by the Plan, unless otherwise set forth herein or determined by the Bankruptcy Court, the provisions of Bankruptcy Rule 9006 shall apply.

**xiii. Dates of Actions to Implement the Plan**

In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on or as soon as reasonably practicable after the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

**xiv. Immediate Binding Effect**

Notwithstanding Bankruptcy Rules 3020(e), 6004(h), 7062, or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and Plan Supplement shall be immediately effective and enforceable and deemed binding upon and inure to the benefit of the Debtors, the holders of Claims and Interests (irrespective of whether such Claims or Interests are deemed to have accepted the Plan), the Released Parties, the Exculpated Parties and each of their respective successors and assigns, including the Reorganized Debtors.

**xv. Deemed Acts**

Subject to and conditioned on the occurrence of the Effective Date, whenever an act or event is expressed under the Plan to have been deemed done or to have occurred, it shall be deemed to have been done or to have occurred without any further act by any party, by virtue of the Plan and the Confirmation Order.

**xvi. Successor and Assigns**

The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor, or permitted assign, if any, of each Entity.

**xvii. Entire Agreement**

On the Effective Date, the Plan, the Plan Supplement, and the Confirmation Order shall supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

**xviii. Exhibits to Plan**

All exhibits, schedules, supplements, and appendices to the Plan (including the Plan Supplement) are incorporated into and are a part of the Plan as if set forth in full herein.

**xix. Notices**

All notices, requests, and demands to or upon the Debtors to be effective shall be in writing (including by electronic or facsimile transmission) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

(a) if to the Debtors or the Reorganized Debtors:

LBI Media, Inc.
1845 Empire Avenue
Burbank, CA 91504
Attn: Lenard Liberman, Brian Kei, and Kim Zeldin, Esq.
Email: lliberman@lbimedia.com
bkei@lbimedia.com
kzeldin@lbimedia.com

– and –

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
Attn: Ray C. Schrock, P.C., Garrett A. Fail, Esq., and David J. Cohen, Esq.
Telephone: (212) 310-8000
Facsimile: (212) 310-8007
Email: ray.schrock@weil.com
garrett.fail@weil.com
davidj.cohen@weil.com

– and –

Richards, Layton & Finger, P.A.
One Rodney Square
920 North King Street
Wilmington, Delaware 19801
Attn: Daniel J. DeFranceschi, Esq.
Telephone: (302) 651-7700
Facsimile: (302) 651-7701
Email: defranceschi@rlf.com

(b) if to the Consenting First Lien Noteholders:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Attention: Paul M. Basta, Esq. and Jeffrey D. Saferstein, Esq.
Email: pbasta@paulweiss.com
jsaferstein@paulweiss.com

– and –

Young Conaway Stargatt & Taylor, LLP
Rodney Square, 1000 North King Street
Wilmington, DE 19801
Attention: Pauline K. Morgan, Esq. and M. Blake Cleary, Esq.
Email: pmorgan@ycst.com
mbcleary@ycst.com

## VII. TRANSFER RESTRICTIONS AND CONSEQUENCES UNDER FEDERAL SECURITIES LAWS

The offer and issuance of and the distribution under the Plan of the New Equity Interests issued to holders of Allowed First Lien Notes Claims and Allowed Second Lien Notes Claims shall be exempt from registration under the Securities Act and any other applicable securities laws pursuant to section 1145 of the Bankruptcy Code.

Section 1145 of the Bankruptcy Code generally exempts from registration under the Securities Act the offer or sale under a chapter 11 plan of a security of the debtor, of an affiliate participating in a joint plan with the debtor, or of a successor to the debtor under a plan, if such securities are offered or sold in exchange for a claim against, or an interest in, or a claim for an administrative expense in the case concerning the debtor or such affiliate, or principally in such exchange and partly for cash. In reliance upon this exemption, the New Equity Interests offered and issued to holders of Allowed First Lien Notes Claims and Allowed Second Lien Notes Claims generally will be exempt from the registration requirements of the Securities Act, and state and local securities laws. These securities may be resold without registration under the Securities Act or other federal or state securities laws pursuant to the exemption provided by Section 4(a)(1) of the Securities Act, unless the holder is an "underwriter" with respect to such securities, as that term is defined in section 1145(b) of the Bankruptcy Code. In addition, such section 1145 exempt securities generally may be resold without registration under state securities laws pursuant to various exemptions provided by the respective laws of the several states.

Under Section 1145(b) of the Bankruptcy Code an "underwriter" for purposes of the Securities Act is one who, except with respect to ordinary trading transactions, (i) purchases a claim against the debtor with a view to distribution of any security to be received in exchange for the claim, (ii) offers to sell securities issued under a plan for the holders of such securities, (iii) offers to buy securities issued under a chapter 11 plan from persons receiving such securities, if the offer to buy is made with a view to distribution or (iv) is an issuer, as used in Section 2(a)(11) of the Securities Act, with respect to such securities, which includes control persons of the issuer. Further, based on the legislative history of section 1145 of the Bankruptcy Code, a creditor who owns ten percent (10%) or more of the voting securities of a reorganized debtor and/or has the right to appoint a director to the board of directors of a reorganized debtor may be presumed to be a control person, and, therefore, an underwriter.

Notwithstanding the foregoing, control person underwriters may be able to sell securities without registration pursuant to the resale limitations of Rule 144 of the Securities Act which, in effect, permit the resale of securities received by such underwriters pursuant to a chapter 11 plan, subject to applicable volume limitations, notice and manner of sale requirements, and certain other conditions. Parties who believe they may be statutory underwriters as defined in section 1145 of the Bankruptcy Code are advised to consult with their own legal advisors as to the availability of the exemption provided by Rule 144.

In any case, recipients of new securities issued under the Plan are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state law in any given instance and as to any applicable requirements or conditions to such availability.

*Listing*. Upon the Effective Date of the Plan, the New Equity Interests will not be publicly traded or listed on any national securities exchange. Accordingly, no assurance can be given that a holder of such securities will be able to sell such securities in the future or as to the price at which any sale may occur.

*Legends.* To the extent certificated, certificates evidencing the New Equity Interests held by holders of 10% or more of the outstanding New Equity Interests, or who are otherwise underwriters as defined in Section 1145(b) of the Bankruptcy Code, will bear a legend substantially in the form below:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND MAY NOT BE SOLD, OFFERED FOR SALE OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS THE ISSUER RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.

## VIII.
## CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF PLAN

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtors and to certain holders of Allowed Claims. This summary does not address the U.S. federal income tax consequences to holders of Claims whose Claims are entitled to payment in full in Cash, or holders of Claims or Interests who are deemed to have accepted or rejected the Plan. This discussion also assumes that an Alternative Transaction does not occur. In the event an Alternative Transaction occurs, the U.S. federal income tax consequences may differ materially from those described herein.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Tax Code**"), existing and proposed U.S. Treasury regulations thereunder (the "**Treasury Regulations**"), judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "**IRS**") as in effect on the date hereof, all of which are subject to change, possibly on a retroactive basis. Any such change could significantly affect the U.S. federal income tax consequences described below.

The U.S. federal income tax consequences of the Plan are complex and subject to significant uncertainties. The Debtors have not requested an opinion of counsel or a ruling from the IRS with respect to any of the tax aspects of the Plan. This summary does not address state, local or foreign income or other tax consequences of the Plan, nor does it purport to address the U.S. federal income tax consequences of the Plan to special classes of taxpayers (such as non-U.S. persons, broker-dealers, banks, mutual funds, insurance companies, financial institutions, thrifts, small business investment companies, regulated investment companies, real estate investment trusts, tax-exempt organizations, retirement plans, individual retirement and other tax-deferred accounts, S corporations, partnerships or other pass-through entities for U.S. federal income tax purposes, persons holding securities as part of a hedging, straddle, conversion or constructive sale transaction or other integrated investment, traders in securities that elect to use a mark-to-market method of accounting for their security holding, dealers in securities or foreign currencies, persons whose functional currency is not the U.S. dollar, certain expatriates or former long term residents of the United States, persons who received their Claim as compensation, and persons who use the accrual method of accounting and report income on an "applicable financial statement"). Additionally, this discussion does not address the Foreign Account Tax Compliance Act, the alternative minimum tax, or the "Medicare" tax on net investment income.

The discussion assumes that all Claims and Interests are held as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the Tax Code (unless otherwise indicated), and that the various debt and other arrangements to which the Debtors are parties will be respected for U.S. federal income tax purposes in accordance with their form.

***The following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon your individual circumstances. You are urged to consult your own tax advisor for the U.S. federal, state, local and other tax consequences applicable under the Plan.***

### A. Consequences to the Debtors

Each of the Debtors is a member of an affiliated group of corporations that files consolidated federal income tax returns with Liberman Broadcasting, Inc. as the common parent (the "**LBI Group**") or an entity disregarded as separate from its owner for U.S. federal income tax purposes whose business activities and operations are reflected on the consolidated U.S. federal income tax returns of the LBI Group. The Debtors estimate that, as of the Petition Date, the LBI Group has consolidated net operating loss ("**NOL**") carryforwards of approximately $290 million, among other tax attributes (including tax basis in assets) and, as of December 31, 2018 has approximately $59 million of disallowed business interest expense carryover. However, the amount of any NOLs and other tax attributes, as well as the application of any limitations, remain subject to review and adjustment by the IRS.

As discussed below, in connection with the implementation of the Plan, it is anticipated that the Debtors' NOL carryforwards and certain other tax attributes (other than any carryforward of disallowed business interest) will be significantly reduced or eliminated. Pursuant to the Plan, the Debtors may engage in certain Reorganization Transactions, including a transaction that effectuates a taxable transfer of the Debtors' assets to a newly formed group of corporations (herein called the "**LLC Transfer Transaction**," given that such transaction would likely be effectuated by transferring all the equity in the limited liability companies owned by LBI Media, all of which are disregarded entities for U.S. federal income tax purposes). The capital stock of the acquiring group would be distributed under the Plan in lieu of the capital stock of reorganized Liberman Broadcasting, Inc. In the event of a LLC Transfer Transaction, the Debtors expect that the acquiring company (or companies) will obtain a step-up in the tax basis of the Debtors' assets to then fair market value, but will not carryover any of the Debtors' NOLs or other tax attributes.

#### i. Cancellation of Debt

In general, the Tax Code provides that a debtor in a bankruptcy case must reduce certain of its tax attributes — such as NOL carryforwards and current year NOLs, capital loss carryforwards, certain tax credits, and tax basis in assets — by the amount of any cancellation of debt ("**COD**") incurred pursuant to a confirmed chapter 11 plan. Although not free from doubt, it is expected that carryover of disallowed business interest expense would not be a tax attribute subject to such reduction. In applying the attribute reduction rule to the tax basis in assets, the tax law limits the reduction in tax basis to the amount by which the tax basis exceeds the debtor's post-emergence liabilities. The amount of COD incurred is generally the amount by which the indebtedness discharged exceeds the value of any consideration given in exchange therefor. Certain statutory or judicial exceptions may apply to limit the amount of COD incurred for U.S. federal income tax purposes. If advantageous, the debtor can elect to reduce the basis of depreciable property prior to any reduction in its NOL carryforwards or other tax attributes. Where the debtor joins in the filing of a consolidated U.S. federal income tax return, applicable Treasury Regulations require, in certain circumstances, that the tax attributes of the consolidated subsidiaries of the debtor and other members of the group must also be reduced. Any reduction in tax attributes in respect of COD

generally does not occur until after the determination of the debtor's net income or loss for the taxable year in which the COD is incurred.

The Debtors expect to incur a substantial amount of COD as a result of the implementation of the Plan. The amount of such COD and resulting tax attribute reduction will depend primarily on the fair market value of the New Equity Interests, the issue price of the New Term Loan (as defined below) and the amount of Cash distributed to holders of Claims pursuant to the Plan. The Debtors expect that the consolidated NOL carryforwards will be significantly reduced or eliminated and that the tax basis in their assets would be reduced. In the event the Debtors engage in the LLC Transfer Transaction, any gain or loss in respect of such transaction would be taken into account prior to the reduction in tax attributes as a result of any COD incurred.

#### ii. Limitations on NOL Carryforwards and Other Tax Attributes

Under the Tax Code, any NOL carryforwards and certain other tax attributes, including carryover of disallowed interest and certain "built-in" losses, of a corporation (collectively, "**Pre-Change Losses**") may be subject to an annual limitation if the corporation undergoes an "ownership change" within the meaning of section 382 of the Tax Code. These limitations apply in addition to, and not in lieu of, the attribute reduction that may result from the COD arising in connection with the Plan. As discussed above, due to the resulting attribute reduction from the incurrence of COD, the LBI Group's NOL carryforwards will be significantly reduced or eliminated as of the end of the taxable year in which Plan goes effective. However, any carryforward of disallowed business interest (and possibly certain other tax attributes) would remain available.

Under section 382 of the Tax Code, if a corporation (or consolidated group) undergoes an "ownership change" and the corporation does not qualify for (or elects out of) the special bankruptcy exception in section 382(l)(5) of the Tax Code discussed below, the amount of its Pre-Change Losses that may be utilized to offset future taxable income or tax liability is subject to an annual limitation. Absent an LLC Transfer Transaction, the issuance of the New Equity Interests pursuant to the Plan will constitute an "ownership change" of the LBI Group for these purposes.

In general, the amount of the annual limitation to which a corporation that undergoes an ownership change will be subject is equal to the product of (i) the fair market value of the stock of the corporation immediately before the ownership change (with certain adjustments) multiplied by (ii) the "long term tax exempt rate" in effect for the month in which the ownership change occurs (*e.g.*, 2.51% for ownership changes occurring in January 2019). As discussed below, this annual limitation potentially may be increased in the event the corporation (or consolidated group) has an overall "built-in" gain in its assets at the time of the ownership change. For a corporation (or consolidated group) in bankruptcy that undergoes an ownership change pursuant to a confirmed bankruptcy plan, the fair market value of the stock of the corporation (or the parent of the consolidated group) is generally determined immediately after (rather than before) the ownership change after giving effect to the discharge of creditors' claims, but subject to certain adjustments; in no event, however, can the stock value for this purpose exceed the pre-change gross value of the corporation's assets.

If the loss corporation (or consolidated group) has a net unrealized built-in gain at the time of an ownership change, any built-in gains recognized (or, according to an IRS notice, treated as recognized) during the following five (5) years (up to the amount of the original net unrealized built-in gain) generally will increase the annual limitation in the year recognized, such that the loss corporation (or consolidated group) would be permitted to use its Pre-Change Losses against such built-in gain income in addition to its regular annual allowance.

Any portion of the annual limitation that is not used in a given year may be carried forward, thereby adding to the annual limitation for the subsequent taxable year. However, if the corporation (or consolidated group) does not continue its historic business or use a significant portion of its historic assets in a new business for at least two (2) years after the ownership change, the annual limitation resulting from the ownership change is reduced to zero, thereby precluding any utilization of the corporation's Pre-Change Losses, absent any increases due to recognized built-in gains.

Under section 382(l)(5) of the Tax Code, an exception to the foregoing annual limitation rules generally applies where qualified creditors of a debtor corporation receive, in respect of their claims, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in bankruptcy) pursuant to a confirmed chapter 11 plan. The Debtors have not yet determined whether or not they would qualify for the section 382(l)(5) exception; however, the Debtors do not expect for it to apply in the present case.

Accordingly, the impact of an ownership change of the LBI Group pursuant to the Plan depends upon, among other things, the amount of Pre-Change Losses remaining after the reduction of attributes due to the COD, the value of Debtors' assets immediately prior to the Effective Date, the value of the reorganized equity of the LBI Group, the continuation of its business, and the amount and timing of future taxable income.

**iii. Potential LLC Transfer Transaction**

If the Debtors engage in the LLC Transfer Transaction, the acquiring companies will acquire substantially all of the direct or indirect assets of LBI Media, the principal assets of which are the membership interests of LBI Media's subsidiaries, each of which is disregarded as an entity separate from LBI Media for U.S. federal income tax purposes. The consideration for the acquisition of the assets by the acquiring companies would be all of the capital stock of the indirect parent of the acquiring companies (in which event such stock would be New Equity Interests, as defined in the Plan) and the assumption of all of the obligations of the Debtors that are not discharged or otherwise satisfied under the Plan (including the assumption of, or issuance as additional consideration of, the New Term Loan, as defined below).

The Debtors contemplate that, for U.S. federal income tax purposes, the LLC Transfer Transaction would be treated as — and the discussion herein assumes treatment as — a taxable asset acquisition, such that the acquiring companies would obtain a new cost basis in the assets acquired (or deemed acquired) from the Debtors, based on the fair market value of such assets on the Effective Date. The acquiring companies would not succeed to any tax attributes of the Debtors (such as NOLs, tax credits or tax basis in assets). The LBI Group generally would recognize gain or loss upon the transfer in an amount equal to the difference, if any, between (i) the sum of the fair market value of the New Equity Interests, the issue price of the New Term Loan (either as additional consideration issued in the transaction or as a liability assumed by the acquiring companies), and the amount of any other liabilities directly or indirectly assumed by the acquiring companies, and (ii) the Debtors' tax basis in the assets transferred (including any assets deemed transferred, such as by reason of the transfer of the membership interests in a wholly-owned limited liability company that is disregarded as separate from its owner for U.S. federal income tax purposes).

Taking into account available NOL carryforwards and other tax attributes, the Debtors expect that no material U.S. federal, state or local income tax liability, if any, should be incurred upon the transfer. The fair market value of the assets of the Debtors and tax basis may vary from current estimates, which could result in tax consequences different from those expected, and in any event, the amount of gain or

loss and resulting tax liability will remain subject to audit and adjustment by the IRS or other applicable taxing authorities.

### B. Consequences to Holders of Certain Claims

This summary discusses the U.S. federal income tax consequences to holders of First Lien Notes Claims, Second Lien Notes Claims, HoldCo Unsecured Notes Claims, Intermediate HoldCo Unsecured Notes Claims, Ongoing Trade Claims, ASCAP/BMI Settlement Claims, and General Unsecured Claims, who are U.S. Holders and does not discuss tax consequences for those who are not U.S. Holders. As used herein, the term "**U.S. Holder**" means a beneficial owner of such Claims that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have authority to control all of its substantial decisions, or if the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If a partnership or other entity or arrangement taxable as a partnership for U.S. federal income tax purposes holds such Claims, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in such a partnership holding any such Claims, you should consult your own tax advisor.

#### i. Treatment of First Lien Noteholders

Pursuant to the Plan, unless the First Lien Notes Refinance Option is exercised, in complete and final satisfaction of their respective Claims, the holders of Allowed First Lien Notes Claims will receive New Equity Interests and a new secured term loan (the "**New Term Loan**"). The New Term Loan would be part of the Exit Facility.

The U.S. federal income tax consequences of the Plan to a U.S. Holder of First Lien Notes Claims depends, in part, on whether a holder's First Lien Notes Claims and the New Term Loan received constitute "securities" of LBI Media for U.S. federal income tax purposes (unless the Debtors engage in the LLC Transfer Transaction).

The term "security" is not defined in the Tax Code or in the Treasury regulations issued thereunder and has not been clearly defined by judicial decisions. The determination of whether a particular debt obligation constitutes a "security" depends on an overall evaluation of the nature of the debt, including whether the holder of such debt obligation is subject to a material level of entrepreneurial risk and whether a continuing proprietary interest is intended or not. One of the most significant factors considered in determining whether a particular debt obligation is a security is its original term. In general, debt obligations issued with a weighted average maturity at issuance of less than five (5) years do not constitute securities, whereas debt obligations with a weighted average maturity at issuance of ten

(10) years or more constitute securities. Additionally, the IRS has ruled that new debt obligations with a term of less than five years issued in exchange for and bearing the same terms (other than interest rate) as securities should also be classified as securities for this purpose, since the new debt represents a continuation of the holder's investment in the corporation in substantially the same form. A portion of the First Lien Notes Claims had an eight (8) year maturity at issuance and a portion had a five (5) year maturity (subject to reduction upon certain events). The New Term Loan is expected to have a five (5) year maturity. U.S. Holders of First Lien Notes Claims are urged to consult their own tax advisors regarding the appropriate status for U.S. federal income tax purposes of their First Lien Notes Claims and the New Term Loan.

a) **Fully Taxable Exchange**

If a U.S. Holder's First Lien Notes Claim or the New Term Loan does *not* constitute a "security" of LBI Media for U.S. federal income tax purposes or the Debtors engage in the LLC Transfer Transaction, the distribution to such holder will be a fully taxable transaction. In such event, a U.S. Holder of an Allowed First Lien Notes Claim should generally recognize gain or loss in an amount equal to the difference, if any, between (i) the sum of the fair market value of any New Equity Interests and either (a) the issue price (as defined below) of the New Term Loan received, (b) in the event the New Term Loan is considered a contingent payment debt obligation (if the issue price is not determined based on trading in the Claims or the New Term Loan), the issue price of the New Term Loan increased by the fair market value of any contingent payments on the New Term Loan, or (c) in the case of the LLC Transfer Transaction, the fair market value of the New Term Loan irrespective of its issue price (other than any consideration received in respect of a Claim for accrued but unpaid interest and possibly accrued original issue discount ("**OID**")), and (ii) the U.S. Holder's adjusted tax basis in its Claims (other than any tax basis attributable to accrued but unpaid interest and possibly accrued OID). *See* Article VIII.B.v, "Character of Gain or Loss," below. In addition, a U.S. Holder of a Claim will have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest (and possibly accrued OID) not previously included in income. *See* Article VIII.B.iv, "Distributions in Discharge of Accrued Interest," below.

The "issue price" of the New Term Loan for U.S. federal income tax purposes depends on whether, at any time during the 31-day period ending 15 days after the Effective Date, the New Term Loan or any of the First Lien Notes Claims are considered traded on an "established market" (except if the Debtors engage in the LLC Transfer Transaction and the New Term Loan is part of the consideration for the acquisition of the assets of LBI Media, in which case the issue price of the New Term Loan would only depend on whether the New Term Loan is considered to be traded on an "established market"). Pursuant to applicable U.S. Treasury regulations, an "established market" need not be a formal market. It is sufficient if there is a readily available sales price for an executed purchase or sale of the New Term Loan or the First Lien Notes Claims, or if there is one or more "firm quotes" or "indicative quotes" with respect to the New Term Loan or for the First Lien Notes Claims, in each case as such terms are defined in applicable U.S. Treasury regulations. If the New Term Loan received is considered traded on an established market, the issue price of the New Term Loan for U.S. federal income tax purposes will equal its fair market value as of the Effective Date. If the New Term Loan is not considered traded on an established market but any of the First Lien Notes Claims are so treated, the issue price of the New Term Loan will be based on the fair market value of such First Lien Notes Claims (with appropriate adjustments, such as for the fair market value of the New Equity Interests) other than in the event of the LLC Transfer Transaction for which the New Term Loan serves as part of the consideration for the assets. Alternatively, if neither the New Term Loan nor First Lien Notes Claims are considered traded on an established market, the issue price of the New Term Loan generally will be its stated principal amount. If the Debtors determine that the New Term Loan or any interest in the First Lien Notes Claims is traded on an established market, such determination and the determination of issue price will be binding on a U.S.

Holder unless such holder discloses, on a timely-filed U.S. federal income tax return for the taxable year that includes the Effective Date that such holder's determination is different from Debtors' determination, the reasons for such holder's different determination and, if applicable, how such holder determined the fair market value.

In a fully taxable exchange, a U.S. Holder's aggregate tax basis in any New Equity Interests and New Term Loan received in respect of its Allowed Claim on the Effective Date will equal the amount taken into account in determining gain or loss. In addition, the holding period in the New Equity Interests and the New Term Loan received generally will begin on the day following the Effective Date.

b) **Recapitalization Treatment**

If (and to the extent) a holder's First Lien Notes Claim constitutes a "security" of LBI Media for U.S. federal income tax purposes and the New Term Loan received also constitutes a "security" of LBI Media for U.S. federal income tax purposes, the holder's exchange will qualify for "recapitalization" treatment. In such event, a U.S. Holder of an Allowed First Lien Notes Claim generally will not recognize loss, but will recognize gain (computed as described above in the case of a fully taxable exchange) to the extent of the fair market value of the New Equity Interests received from LBI Media in satisfaction of its Claim. *See* Article VIII.B.v, "Character of Gain or Loss," below. In addition, any consideration received in respect of any Claim for accrued but unpaid interest and possibly accrued OID is treated separately. *See* Article VIII.B.iv, "Distributions in Discharge of Accrued Interest," below.

In a recapitalization exchange, the U.S. Holder's aggregate tax basis in the New Term Loan received will equal such U.S. Holder's aggregate adjusted tax basis in the First Lien Notes Claims exchanged therefor, increased by any gain and interest income recognized in the exchange, and decreased by (i) the fair market value of the New Equity Interests received and (ii) any deductions claimed in respect of any previously accrued but unpaid interest. A U.S. Holder's holding period in the New Term Loan will include its holding period in the First Lien Notes Claims exchanged therefor, except to the extent of any consideration received in respect of accrued but unpaid interest.

A U.S. Holder will have tax basis in the New Equity Interests received equal to their fair market value. The holding period in the New Equity Interests received generally will begin on the day following the Effective Date.

c) **Ownership and Disposition of the New Term Loan**

Based on preliminary terms of the New Term Loan which would mandate its repayment, in whole or in part, upon the occurrence of certain contingencies, it is possible that, the New Term Loan may be treated as a "contingent payment debt instrument" under the applicable Treasury Regulations (unless such contingencies would be treated as "remote" thereunder). For example, the Exit Facility Credit Agreement Term Sheet currently provides for repayment out of excess cash flow. The terms of the New Term Loan remain under negotiation and thus are subject to change. Ultimately, the Reorganized Debtors' determination of whether the New Term Loan is a contingent payment debt instrument will be made based on the facts and circumstances at the time of emergence. However, the Reorganized Debtors' treatment of the New Term Loan is not binding on the IRS. Accordingly, holders are urged to consult their tax advisors regarding the application of the contingent payment debt regulations to the New Term Loan.

The taxation of contingent payment debt instruments is complex. In general, the rules applicable to such instruments could require a holder to accrue ordinary income at a higher rate than the stated

interest rate and the rate that would otherwise be imputed under the OID rules, and to treat as ordinary income (rather than capital gain) any gain recognized on the taxable disposition of the New Term Loan.

***Treatment as a Contingent Payment Debt Instrument.*** If the New Term Loan is a contingent payment debt instrument, the applicable treatment under applicable regulations also depends on whether the New Term Loan (and potentially whether the First Lien Notes Claims) are considered to be traded on an "established securities market" as described under Article VIII.B.i.a, "Fully Taxable Exchange," above.

*If Traded on an Established Securities Market.* If the New Term Loan is treated as a contingent payment debt instrument that is traded on an established securities market (either because it itself is traded or was exchanged for an obligation that was so traded), the Reorganized Debtors must construct a "projected payment schedule." U.S. Holders of a contingent payment debt instrument generally must recognize all interest income with respect to such debt (including stated interest) on a constant yield basis (regardless of their method of accounting) at a rate determined based on the "issue price" and the projected payment schedule for such debt, subject to certain adjustments if actual contingent payments differ from those projected. In the present case, the projected payment schedule generally would be determined by including each noncontingent payment and the "expected value" as of the issue date of each projected contingent payment of principal and interest on the New Term Loan, adjusted as necessary so that the projected payments discounted at the "comparable yield" (which is the greater of the yield at which the debtor would issue a fixed-rate debt instrument with terms and conditions similar to those of the New Term Loan, as applicable, or the applicable federal rate) equals the issue price for the loan.

The amount of interest that is treated as accruing during an accrual period on a contingent payment debt instrument is the product of the "comparable yield" and the debt's adjusted issue price at the beginning of such accrual period. The "adjusted issue price" of a contingent payment debt instrument is the issue price of such debt increased by interest previously accrued on such debt (determined without adjustments for differences between the projected payment schedule and the actual payments on such debt), and decreased by the amount of any noncontingent payments and the projected amount of any contingent payments previously made on such debt.

Except for adjustments made for differences between actual and projected payments, the amount of interest included in income by a holder of a contingent payment debt instrument is the portion that accrues while such holder holds such debt (with the amount attributable to each accrual period allocated ratably to each day in such period). If actual payments differ from projected payments, then the holder generally would be required in any given taxable year either to include additional interest in gross income (i.e., where the actual payments exceed projected payments in such taxable year) or to reduce the amount of interest income otherwise accounted for on the debt (*i.e.,* where the actual payments are less than the projected payments in such taxable year), as applicable. If the negative adjustment exceeds the interest for the taxable year that otherwise would have been accounted for on the debt, the excess would be treated as ordinary loss. However, the amount treated as an ordinary loss in any taxable year is limited to the amount by which the holder's total interest inclusions on the debt exceed the total amount of the net negative adjustments the holder treated as ordinary loss on such debt in prior taxable years. Any remaining excess would be a negative adjustment carryforward and may be used to offset interest income in succeeding years. If debt is sold, exchanged or retired, any negative adjustment carryforward from the prior year would reduce the holder's amount realized on the sale, exchange or retirement.

The yield, timing and amounts set forth on the projected payment schedules (if applicable) are for U.S. federal income tax purposes only and are not assurances by the Reorganized Debtors with respect to any aspect of the New Term Loan. After issuance, any holder of the debt may obtain the comparable yield, the projected payment schedule, the issue price, the amount of OID, and the issue date for the debt

by writing to the Reorganized Debtors. For U.S. federal income tax purposes, a holder generally must use the Reorganized Debtors' comparable yield and projected payment schedule for a contingent payment debt instrument in determining the amount and accrual of OID on such debt unless such schedule is unreasonable and the holder explicitly discloses in accordance with the contingent payment debt regulations its differing position and why the Reorganized Debtors' schedule is unreasonable. The IRS generally is bound by the Reorganized Debtors' comparable yield and projected payment schedule unless either is unreasonable.

*If Not Traded on an Established Securities Market*. If the New Term Loan is a contingent payment debt instrument that not traded on an established securities market and thus not governed by the preceding discussion, the contingent and noncontingent portions of the New Term Loan generally will be treated separately for OID purposes. In this case, since preliminary terms of the New Term Loan would mandate its repayment, in whole or in part, upon the occurrence of certain contingencies, it is possible that all payments under New Term Loan would be contingent.

The noncontingent portion of the New Term Loan, if any, will be treated as having an issue price equal to the present value of such noncontingent portion, discounted based on the applicable federal rate in effect on the Effective Date for 5-year obligations. The applicable federal rate is set monthly by the IRS in accordance with section 1274(d) of the Code. The resulting OID (equal to the amount by which the noncontingent payments have been discounted) generally will be required to be accrued and included in the holder's gross income as interest over the five (5) year term of the New Term Loan based on the constant interest method, regardless of the holder's method of accounting. Accordingly, each holder generally will be required to include amounts in gross income in advance of the payment of cash in respect of such income.

The contingent portion, which may consist of all payments, also has an OID component; however, the amount treated as OID is not determinable until the contingency (*i.e.*, the possibility of mandatory prepayment) either occurs or doesn't occur. At that time, a portion of the New Term Loan will either have been actually paid in cash or, under the regulations, will be deemed paid with a note maturing upon the maturity date of the New Term Loan. In the case of an actual cash payment, the amount of OID is computed as the difference between the amount of the payment and the principal amount of such payment, determined by discounting the payment back to the issue date, using the applicable federal rate that would have been in effect for the New Term Loan if the term of the New Term Loan began on the issue date (*i.e.*, the Effective Date) and ended on the date the payment is made. The amount of such OID is includable at such time as interest in the holder's gross income. The principal amount of the payment will be applied to reduce the holder's basis in the contingent portion of such holder's share of the New Term Loan (which will be the fair market value of the contingent payments as of the date of issue), with any excess treated as gain from the sale or exchange of the obligation.

To the extent that the contingent portion is deemed paid with a note, the note will have an issue price determined by taking the amount payable under the note and discounting it back to the deemed issue date of the note using the applicable federal rate in effect on the Effective Date for 5-year obligations. The issue price will then be treated, for purposes of computing the amount of includable OID for the preceding period, in the same manner as an actual cash payment. In addition, the note will be treated as having been issued with OID – which generally is required to be accrued and included in the holder's gross income as interest over the term of the note – equal to the difference between the issue price and the amount payable under the note.

Upon the sale or exchange of a holder's share of the New Term Loan, the amount received by such holder will be allocated first to the noncontingent portion of its share of the New Term Loan to the extent of its then adjusted issue price (and to any contingent payments that have become fixed and treated

as paid with a separate note). The remainder of the amount received, if any, will be treated as payment of the contingent portion and characterized as interest and principal in the same manner as an actual cash payment under the contingent instrument, as described above.

***Not Treated as a Contingent Payment Debt Instrument.*** If the New Term Loan is not treated as a contingent payment debt instrument, any payments of stated interest on New Term Loan generally should be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the holder's regular method of tax accounting).

Depending on its issue price, the New Term Loan may be treated as being issued with OID even though not treated as a contingent payment debt instrument. A debt instrument generally has OID if its "stated redemption price at maturity" exceeds its "issue price" (as described in section "a" above) by more than a *de minimis* amount. The New Term Loan's "stated redemption price at maturity" for this purpose would include all principal and interest payable over the term of the New Term Loan, other than "qualified stated interest," *i.e.,* stated interest that is unconditionally payable at least annually at a constant rate in cash or property (other than debt of the issuer). The stated interest payable on the New Term Loan should be considered qualified stated interest for this purpose.

If the New Term Loan is issued with OID, a U.S. Holder of an interest in the New Term Loan generally will be required to include OID in gross income as it accrues over the term of the loan in accordance with a constant yield-to-maturity method, regardless of whether the U.S. holder is a cash or accrual method taxpayer, and regardless of whether and when the holder receives cash payments of interest on the obligation. Accordingly, a U.S. Holder could be treated as receiving interest income in advance of a corresponding receipt of cash. Any OID that a holder includes in income will increase the holder's adjusted tax basis in its interest in the New Term Loan. A U.S. Holder generally will not be required to include separately in income cash payments (other than in respect of qualified stated interest) received on its interest in the New Term Loan; instead, such payments will reduce the holder's adjusted tax basis in such interest by the amount of the payment.

The amount of OID includible in income for a taxable year by a U.S. Holder generally equals the sum of the daily portions of OID that accrue on its interest in the New Term Loan for each day during the taxable year on which such holder holds such interest, whether reporting on the cash or accrual basis of accounting for U.S. federal income tax purposes. The daily portion is determined by allocating to each day of an accrual period (generally, the period between interest payments or compounding dates) a pro rata portion of the OID allocable to such accrual period. The amount of OID that will accrue during an accrual period is the product of the "adjusted issue price" of the U.S. Holder's interest in the New Term Loan at the beginning of the accrual period multiplied by the yield to maturity of the New Term Loan less the amount of any qualified stated interest allocable to such accrual period. The "adjusted issue price" of an interest in the New Term Loan at the beginning of an accrual period will equal its issue price, increased by the aggregate amount of OID that has accrued on such interest in all prior accrual periods, and decreased by any payments made during all prior accrual periods on such interest other than qualified stated interest.

The rules regarding the determination of issue price and OID are complex, and the OID rules described above may not apply in all cases. Accordingly, each holder of First Lien Notes Claims is urged to consult its tax advisor regarding the possible application of the OID rules to the New Term Loan.

***Acquisition and Bond Premium on the New Term Loan.*** If the New Term Loan is not treated as a contingent payment debt instrument, the amount of OID includible in a U.S. Holder's gross income with respect to the New Term Loan will be reduced if the debt is acquired (or deemed to be acquired) at an "acquisition premium" or with "bond premium." A U.S. Holder may have an "acquisition premium" or

"bond premium" only if an exchange qualifies for recapitalization treatment. Otherwise, a U.S. Holder's initial tax basis in its interest in the New Term Loan will equal the issue price of such U.S. Holder's portion of such debt.

A debt instrument is acquired at an "acquisition premium" if the holder's tax basis in the debt is greater than the adjusted issue price of the debt at the time of the acquisition, but is less than or equal to the stated redemption price at maturity of the debt. If a U.S. Holder has acquisition premium, the amount of any OID includible in its gross income in any taxable year with respect to the portion of its interest in the New Term Loan to which such acquisition premium relates will be reduced by an allocable portion of the acquisition premium (generally determined by multiplying the annual OID accrual with respect to such portion of the holder's interest by a fraction, the numerator of which is the amount of the acquisition premium, and the denominator of which is the total OID).

If a U.S. Holder has a tax basis in any portion of its interest in the New Term Loan received that exceeds the stated redemption price at maturity of such debt, that portion of the holder's interest will be treated as having "bond premium" and the U.S. Holder will not include any OID attributable to such portion of the interest in income. A U.S. Holder may elect to amortize any bond premium over the period from its acquisition of such portion of its interest in the New Term Loan to the maturity date of such portion, in which case the U.S. Holder should have an ordinary deduction (and a corresponding reduction in tax basis in such portion of its interest for purposes of computing gain or loss) in the amount of any unamortized bond premium upon the sale or other disposition of such portion of its interest, including the repayment of principal. If such an election to amortize bond premium is not made, a U.S. Holder will receive a tax benefit from the premium only in computing such holder's gain or loss upon the sale or other taxable disposition of its interest in the New Term Loan, including the repayment of principal.

An election to amortize bond premium will apply to amortizable bond premium on all notes and other bonds the interest on which is includible in the U.S. Holder's gross income and that are held at, or acquired after, the beginning of the U.S. Holder's taxable year as to which the election is made. The election may be revoked only with the consent of the IRS.

***Market Discount on the New Term Loan***. If the New Term Loan is not treated as a contingent payment debt instrument, any holder of a Claim that has a tax basis in the New Term Loan received less than its issue price generally will be subject to the market discount rules of the Tax Code (unless such difference is less than a *de minimis* amount).

In addition, a holder who acquired its Claim at a "market discount" (as discussed below, see Article VIII.B.v —"Character of Gain or Loss") and that receives the New Term Loan as part of a "recapitalization" exchange may be required to carry over to such loans any accrued market discount with respect to its Claim to the extent not previously included in income. The Tax Code indicates that any accrued market discount in respect of the Claims that is not currently includible in income should carry over to any nonrecognition property received in exchange therefor, *i.e.,* to the New Term Loan received. Any gain recognized by a holder upon a subsequent disposition of the New Term Loan would be treated as ordinary income to the extent of any accrued market discount not previously included in income. To date, specific Treasury Regulations implementing this rule have not been issued.

**ii. Treatment of Second Lien Noteholders**

Pursuant to the Plan, and in complete and final satisfaction of their respective Claims, the holders of Allowed Second Lien Notes Claims may receive, from LBI Media, New Equity Interests.

In general, a U.S. Holder of any such claim should recognize gain or loss in an amount equal to the difference, if any, between (i) the fair market value of the New Equity Interests received in respect of its Claim (other than any exchange consideration received in respect of a Claim for accrued but unpaid interest and possibly accrued OID), and (ii) the U.S. Holder's adjusted tax basis in the Claims exchanged (other than any tax basis attributable to accrued but unpaid interest and possibly accrued OID). See Article VIII.B.v, "Character of Gain or Loss," below. In addition, a U.S. Holder of a Claim will have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest not previously included in income. See Article VIII.B.iv, "Distributions in Discharge of Accrued Interest," below.

The U.S. Holder's tax basis in the New Equity Interests received in respect of its Allowed Claim on the Effective Date will equal the fair market value of such interests. In addition, the holding period in the New Equity Interests generally will begin on the day following the Effective Date.

### iii. Treatment of Other Claimholders

Pursuant to the Plan, and in complete and final satisfaction of their respective Claims, holders of Allowed HoldCo Unsecured Notes Claims, Allowed Intermediate HoldCo Unsecured Notes Claims, Allowed Ongoing Trade Claims, Allowed ASCAP/BMI Settlement Claims, and Allowed General Unsecured Claims may receive one or more distributions of Cash depending on the extent and timing of the resolution of any Disputed Claims. *See* Article VIII.B.vi, "Tax Treatment of the Disputed Unsecured Claims Reserve," below.

In general, a U.S. Holder of any such claim should recognize gain or loss in an amount equal to the difference, if any, between (i) the aggregate amount of any cash received in respect of its Claim (other than any exchange consideration received in respect of a Claim for accrued but unpaid interest and possibly accrued OID), and (ii) the U.S. Holder's adjusted tax basis in the Claims exchanged (other than any tax basis attributable to accrued but unpaid interest and possibly accrued OID). *See* Article VIII.B.v, "Character of Gain or Loss," below. In addition, a U.S. Holder of a Claim will have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest not previously included in income. *See* Article VIII.B.iv, "Distributions in Discharge of Accrued Interest," below.

In the event of the subsequent disallowance of any Disputed Claim, it is possible that a U.S. Holder of a previously Allowed Claim in such class will have additional gain and/or imputed interest income in respect of additional distributions received due to the disallowance of such Claim. In addition, it is possible that the recognition of any loss realized by a U.S. Holder with respect to an Allowed Claim as to which additional distributions could be received due to the disallowance of other Disputed Claims may be deferred until all such other Disputed Claims are Allowed or Disallowed. U.S. Holders are urged to consult their tax advisors regarding the possible application (and the ability to elect out) of the "installment method" of reporting any gain that may be recognized by such holders in respect of their Claims in a taxable year subsequent to the taxable year in which the Effective Date occurs. The discussion herein assumes that the installment method does not apply.

### iv. Distributions in Discharge of Accrued Interest

In general, to the extent that any exchange consideration received pursuant to the Plan by a U.S. Holder of a Claim is received in satisfaction of interest accrued during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a U.S. Holder may be entitled to recognize a deductible loss to the extent any accrued interest or amortized OID was previously included in its gross income and is not paid in full. However, the IRS has privately ruled that a holder of a "security" of a corporate issuer, in an otherwise tax-free exchange,

could not claim a current deduction with respect to any unpaid OID. By analogy, it is also unclear whether a U.S. Holder of a Claim that does not constitute a "security" would be required to recognize a capital loss, rather than an ordinary loss, with respect to previously included OID that is not paid in full.

The Plan provides that distributions with respect to Allowed Claims shall be allocated first to the principal portion of such Allowed Claim (as determined for United States federal income tax purposes) and, thereafter, to the remaining portion of such Allowed Claim, if any. *See* Section 6.17 of the Plan. There is no assurance that the IRS will respect such allocation for U.S. federal income tax purposes. You are urged to consult your own tax advisor regarding the allocation of consideration received under the Plan, as well as the deductibility of accrued but unpaid interest (including OID) and the character of any loss claimed with respect to accrued but unpaid interest (including OID) previously included in gross income for U.S. federal income tax purposes.

**v. Character of Gain or Loss**

Where gain or loss is recognized by a U.S. Holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount, whether the Claim constituted a contingent payment debt instrument, and whether and to what extent the holder previously claimed a bad debt deduction.

A U.S. Holder that purchased its Claim from a prior holder at a "market discount" (relative to the principal amount of the Claims at the time of acquisition) may be subject to the market discount rules of the Tax Code. In general, a debt instrument is considered to have been acquired with "market discount" if the holder's adjusted tax basis in the debt instrument is less than (i) its stated principal amount or (ii) in the case of a debt instrument issued with OID, its adjusted issue price, in each case, by at least a de minimis amount. Under these rules, any gain recognized on the exchange of Claims (other than in respect of a Claim for accrued but unpaid interest) generally will be treated as ordinary income to the extent of the market discount accrued (on a straight line basis or, at the election of the holder, on a constant yield basis) during the holder's period of ownership, unless the holder elected to include the market discount in income as it accrued. If a U.S. Holder of Claims did not elect to include market discount in income as it accrued and, thus, under the market discount rules, was required to defer all or a portion of any deductions for interest on debt incurred or maintained to purchase or carry its Claims, such deferred amounts would become deductible at the time of a taxable exchange.

In the case of an exchange of any First Lien Note Claims that qualifies as a recapitalization exchange, the Tax Code indicates that any accrued market discount in respect of such Claims should only be currently includable in income to the extent of any gain recognized in the recapitalization exchange. Any accrued market discount that is not so included in income should be applied to the New Term Loan received in the exchange, as previously discussed. *See* VIII.B.i.c, "Ownership and Disposition of the New Term Loan," above.

**vi. Tax Treatment of the Disputed Unsecured Claims Reserve**

In the case of any amounts withheld from distribution in respect of Disputed Ongoing Trade Claims, Disputed ASCAP/BMI Settlement Claims, or Disputed General Unsecured Claims, such amounts will be held in one or more Disputed Unsecured Claims Reserves. The Plan provides that each Disputed Unsecured Claims Reserve will be treated as a "disputed ownership fund" governed by Treas. Reg. §1.468B-9 for U.S. federal income tax purposes, and all parties must, to the extent permitted by applicable law, report consistently with the foregoing for all federal, state and local income tax purposes.

Accordingly, amounts allocable to, or retained on account of, Disputed Claims will be subject to tax annually on a separate entity basis on any net income earned with respect to the assets of the reserve. All distributions from such assets will be treated as received by holders in respect of their Claims as if distributed by the Debtors. In the case of any amounts withheld from distribution in respect of HoldCo Unsecured Notes Claims or Intermediate HoldCo Unsecured Notes Claims on account of any Disputed Claims, such amounts may be subject to tax in a similar manner to that described in the preceding paragraph.

#### vii. Withholding on Distributions and Information Reporting

All distributions to holders of Allowed Claims under the Plan are subject to any applicable tax withholding, including employment tax withholding. Under U.S. federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable withholding rate (currently 24%). Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number, (b) furnishes an incorrect taxpayer identification number, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the tax identification number provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions. Holders of Allowed Claims are urged to consult their tax advisors regarding the Treasury Regulations governing backup withholding and whether the transactions contemplated by the Plan would be subject to these Treasury Regulations.

In addition, Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these Treasury Regulations and whether the transactions contemplated by the Plan would be subject to these Treasury Regulations and require disclosure on the holder's tax returns.

***The foregoing summary has been provided for informational purposes only. All holders of Claims and Interests are urged to consult their tax advisors concerning the federal, state, local and other tax consequences applicable under the Plan.***

## IX. CERTAIN RISK FACTORS TO BE CONSIDERED

Prior to voting to accept or reject the Plan, holders of Claims and Interests should read and carefully consider the risk factors set forth below, in addition to the information set forth in this Disclosure Statement together with any attachments, exhibits, or documents incorporated by reference hereto. The factors below should not be regarded as the only risks associated with the Plan or its implementation.

### A. Certain Bankruptcy Law Considerations

#### i. General

Although the Plan is designed to minimize the length of the Chapter 11 Cases, it is impossible to predict with certainty the amount of time that one or more of the Debtors may spend in bankruptcy or to

assure parties in interest that the Plan will be confirmed. Even if confirmed on a timely basis, bankruptcy proceedings to confirm the Plan could have an adverse effect on the Debtors' business. Among other things, it is possible that bankruptcy proceedings could adversely affect the Debtors' relationships with their key vendors, customers, and employees. The proceedings will also involve additional expense and may divert some of the attention of the Debtors' management away from business operations.

**ii. Risk of Non-Confirmation of Plan**

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate re-solicitation of votes. Moreover, the Debtors can make no assurances that they will receive the requisite acceptances to confirm the Plan with respect to each Debtor, and even if all Classes entitled to vote on the Plan (the "**Voting Classes**") vote in favor of the Plan or the requirements for "cramdown" are met with respect to any Class that rejects the Plan, the Bankruptcy Court, which may exercise substantial discretion as a court of equity, may choose not to confirm the Plan. Furthermore, the Restructuring Support Agreement provides that if the Plan is not confirmed with respect to HoldCo or Intermediate HoldCo, the Debtors have agreed to continue to take all actions reasonably necessary and appropriate in furtherance of confirming and consummating the Plan with respect to the other Debtors. *See* Restructuring Support Agreement, § 4(a)(i). If the Plan is not confirmed with respect to each Debtor, it is unclear what distributions (if any) holders of Claims against, or Interests in, the applicable Debtors ultimately would receive with respect to their Claims or Interests in any subsequent plan.

**iii. Risk of Failing to Satisfy the Vote Requirement**

In the event that the Debtors are unable to get sufficient votes from the Voting Classes, the Debtors may seek to accomplish an alternative chapter 11 plan or seek to cram down the Plan on non-accepting classes. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to holders of Allowed Claims and Interests as those proposed in the Plan.

**iv. Risk of Non-Consensual Confirmation**

In the event that any impaired class of Claims or Interests does not accept or is deemed not to accept the Plan, the Bankruptcy Court may nevertheless confirm such Plan at the request of the Debtors if at least one impaired class has accepted the Plan (with such acceptance being determined without including the vote of any "insider" in such class), and as to each impaired class that has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. Should any Class vote to reject the Plan, then these requirements must be satisfied with respect to such rejecting Classes. The Debtors believe that the Plan satisfies these requirements.

**v. Risk of Termination of Restructuring Support Agreement**

The Restructuring Support Agreement contains certain provisions that give the parties thereto the ability to terminate the Restructuring Support Agreement if various events occur. As noted above, termination of the Restructuring Support Agreement could result in more protracted Chapter 11 Cases. The Restructuring Support Agreement provides that if the Restructuring Support Agreement is terminated, each vote or any consent given by the Consenting Noteholders prior to such termination will be deemed null and void *ab initio*. Without the commitment provided by the Restructuring Support Parties to vote in favor of the Plan and take other actions contemplated in the Restructuring Support

Agreement, the Debtors may not be able to secure sufficient votes in favor of the Plan for confirmation and may not be able to provide the holders of Claims or Interests in Impaired Classes with the level of recoveries contemplated by the Plan.

**vi. Risk Related to DIP Facility**

The DIP Facility is intended to provide liquidity to the Debtors during the pendency of the Chapter 11 Cases. If the Chapter 11 Cases take longer than expected to conclude, or in the event of a breach of a milestone or another event of default under the DIP Facility, which could occur if the Plan is not confirmed on the proposed timeline, the Debtors may exhaust or lose access to their financing. There is no assurance that they will be able to obtain additional financing from their existing lenders or otherwise. In either such case, the liquidity necessary for the orderly functioning of the Debtors' business may be materially impaired.

**vii. Risk Related to Possible Objections to the Plan**

There is a risk that certain parties could oppose and object to either the entirety of the Plan or specific provisions of the Plan. Although the Debtors believe that the Plan complies with all relevant Bankruptcy Code provisions, there can be no guarantee that a party in interest will not file an objection to the Plan or that the Bankruptcy Court will not sustain such an objection.

**viii. Risk of Non-Occurrence of Effective Date**

There can be no assurance as to the timing of the Effective Date. If the conditions precedent to the Effective Date set forth in the Plan have not occurred or have not been waived as set forth in Article X of the Plan, then the Confirmation Order may be vacated, in which event no distributions would be made under the Plan, the Debtors and all holders of Claims or Interests would be restored to the status quo as of the day immediately preceding the Confirmation Date, and the Debtors' obligations with respect to Claims and Interests would remain unchanged.

**ix. Conversion to Chapter 7 Cases**

If no plan of reorganization can be confirmed, or if the Bankruptcy Court otherwise finds that it would be in the best interest of holders of Claims and Interests, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed to liquidate the Debtors' assets for distribution in accordance with the priorities established by the Bankruptcy Code. See Article XII hereof, as well as the liquidation analysis annexed hereto as **Exhibit B** (the "**Liquidation Analysis**") for a discussion of the effects that a chapter 7 liquidation would have on the recoveries of holders of Claims and Interests.

**B. Risks Relating to the Plan**

**i. Claims Could Be More than Projected**

There can be no assurance that the estimated Allowed amount of Claims in certain Classes will not be significantly more than projected, which, in turn, could cause the value of distributions to be reduced substantially. Inevitably, some assumptions will not materialize, and unanticipated events and circumstances may affect the ultimate results. Further, the deadline for Governmental Units to file Proofs of Claim against the Debtors is May 20, 2019 at 5:00 p.m. (Eastern Time), after the Confirmation Hearing. Consequently, Governmental Units may file Claims subsequent to the Confirmation Hearing, which Claims may dilute recoveries for holders of General Unsecured Claims. Furthermore, although the

Debtors anticipate that Administrative Expense Claims against HoldCo and Intermediate HoldCo are expected to be limited to U.S. Trustee fees, applicable Fee Claims, and certain other limited Administrative Expense Claims, these amounts are likely to increase if the anticipated timeline of the Chapter 11 Cases is delayed or protracted litigation with the creditors of such entities occurs. The actual amount of Allowed Claims may vary from the Debtors' projections, and the variation may be material.

**ii. Recoveries May Be Lower for Certain Classes in the Event of an Alternative Transaction**

The Plan requires that an Alternative Transaction generally provide better recoveries to holders of Claims and Interests as compared to a Reorganization Transaction. However, if the Debtors elect to consummate an Alternative Transaction, recoveries for certain creditors may be lower than those they would receive under a Reorganization Transaction. There is no minimum amount of recovery that would be made available to creditors, either as a whole, or per Class, in the event of an Alternative Transaction. In the event of an Alternative Transaction, the proceeds of such transaction may be allocated amongst the Debtors in accordance with the agreement governing such Alternative Transaction. Such allocation may impact recoveries to holders of Claims against a particular Debtor.

**iii. Conditions to Consummation of Plan**

Although the Debtors believe that they will be able to consummate the Restructuring, there are conditions to the Effective Date, including that the Plan be confirmed on or before the milestones provided for in the Restructuring Support Agreement and DIP Credit Agreement, and that certain regulatory approvals, including FCC approval, are received. Accordingly, the Debtors are not certain that the Restructuring will be consummated as planned.

**iv. Failure to Secure Necessary Governmental Approvals**

Although the Debtors believe that they will be able to secure the necessary government approvals to consummate the Restructuring, the Debtors are not certain whether certain governmental agencies, including the FCC, will approve the consummation of the Restructuring or any material portion thereof. Any delay in consummating the Restructuring due to governmental approval processes, or the failure to obtain such approvals, could prolong the Chapter 11 Cases, result in a breach under the Restructuring Support Agreement or DIP Credit Agreement as a result of a failure to satisfy the milestones thereunder, and reduce recoveries available to creditors.

As noted above, the Debtors must obtain the FCC's grant of the applications filed with the FCC seeking FCC consent to the transfer of control of the Debtors' FCC licenses in connection with the consummation of the Plan (the "**FCC Long Form Applications**"). The Debtors will be required to take certain procedural steps to obtain FCC approval of the FCC Long Form Applications. The Debtors will file the FCC Long Form Applications as promptly as practicable. Following such filing, the FCC will issue a public notice (or notices) announcing the acceptance of the FCC Long Form Applications for filing. Pursuant to Section 309(d) of the Communications Act and FCC rules, any party that qualifies as a "party in interest" may file a "petition to deny" the FCC Long Form Applications within 30 days of the date of public notice. If such petitions to deny are filed, the Debtors will have the opportunity to file oppositions and the petitioners will have the opportunity to reply, with the formal pleading cycle closing approximately 15 days following the deadline for petitions to deny (unless a different schedule is set by the FCC). Thereafter, the FCC Long Form Applications will be ripe for grant. However, the Debtors do not anticipate that the FCC will grant the FCC Long Form Applications until after the Bankruptcy Court confirms the Plan, consistent with the agency's general policy of deferring action on long form applications related to a company's emergence from bankruptcy until after plan confirmation.

## C. Risks Relating to Debtors' Business and Financial Condition

### i. Risks Associated with Debtors' Business and Industry

Risks associated with the Debtors' businesses and industry include, but are not limited to, the following:

- LBI's dependence on advertising revenues;
- general economic conditions in the United States and in the particular regions in which LBI operates;
- changes in the rules and regulations of the FCC;
- LBI's ability to attract, motivate and retain officers and other key personnel;
- LBI's ability to successfully affiliate with radio and television stations or convert acquired radio and television stations to a Spanish-language format;
- LBI's ability to maintain FCC licenses for its radio and television stations;
- LBI's successful integration of acquired radio and television stations;
- potential disruption from natural hazards, including equipment failure, power loss and other events or occurrences;
- robust competition in the radio and television broadcasting industries;
- compliance with restrictive covenants under the DIP Facility; and
- LBI's ability to obtain regulatory approval for future acquisitions.

The Debtors operate in a highly competitive industry, and they may not be able to maintain or increase their current audience ratings and advertising revenues. The Debtors compete for audiences and advertising revenues with other television and radio advertising businesses, as well as with other media. Audience ratings and market shares are subject to change for various reasons, including through consolidation of the Debtors' competitors through processes such as mergers and acquisitions, which could have the effect of reducing the Debtors' revenues in a specific market. The Debtors' competitors may develop technology, services, or advertising media that are equal or superior to those the Debtors provide or that achieve greater market acceptance and brand recognition than the Debtors achieve. Additionally, advertisers may be hesitant to purchase advertising from the Debtors during the Chapter 11 Cases. It also is possible that new competitors may emerge and rapidly acquire significant market share in any of the Debtors' business segments. An increased level of competition for advertising dollars may lead to lower advertising rates as the Debtors attempt to retain customers or may cause the Debtors to lose customers to their competitors who offer lower rates that the Debtors are unable or unwilling to match. The Debtors' ability to compete effectively depends in part on their ability to achieve a competitive cost structure. If they are unable to do so, then their business, financial condition, and operating results would be adversely affected. If the Debtors fail to successfully respond to competitive pressures in this industry or to effectively implement their strategies to respond to these pressures, their operating results may be negatively affected. Some of the Debtors' principal competitors have greater financial resources than the Debtors and either have used those resources or may in the future use those

resources to take steps that may have an adverse effect on the Debtors' competitive position and financial performance.

The foregoing factors are not exhaustive, and new factors may emerge or changes to the foregoing factors may occur that could impact LBI's businesses.

#### ii. Post-Effective Date Indebtedness

Following the Effective Date, in the event of a Reorganization Transaction, the Reorganized Debtors will have outstanding funded indebtedness under the Exit Facility. The Reorganized Debtors' ability to service their debt obligations will depend on, among other things, the Reorganized Debtors' compliance with affirmative and negative covenants, the applicable interest rate under the Exit Facility, as well as future operating performance, which depends partly on economic, financial, competitive, and other factors beyond the Reorganized Debtors' control. The Reorganized Debtors may not be able to generate sufficient cash from operations to meet their debt service obligations as well as fund necessary capital expenditures and investments in sales and marketing. In addition, if the Reorganized Debtors need to refinance their debt, obtain additional financing, or sell assets or equity, they may not be able to do so on commercially reasonable terms, if at all.

### D. Factors Relating to Securities to Be Issued

#### i. Market for Securities

There is currently no market for the New Equity Interests and there can be no assurance as to the development or liquidity of any market for any such securities. The Reorganized Debtors are under no obligation to list any securities on any national securities exchange. Therefore, there can be no assurance that any of the foregoing securities will be tradable or liquid at any time after the Effective Date. If a trading market does not develop or is not maintained, holders of the foregoing securities may experience difficulty in reselling such securities or may be unable to sell them at all. Even if such a market were to exist, such securities could trade at prices higher or lower than the estimated value set forth in this Disclosure Statement depending upon many factors including, without limitation, prevailing interest rates, markets for similar securities, industry conditions, and the performance of, and investor expectations for, the Reorganized Debtors. In addition, holders of New Equity Interests may be subject to certain restrictions contained in a shareholders agreement or limited liability company agreement (as applicable) which may include restrictions on the ability to transfer, as well as other limitations associated with, the New Equity Interests. Accordingly, holders of these securities may bear certain risks associated with holding securities for an indefinite period of time.

#### ii. Potential Dilution

The ownership percentage represented by the New Equity Interests distributed on the Effective Date under the Plan will be subject to dilution from any other shares that may be issued post-emergence, and the conversion of any options, warrants, convertible securities, exercisable securities, or other securities that may be issued at or post-emergence.

In the future, similar to all companies, additional equity financings or other share issuances by any of the Reorganized Debtors could adversely affect the value of the New Equity Interests issuable upon such conversion. The amount and dilutive effect of any of the foregoing could be material.

### iii. Significant Holders of New Equity Interests

Certain holders of First Lien Notes Claims are expected to acquire significant, if not all, the New Equity Interests pursuant to the Plan. Such holders could be in a position to control the outcome of all actions of the Reorganized Debtors, as applicable, requiring stockholder approval, including the election of directors or managers, without the approval of other stockholders. More specific details regarding minority shareholder rights will be provided in any Amended Organizational Documents and any equityholders' agreement provided for in the Plan Supplement, which will also, among other things, specify which entity will issue the New Equity Interests. This concentration of ownership and control could also facilitate or hinder a negotiated change of control of the Reorganized Debtors and, consequently, have an impact upon the value of the New Equity Interests.

### iv. New Equity Interests Subordinated to Reorganized Debtors' Indebtedness

In any subsequent liquidation, dissolution, or winding up of the Reorganized Debtors, the New Equity Interests would rank below all debt claims against the Reorganized Debtors, including claims under the Exit Facility. As a result, holders of the New Equity Interests will not be entitled to receive any payment or other distribution of assets upon the liquidation, dissolution, or winding up of the Reorganized Debtors until after all the Reorganized Debtors' obligations to their debt holders have been satisfied, including the Exit Facility obligations.

### v. Trading Value of New Equity Interests

The value of the Reorganized Debtors may not be represented by the trading value of the New Equity Interests in public or private markets and is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things: (1) prevailing interest rates; (2) conditions in the financial markets; (3) the anticipated initial securities holdings of prepetition creditors, some of whom may prefer to liquidate their investment rather than hold it on a long-term basis; and (4) other factors that generally influence the prices of securities. The actual market price of the New Equity Interests is likely to be volatile. Many factors, including factors unrelated to the Reorganized Debtors' actual operating performance and other factors not possible to predict, could cause the market price of the New Equity Interests to rise and fall. Accordingly, the implied value, stated herein and in the Plan, of the securities to be issued does not necessarily reflect, and should not be construed as reflecting, values that will be attained for the New Equity Interests in the public or private markets.

## E. Risks Relating to Exit Obligations

### i. Insufficient Cash Flow to Meet Debt Obligations

On the Effective Date, in the event that a Reorganization occurs, on a consolidated basis, it is expected that the Reorganized Debtors will have total outstanding secured indebtedness of an anticipated $180 million under the Exit Facility.[22] This level of expected indebtedness and the funds required to service such debt could, among other things, make it more difficult for the Reorganized Debtors to satisfy their obligations under such indebtedness, increasing the risk that they may default on such debt obligations.

[22] Such amount does not reflect any amounts owing under capital lease obligations at exit.

The Reorganized Debtors' earnings and cash flow may vary significantly from year to year. Additionally, the Reorganized Debtors' future cash flow may be insufficient to meet their debt obligations and commitments. Any insufficiency could negatively impact the Reorganized Debtors' business. A range of economic, competitive, business, and industry factors will affect the Reorganized Debtors' future financial performance and, as a result, their ability to generate cash flow from operations and to pay their debt. Many of these factors are beyond the Reorganized Debtors' control.

If the Reorganized Debtors do not generate enough cash flow from operations to satisfy their debt obligations, they may have to undertake alternative financing plans, such as refinancing or restructuring debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital.

It cannot be assured, however, that undertaking alternative financing plans, if necessary, would allow the Reorganized Debtors to meet their debt obligations. An inability to generate sufficient cash flow to satisfy their debt obligations or to obtain alternative financing could materially and adversely affect the Reorganized Debtors' ability to make payments on the Exit Facility and their business, financial condition, results of operations, and prospects.

### ii. Defects in Collateral Securing the Exit Obligations

The Exit Facility will be secured, subject to certain exceptions and permitted liens, by security interests in substantially all assets of the Reorganized Debtors (the "**Exit Collateral**"). The Exit Collateral may be subject to customary exceptions, defects, encumbrances, liens, and other imperfections. Further, the Debtors have not conducted appraisals of any assets constituting Exit Collateral to determine if the value of the Exit Collateral upon foreclosure or liquidation equals or exceeds the amount of the Exit Facility. Accordingly, it cannot be assured that the remaining proceeds from a sale of the Exit Collateral would be sufficient to repay the Exit Facility. The fair market value of the Exit Collateral is subject to fluctuations based on factors that include, among others, the ability to sell such collateral in an orderly manner, general economic conditions, the availability of buyers, the Reorganized Debtors' failure to implement their business strategy, and similar factors. The amount received upon a sale of Exit Collateral would be dependent on numerous factors, including, but not limited to, the actual fair market value of such collateral at such time, and the timing and manner of the sale. By its nature, portions of the Exit Collateral may be illiquid and may have no readily ascertainable market value. In the event of a subsequent foreclosure, liquidation, bankruptcy, or similar proceeding, it cannot be assured that the proceeds from any sale or liquidation of the Exit Collateral will be sufficient to pay the Exit Facility, in full or at all. There can also be no assurance that the Exit Collateral will be saleable, and, even if saleable, the timing of its liquidation would be uncertain. Accordingly, there may not be sufficient Exit Collateral to pay all or any of the amounts due on the Exit Facility.

### iii. Failure to Perfect Security Interests in Collateral

The failure to properly perfect liens on the Exit Collateral could adversely affect each collateral agent's ability to enforce rights with respect to the Exit Collateral for the benefit of the lender(s) under the Exit Facility. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest or lien can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the collateral agent will monitor, or that Reorganized Holdings will inform the trustee or the collateral agent of, the future acquisition of property and rights that constitute Exit Collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired Exit Collateral. The collateral agent has no obligation to monitor the acquisition of additional property or rights that constitute Exit Collateral or the perfection of any security interests therein. Such failure may result in the loss of the practical benefits of the liens thereon or of the priority of the liens securing the Exit Facility against third parties.

#### iv. Casualty Risk of Collateral

The Reorganized Debtors will be obligated to maintain adequate insurance or otherwise insure against hazards as is customarily done by companies having assets of a similar nature in the same or similar localities. There are, however, certain losses that may either be uninsurable or not economically insurable, in whole or in part. As a result, it is possible that the insurance proceeds will not compensate the Reorganized Debtors fully for their losses. If there is a total or partial loss of any of the pledged collateral, the insurance proceeds received may be insufficient to satisfy the Exit Facility.

#### v. Any Future Pledge of Collateral

Any future pledge of Exit Collateral in favor of the collateral agent might be avoidable by the pledgor (as a subsequent debtor in possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including, among others, if the pledgor is insolvent at the time of the pledge, the pledge permits the holders of the Exit Facility to receive a greater recovery than if the pledge had not been given, and a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge, or, in certain circumstances, a longer period.

### F. Additional Factors

#### i. Debtors Could Withdraw Plan

Subject to the terms of, and without prejudice to, the rights of any party to the Restructuring Support Agreement, the Plan may be revoked or withdrawn prior to the Confirmation Date by the Debtors. The Restructuring Support Agreement provides that the Debtors may solicit Alternative Bids for a Competing Transaction, including an alternative chapter 11 plan. If the Debtors select an Alternative Transaction, certain parties may assert that (i) the Plan and Disclosure Statement may require material modifications to reflect the terms of the Alternative Transaction and the effect such transaction has on recoveries for unsecured creditors, and (ii) a re-solicitation of votes in respect of the modified Plan may be required. The Debtors reserve all rights with respect thereto.

#### ii. Risks Relating to the Challenge Period

Pursuant to the Disclosure Statement Order, the Confirmation Hearing is scheduled for March 25, 2019. Pursuant to the DIP Order, the Challenge Period (as defined in the DIP Order) will expire on March 6, 2019. To the extent the Creditors' Committee commences a Challenge, certain parties may assert that (i) the Disclosure Statement and Plan may need material modification or may need to be withdrawn, (ii) re-solicitation of votes may be necessary, and (iii) the Confirmation Hearing may need to be delayed. The Debtors reserve all rights with respect thereto.

#### iii. Debtors Have No Duty to Update

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

**iv. No Representations Outside Disclosure Statement Are Authorized**

No representations concerning or related to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than those contained in, or included with, this Disclosure Statement should not be relied upon in making the decision to accept or reject the Plan.

**v. No Legal or Tax Advice Is Provided by Disclosure Statement**

The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each holder of a Claim or Interest should consult their own legal counsel and accountant or financial advisor as to legal, tax, and other matters concerning their Claim or Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

**vi. No Admission Made**

Nothing contained herein or in the Plan will constitute an admission of, or will be deemed evidence of, the tax or other legal effects of the Plan on the Debtors or holders of Claims or Interests.

**vii. Failure to Identify Litigation Claims or Projected Objections**

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. The Debtors may seek to investigate, file, and prosecute Claims and Interests, and may object to Claims or Interests after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or Interests or objections to such Claims or Interests.

**viii. Certain Tax Consequences**

For a discussion of certain tax considerations to the Debtors and certain holders of Claims in connection with the implementation of the Plan, see Article VIII hereof.

## X.
## VOTING PROCEDURES AND REQUIREMENTS

### A. Voting Instructions and Voting Deadline

Only holders of Class 3 Claims (First Lien Notes Claims), Class 4 Claims (Second Lien Notes Claims), Class 5 Claims (HoldCo Unsecured Notes Claims), Class 6 Claims (Intermediate HoldCo Unsecured Notes Claims), Class 7 Claims (ASCAP/BMI Settlement Claims), Class 8 Claims (Ongoing Trade Claims), and Class 9 Claims (General Unsecured Claims) (collectively, the "**Eligible Holders**") are entitled to vote to accept or reject the Plan. The Debtors are providing copies of this Disclosure Statement (including all exhibits and appendices) and related materials and a ballot in the Solicitation Packages to record holders of First Lien Notes Claims, Second Lien Notes Claims, HoldCo Unsecured Notes Claims, Intermediate HoldCo Unsecured Notes Claims, ASCAP/BMI Settlement Claims, Ongoing Trade Claims, and General Unsecured Claims.

Each ballot contains detailed voting instructions. Each ballot also sets forth in detail, among other things, the deadlines, procedures, and instructions for voting to accept or reject the Plan, the date for determining which creditors or interest holders are entitled to vote on the Plan (the "**Voting Record Date**"), and the applicable standards for tabulating ballots. The Voting Record Date for determining which holders are entitled to vote on the Plan is January 22, 2019.

Please complete the information requested on the ballot, sign, date, and indicate your vote on the ballot, and return the completed ballot in accordance with the instructions set forth on the ballot.

FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE VOTING AGENT NO LATER THAN MARCH 4, 2019 EASTERN TIME (THE "**VOTING DEADLINE**").

AN OTHERWISE PROPERLY COMPLETED, EXECUTED, AND TIMELY RETURNED BALLOT FAILING TO INDICATE EITHER ACCEPTANCE OR REJECTION OF THE PLAN OR INDICATING BOTH ACCEPTANCE AND REJECTION OF THE PLAN WILL NOT BE COUNTED IN DETERMINING THE ACCEPTANCE OR REJECTION OF THE PLAN.

If you are an Eligible Holder and you did not receive a ballot, received a damaged ballot, or lost your ballot, or if you have any questions concerning the procedures for voting on the Plan, please contact Epiq Corporate Restructuring LLC ("**Epiq**", or, the "**Voting Agent**") by emailing tabulation@epiqglobal.com with a reference to "LBI Media" in the subject line, or lbimedia@epiqglobal.com.

THE PLAN PROVIDES THAT THE FOLLOWING HOLDERS ARE DEEMED TO HAVE GRANTED THE RELEASES THEREIN: (I) THE HOLDERS OF UNIMPAIRED CLAIMS OR INTERESTS WHO DO NOT OBJECT TO THE RELEASES BY FILING AN OBJECTION TO THE PLAN; (II) THE HOLDERS OF IMPAIRED CLAIMS OR INTERESTS WHO ABSTAIN FROM VOTING ON THE PLAN OR VOTE TO REJECT THE PLAN BUT DO NOT OPT-OUT OF THESE RELEASES ON THE BALLOTS; (III) THE HOLDERS OF IMPAIRED CLAIMS OR INTERESTS WHO VOTE TO ACCEPT THE PLAN; AND (IV) THE RELEASED PARTIES.

IF A HOLDER OF A CLAIM RECEIVES A BALLOT AND VOTES TO ACCEPT THE PLAN, SUCH HOLDER SHALL BE DEEMED TO HAVE CONSENTED TO THE RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS SET FORTH IN SECTIONS 10.5, 10.6, AND 10.7 OF THE PLAN. IF A HOLDER OF A CLAIM RECEIVES A BALLOT AND (I) DOES NOT VOTE EITHER TO ACCEPT OR REJECT THE PLAN, OR (II) VOTES TO REJECT THE PLAN AND DOES NOT CHECK THE OPT-OUT BOX ON SUCH BALLOT, SUCH HOLDER SHALL BE DEEMED TO HAVE CONSENTED TO THE RELEASE PROVISIONS SET FORTH IN SECTION 10.6(b) OF THE PLAN.

### B. Parties Entitled to Vote

Claims in Class 3 Claims (First Lien Notes Claims), Class 4 Claims (Second Lien Notes Claims), Class 5 Claims (HoldCo Unsecured Notes Claims) Class 6 Claims (Intermediate HoldCo Unsecured Notes Claims), Class 7 Claims (ASCAP/BMI Settlement Claims), Class 8 Claims (Ongoing Trade Claims), and Class 9 Claims (General Unsecured Claims) of the Plan are impaired and Eligible Holders in such Classes are entitled to vote to accept or reject the Plan. Claims in all other Classes are either unimpaired and presumed to accept or impaired and deemed to reject the Plan and are not entitled to vote.

The Debtors will request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code over the deemed rejection of the Plan by Class 11 (Existing LBI Parent Interests). Section 1129(b) of the Bankruptcy Code permits the confirmation of a chapter 11 plan notwithstanding the rejection of such plan by one or more impaired classes of claims or equity interests. Under section 1129(b), a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each rejecting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, *see* Article XI.C.ii hereof.

**i. Eligible Holders (Who are Not Beneficial Holders)**

An Eligible Holder that holds a Claim as a record holder in its own name should vote on the Plan by completing and signing a ballot and returning it directly to the Voting Agent on or before the Voting Deadline (i) using the enclosed pre-addressed, postage-paid return envelope or (ii) via the customized online balloting portal on the Debtors' case website to be maintained by the Voting Agent (the "**E-Ballot Portal**"). The Voting Agent will not accept ballots submitted by e-mail or facsimile; *provided that* however, that the Voting Agent will accept Master Ballots (as defined below) submitted by Nominees (as defined below) by e-mail.

**ii. Beneficial Holders**

An Eligible Holder holding a Claim as a Beneficial Holder in "street name" through a broker, bank, commercial bank, trust company, dealer, or other agent or nominee (a "**Nominee**") may vote on the Plan by one of the following two methods (as selected by such Beneficial Holder's Nominee):

- Complete and sign a Ballot for use by a Beneficial Holder to convey its vote to its Nominee (each, a "**Beneficial Ballot**"). Return the Beneficial Ballot to your Nominee as promptly as possible and in sufficient time to allow such Nominee to process your instructions and return a completed "master" Ballot (each, a "**Master Ballot**") to the Voting Agent by the Voting Deadline; or

- Complete and sign the pre-validated Beneficial Ballot (as described below) provided to you by your Nominee. Return the pre-validated Beneficial Ballot to the Voting Agent by the Voting Deadline using the return envelope provided in the Solicitation Package.

If it is a Nominee's customary and accepted practice to forward the solicitation information to (and collect votes from) Beneficial Holders by e-mail, telephone, or other customary means of communication, the Nominee may employ that method of communication in lieu of sending the paper Beneficial Ballot and/or Solicitation Package.

Any Beneficial Ballot returned to a Nominee by a Voting Creditor will not be counted for purposes of acceptance or rejection of the Plan until such Nominee properly completes and delivers to the Voting Agent that Beneficial Ballot (properly validated) or a Master Ballot casting the vote of such Voting Creditor.

If an Eligible Holder holds Claims in Class 3, Class 4, Class 5, or Class 6, through more than one Nominee or through multiple accounts, such Beneficial Holder may receive more than one Beneficial Ballot and each such Beneficial Holder should execute a separate Beneficial Ballot for each block of Claims in Class 3, Class 4, Class 5, or Class 6 that it holds through any Nominee and must return each such Beneficial Ballot to the appropriate Nominee. Votes cast by Beneficial Holders through Nominees will be applied to the applicable positions held by such Nominees, as of the Record Date, as evidenced by the applicable securities position report(s) obtained from DTC. Votes submitted by a Nominee pursuant to

a Master Ballot will not be counted in excess of the amount of such Claims held by such Nominee as of the Record Date.

**iii. Nominees**

a) **Pre-Validated Ballot**

The Nominee may "pre-validate" a Beneficial Ballot by (i) signing the Beneficial Ballot, indicating their participant name and DTC participant number; (ii) indicating on the Beneficial Ballot the amount and the account number of the Claims held by the Nominee for the Beneficial Holder; and (iii) forwarding such Beneficial Ballot, together with the Solicitation Package, a pre-addressed, postage-paid return envelope addressed to, and provided by, Epiq and other materials requested to be forwarded, to the Beneficial Holder for voting. The Beneficial Holder must then complete the information requested in the Beneficial Ballot, and return the Beneficial Ballot directly to Epiq in the pre-addressed, postage-paid return envelope so that it is RECEIVED by Epiq on or before the Voting Deadline. A list of the Beneficial Holders to whom "pre-validated" Beneficial Ballots were delivered should be maintained by Nominees for inspection for at least one (1) year from the Voting Deadline.

b) **Master Ballot**

If the Nominee elects not to pre-validate Beneficial Ballots, the Nominee may obtain the votes of Beneficial Holders by forwarding to the Beneficial Holders the unsigned Beneficial Ballots, voter information form ("**VIF**"), e-mail, or other customary method of collecting votes from a Beneficial Holder, together with the Disclosure Statement, a pre-addressed, postage-paid return envelope provided by, and addressed to, the Nominee, and other materials requested to be forwarded. Each such Beneficial Holder must then indicate his, her, or its vote on the Beneficial Ballot, complete the information requested on the Beneficial Ballot, review the certifications contained on the Beneficial Ballot, execute the Beneficial Ballot, and return the Beneficial Ballot to the Nominee. If it is the accepted practice for a Nominee to collect votes through a VIF, e-mail, or other customary method of communication, the Beneficial Holder shall follow the Nominee's instruction for completing and submitting its vote to the Nominee. After collecting the Beneficial Holders' votes, the Nominee should, in turn, complete a Master Ballot compiling the votes and other information from the Beneficial Holders, execute the Master Ballot, and deliver the Master Ballot to Epiq so that it is RECEIVED by Epiq on or before the Voting Deadline. All Beneficial Ballots returned by Beneficial Holders should either be forwarded to Epiq (along with the Master Ballot) or retained by Nominees for inspection for at least one (1) year from the Voting Deadline. EACH NOMINEE SHOULD ADVISE ITS BENEFICIAL HOLDERS TO RETURN THEIR BENEFICIAL BALLOTS TO THE NOMINEE BY A DATE CALCULATED BY THE NOMINEE TO ALLOW IT TO PREPARE AND RETURN THE MASTER BALLOT TO EPIQ SO THAT IT IS RECEIVED BY EPIQ ON OR BEFORE THE VOTING DEADLINE.[23]

**C. Agreements Upon Furnishing Ballots**

The delivery of an accepting ballot pursuant to one of the procedures set forth above will constitute the agreement of the Claim or Interest holder with respect to such ballot to accept (i) all of the terms of, and conditions to, the solicitation; and (ii) the terms of the Plan including the injunction, releases, and exculpations set forth in Sections 10.5, 10.6, and 10.7 therein. All parties in interest retain

[23] Notwithstanding the foregoing, Nominees are authorized to transmit Solicitation Packages and collect votes to accept or to reject the Proposed Plan from Beneficial Holders in accordance with their customary practices, including the use of a "voting instruction form" in lieu of (or in addition to) a Beneficial Ballot, and collecting votes from Beneficial Holders through online voting, by phone, facsimile, or other electronic means.

their right to object to confirmation of the Plan, subject to any applicable terms of the Restructuring Support Agreement.

### D. <u>Change of Vote</u>

Except as provided in the Restructuring Support Agreement, any party that has previously submitted to the Voting Agent prior to the Voting Deadline a properly completed ballot may revoke such ballot and change its vote by submitting to the Voting Agent prior to the Voting Deadline a subsequent, properly completed ballot for acceptance or rejection of the Plan.

### E. <u>Waivers of Defects, Irregularities, etc.</u>

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawals of ballots will be determined by the Voting Agent and/or the Debtors, as applicable. The Debtors reserve the right to reject any and all ballots submitted by any of their respective Claim or Interest holders not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, as applicable, be unlawful. The Debtors further reserve their respective rights to waive any defects or irregularities or conditions of delivery as to any particular ballot by any of their creditors. The interpretation (including the ballot and the respective instructions thereto) by the applicable Debtor, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

### F. <u>Miscellaneous</u>

Unless otherwise ordered by the Bankruptcy Court, ballots that are signed, dated, and timely received, but on which a vote to accept or reject the Plan has not been indicated, will not be counted. The Debtors, in their sole discretion, may request that the Voting Agent attempt to contact such voters to cure any such defects in the ballots. If you cast ballots received by Epiq on the same day, but which are voted inconsistently, such ballots will not be counted. An otherwise properly executed ballot that attempts to partially accept and partially reject the Plan will not be counted as an acceptance of the Plan.

The ballots provided to Eligible Holders will reflect the principal amount of such Eligible Holder's Claim or Interest; however, when tabulating votes, the Voting Agent may adjust the amount of such Eligible Holder's Claim or Interest by multiplying the principal amount by a factor that reflects all amounts accrued between the Voting Record Date and the Petition Date including, without limitation, interest.

Under the Bankruptcy Code, for purposes of determining whether the requisite acceptances have been received, only holders of the First Lien Notes Claims, Second Lien Notes Claims, HoldCo Unsecured Notes Claims, Intermediate HoldCo Unsecured Notes Claims, ASCAP/BMI Settlement Claims, Ongoing Trade Claims, and General Unsecured Claims, as applicable, that actually vote will be counted. The failure of a holder to deliver a duly executed ballot to the Voting Agent will be deemed to constitute an abstention by such holder with respect to voting on the Plan and such abstention will not be counted as a vote for or against the Plan.



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Except as provided below, unless the ballot is timely submitted to the Voting Agent before the Voting Deadline together with any other documents required by such ballot, the Debtors may, in their sole discretion, reject such ballot as invalid, and therefore decline to utilize it in connection with seeking confirmation of the Plan.

## XI. CONFIRMATION OF PLAN

### A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a confirmation hearing upon appropriate notice to all required parties. The Debtors will request that the Bankruptcy Court schedule the Confirmation Hearing. Notice of the Confirmation Hearing will be provided to all known creditors and equity holders or their representatives. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjourned date made at the Confirmation Hearing, at any subsequent adjourned Confirmation Hearing, or pursuant to a notice filed on the docket of the Chapter 11 Cases.

### B. Objections to Confirmation

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to the confirmation of a plan. Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules and applicable local rules, must set forth the name of the objector, the nature and amount of Claims or Interests held or asserted by the objector against the Debtors' estates or properties, the basis for the objection and the specific grounds thereof, and must be filed with the Bankruptcy Court, with a copy to the chambers of the United States Bankruptcy Judge appointed to the Chapter 11 Cases, together with proof of service thereof, and served upon the following parties, including such other parties as the Bankruptcy Court may order:

**i. The Debtors at:**

LBI Media, Inc.
1845 West Empire Avenue
Burbank, California 91504
Attn: Brian Kei and Kim Zeldin

**ii. Office of the U.S. Trustee at:**

Office of the U.S. Trustee for the District of Delaware
844 King Street, Suite 2207
Wilmington, Delaware 19801
Attn: David Buchbinder, Esq.

**iii. Counsel to the Debtors at:**

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attn: Ray C. Schrock, P.C. and Garrett A. Fail, Esq.

-and-

Richards, Layton & Finger, P.A.
One Rodney Square
920 North King Street
Wilmington, Delaware 19801
Attn: Daniel J. DeFranceschi, Esq.

**iv. Counsel to the Consenting First Lien Noteholders at:**

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019
Attn: Paul Basta, Esq. and Jeffrey D. Saferstein, Esq.

-and-

Young Conaway Stargatt & Taylor LLP
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Attn: Pauline K. Morgan, Esq. and M. Blake Cleary, Esq.

**v. Counsel to the Creditors' Committee at:**

Squire Patton Boggs (US) LLP
30 Rockefeller Plaza
New York, New York 10112
Attn: Norman N. Kinel, Esq., and Nava Hazan, Esq.

-and-

Bayard, P.A.
600 North King Street
Wilmington, Delaware 19801
Attn: Scott D. Cousins, Esq., Justin R. Alberto, Esq., and Erin R. Fay, Esq.

## C. Requirements for Confirmation of Plan

### i. Requirements of Section 1129(a) of the Bankruptcy Code

#### a) General Requirements

At the Confirmation Hearing, the Bankruptcy Court will determine whether the confirmation requirements specified in section 1129(a) of the Bankruptcy Code have been satisfied including, without limitation, whether:

(i) the Plan complies with the applicable provisions of the Bankruptcy Code;

(ii) the Debtors have complied with the applicable provisions of the Bankruptcy Code;

(iii) the Plan has been proposed in good faith and not by any means forbidden by law;

(iv) any payment made or promised by the Debtors or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

(v) the Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director or officer of the Reorganized Debtors, an affiliate of the Debtors participating in a Plan with the Debtors, or a successor to the Debtors under the Plan, and the appointment to, or continuance in, such office of such individual is consistent with the interests of the holders of Claims and Interests and with public policy, and the Debtors have disclosed the identity of any insider who will be employed or retained by the Reorganized Debtors, and the nature of any compensation for such insider;

(vi) with respect to each Class of Claims or Interests, each holder of an impaired Claim or impaired Interest has either accepted the Plan or will receive or retain under the Plan, on account of such holder's Claim or Interest, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code;

(vii) except to the extent the Plan meets the requirements of section 1129(b) of the Bankruptcy Code (as discussed further below), each Class of Claims either accepted the Plan or is not impaired under the Plan;

(viii) except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that administrative expenses and priority Claims, other than Priority Tax Claims, will be paid in full on the Effective Date, and that Priority Tax Claims will receive either payment in full on the Effective Date or deferred cash payments over a period not exceeding five years after the Petition Date, of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claims;

(ix) at least one Class of impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such Class;

(x) confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors under the Plan; and

(xi) all fees payable under section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation

Hearing, have been paid or the Plan provides for the payment of all such fees on the Effective Date.

b) **Best Interests Test**

As noted above, with respect to each impaired class of claims and equity interests, confirmation of a plan requires that each such holder either (i) accept the plan, or (ii) receive or retain under the plan property of a value, as of the effective date of the plan, that is not less than the value such holder would receive or retain if the debtor was liquidated under chapter 7 of the Bankruptcy Code. This requirement is referred to as the "best interests test."

This test requires a Bankruptcy Court to determine what the holders of allowed claims and allowed equity interests in each impaired class would receive from a liquidation of the debtor's assets and properties in the context of a liquidation under chapter 7 of the Bankruptcy Code. To determine if a plan is in the best interests of each impaired class, the value of the distributions from the proceeds of the liquidation of the debtor's assets and properties (after subtracting the amounts attributable to the aforesaid claims) is then compared with the value offered to such classes of claims and equity interests under the plan.

The Debtors believe that under the Plan all holders of Impaired Claims and Interests will receive property with a value not less than the value such holders would receive in a liquidation under chapter 7 of the Bankruptcy Code. The Debtors' belief is based primarily on (i) consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to holders of impaired Claims and Interests, and (ii) the Liquidation Analysis.

The Debtors believe that any liquidation analysis is speculative, as it is necessarily premised on assumptions and estimates, which are inherently subject to significant uncertainties and contingencies, many of which would be beyond the control of the Debtors. The Liquidation Analysis is solely for the purpose of disclosing to holders of Claims and Interests the effects of a hypothetical chapter 7 liquidation of the Debtors, subject to the assumptions set forth therein. There can be no assurance as to values that would actually be realized in a chapter 7 liquidation nor can there be any assurance that a bankruptcy court will accept the Debtors' conclusions or concur with such assumptions in making its determinations under section 1129(a)(7) of the Bankruptcy Code.

c) **Feasibility**

The Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization unless contemplated by the Plan. The Effective Date of the Plan will not occur unless the Restructuring transactions contemplated by the Plan close. Upon such closing the Reorganized Debtors will have sufficient funds to make the Distributions required under the Plan. Accordingly, the Debtors believe that all Plan obligations will be satisfied without the need for a further reorganization.

d) **Equitable Distribution of Voting Power**

On or before the Effective Date, pursuant to and only to the extent required by section 1123(a)(6) of the Bankruptcy Code, the organizational documents for the Debtors will be amended as necessary to satisfy the provisions of the Bankruptcy Code and will include, among other things, pursuant to section 1123(a)(6) of the Bankruptcy Code, (i) a provision prohibiting the issuance of non-voting equity securities, and (ii) a provision setting forth an appropriate distribution of voting power among classes of equity securities possessing voting power.

### ii. Additional Requirements for Non-Consensual Confirmation

Under the Bankruptcy Code, a Class accepts a chapter 11 plan if (i) holders of two-thirds (2/3) in amount and (ii) with respect to holders of Claims, more than a majority in number of the allowed claims in such class (other than those designated under section 1126(e) of the Bankruptcy Code) vote to accept the Plan. Holders of Claims or Interests that fail to vote are not counted in determining the thresholds for acceptance of the Plan.

In the event that any Impaired Class of Claims or Interests does not accept or is deemed to reject the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if, as to each impaired Class of Claims or Interests that has not accepted the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such Classes of Claims or Interests, pursuant to section 1129(b) of the Bankruptcy Code. Both of these requirements are in addition to other requirements established by case law interpreting the statutory requirements.

Pursuant to the Plan, holders of Interests in Class 10 (Existing LBI Interests) will not receive a distribution and are thereby deemed to reject the Plan. However, the Debtors submit that they satisfy the "unfair discrimination" and "fair and equitable" tests, as discussed in further detail below.

#### a) Unfair Discrimination Test

The "unfair discrimination" test applies to Classes of Claims or Interests that are of equal priority and are receiving different treatment under the Plan. A chapter 11 plan does not discriminate unfairly, within the meaning of the Bankruptcy Code, if the legal rights of a dissenting Class are treated in a manner consistent with the treatment of other Classes whose legal rights are substantially similar to those of the dissenting Class and if no Class of Claims or Interests receives more than it legally is entitled to receive for its Claims or Interests. This test does not require that the treatment be the same or equivalent, but that such treatment be "fair."

The Debtors believe the Plan satisfies the "unfair discrimination" test. Claims of equal priority are receiving comparable treatment and such treatment is fair under the circumstances.

#### b) Fair and Equitable Test

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. As to dissenting classes, the test sets different standards depending on the type of claims in such class. The Debtors believe that the Plan satisfies the "fair and equitable" test with respect to any dissenting Classes, as further explained below.

(i) <u>Secured Creditors</u>

The Bankruptcy Code requires that each holder of an impaired secured claim either (a) retain its liens on the property to the extent of the allowed amount of its secured claim and receive deferred cash payments having a value, as of the effective date of the plan, of at least the allowed amount of such claim, (b) have the right to credit bid the amount of its claim if its property is sold and retain its liens on the proceeds of the sale (or if sold, on the proceeds thereof), or (c) receive the "indubitable equivalent" of its allowed secured claim.

(ii) Unsecured Creditors

The Bankruptcy Code requires that either (a) each holder of an impaired unsecured claim receive or retain under the plan property of a value equal to the amount of its allowed claim or (b) the holders of claims and equity interests that are junior to the claims of the dissenting class not receive any property under the plan. The Plan provides that each holder of an Impaired unsecured Claim shall receive the treatment summarized above in Article VI of this Disclosure Statement.

(iii) Equity Interests

The Bankruptcy Code requires that either (a) each holder of an equity interest receive or retain under the plan property of a value equal to the greater of (i) the fixed liquidation preference or redemption price, if any, of such stock and (ii) the value of the stock, or (b) the holders of equity interests that are junior to any dissenting class of equity interests not receive any property under the plan. Pursuant to the Plan, all Existing LBI Interests will be cancelled and the holders of Existing LBI Interests will neither receive nor retain any property on account of such interests.

**iii. The Debtors' Releases and Third-Party Releases**

Section 10.6(a) of the Plan provides a release of certain claims and Causes of Action of the Debtors, the Reorganized Debtors, and the Estates against the Released Parties in exchange for good and valuable consideration and valuable compromises made by the Released Parties (the "**Debtors' Releases**"). The Debtors' Releases do not release any claims or Causes of Action arising after the Effective Date against any party or affect the rights of the Debtors or Reorganized Debtors to enforce the terms of the Plan or any right or obligation arising under the Definitive Documents that remain in effect after the Effective Date. Section 10.6(b) of the Plan provides for the release of claims and Causes of Action held by the Releasing Parties against the Released Parties in exchange for good and valuable consideration and the valuable compromises made by the Released Parties (the "**Third-Party Releases**", and together with the Debtor Releases, the "**Releases**").

The Debtors believe, and will be prepared to demonstrate at the Confirmation Hearing, that the Releases and exculpation provisions of the Plan are consistent with applicable law. The substantial contributions made by the Debtors' directors and officers to the Debtors' restructuring include, but are not limited to, (i) negotiating the restructuring, as embodied in the Plan; (ii) obtaining substantial recoveries for unsecured creditors to which they may have not otherwise been entitled; and (iii) devoting significant time to navigating the Debtors through these chapter 11 cases in addition to their regular duties, including through participation in regular meetings of the Restructuring Committee, as well as meetings of the Debtors' boards of directors. The contributions made by HPS to the Debtors' restructuring include, but are not limited to (i) contributing a portion of HPS's recovery, in cash, to holders of ASCAP/BMI Settlement Claims, Ongoing Trade Claims, and General Unsecured Claims, who otherwise may not have been entitled to distributions; (ii) providing a significant recovery to unsecured creditors; (iii) providing the Debtors with DIP financing and payment of prepetition and administrative claims during these cases; and (iv) negotiating and supporting the Debtors' restructuring, as embodied in the Plan, including the continued access to jobs for the Debtors' Workforce and business for the Debtors' vendors. Furthermore, HPS has agreed to the Debtors' waiver of certain Intercompany Claims, which otherwise constituted its collateral. Moreover, (i) the Debtors' directors and officers are indemnified by the Debtors pursuant to the Debtors' corporate organizational documents, and (ii) HPS is indemnified by the Debtors pursuant to First Lien Indenture. Accordingly, successful claims against such individuals and entities would reduce the value of the Debtors' estates. Pursuant to the Restructuring Support Agreement, HPS has also conditioned its support of the Plan on the approval of the Releases.

# XII.
# ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF PLAN

The Debtors have evaluated several alternatives to the Plan. After studying these alternatives, the Debtors have concluded that the Plan is the best alternative and will maximize recoveries to parties in interest, assuming confirmation and consummation of the Plan. If the Plan is not confirmed and consummated, the alternatives to the Plan are (i) the preparation and presentation of an alternative plan of reorganization, (ii) a sale of some or all of the Debtors' assets pursuant to section 363 of the Bankruptcy Code, or (iii) a liquidation under chapter 7 of the Bankruptcy Code.

## A. Plan of Reorganization

If the Plan is not confirmed, the Debtors (or if the Debtors' exclusive period during which to file a plan of reorganization has expired, any other party in interest) could attempt to formulate a different plan. Such a plan might involve either: (i) a reorganization and continuation of the Debtors' business or (ii) an orderly liquidation of the Debtors' assets. The Debtors, however, submit that the Plan, as described herein, enables their creditors and interest holders to realize the most value under the circumstances.

## B. Alternate Sale Under Section 363 of Bankruptcy Code

If the Plan is not confirmed, the Debtors could seek from the Bankruptcy Court, after notice and a hearing, authorization to sell their assets through a stand-alone alternative transaction under section 363 of the Bankruptcy Code. Upon analysis and consideration of this alternative, the Debtors do not believe that a stand-alone alternative sale of their assets under section 363 of the Bankruptcy Code (as opposed to the consummation of an Alternative Transaction pursuant to the Plan following the Debtors' Marketing Process) would yield a higher recovery for holders of Claims and Interests than the Plan.

## C. Liquidation Under Chapter 7 or Applicable Non-Bankruptcy Law

If no plan can be confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code in which a trustee would be appointed to liquidate the assets of the Debtors for distribution to the Debtors' creditors in accordance with the priorities established by the Bankruptcy Code. The effect a chapter 7 liquidation would have on the recovery of holders of Allowed Claims and Interests is set forth in the Liquidation Analysis.

As noted in Article XII of this Disclosure Statement, the Debtors believe that liquidation under chapter 7 would result in smaller distributions to creditors and interest holders than those provided for in the Plan because of the delay resulting from the conversion of the cases and the additional administrative expenses associated with the appointment of a trustee and the trustee's retention of professionals that would be required to become familiar with the many legal and factual issues in the Chapter 11 Cases.

## XIII.
## RECOMMENDATION OF DEBTORS

The Debtors believe the Plan is in the best interests of all stakeholders and urge the holders of Claims and Interests in Classes 3, 4, 5, 6, 7, 8, and 9 to vote in favor thereof.

Dated: January 22, 2019

Respectfully submitted,

Liberman Broadcasting, Inc.
LBI Media Holdings, Inc.
LBI Media Intermediate Holdings, Inc.
LBI Media, Inc.
Empire Burbank Studios LLC
Liberman Broadcasting of California LLC
LBI Radio License LLC
Liberman Broadcasting of Houston LLC
Liberman Broadcasting of Houston License LLC
Liberman Television of Houston LLC
KZJL License LLC
Liberman Television LLC
KRCA Television LLC
KRCA License LLC
Liberman Television of Dallas LLC
Liberman Television of Dallas License LLC
Liberman Broadcasting of Dallas LLC
Liberman Broadcasting of Dallas License LLC

By: *"/s/ Brian Kei"*
Name: Brian Kei
Title: Chief Financial Officer