

CHANGES IN INTEREST AS A RESULT OF TRANSFER

This application seeks Commission consent to the *pro forma* transfer of control of LBI Holdings I, Inc. (“LBI”) that will result from the placing of certain shares of LBI stock held by Jose Liberman into irrevocable Grantor Retained Annuity Trusts (“GRATs”). Because Jose Liberman will be trustee of the GRATs and will retain ultimate voting control of the LBI stock held by the GRATs, as described below, the contemplated transaction is a *pro forma* transfer of control and the use of Form 316 is appropriate.

Jose Liberman is currently the record holder of 100 shares of LBI stock, which represent 50% of the total votes of LBI.¹ Under California law, the shares constitute community property in which Jose’s wife, Esther Liberman, is deemed to hold a 50% interest. For estate planning purposes, the shares will be placed into two separate GRATs: the Jose Liberman 2003 Annuity Trust (Jose Liberman as settlor) and the Esther Liberman 2003 Annuity Trust (Esther Liberman as settlor). Prior to implementing the GRATs, Jose and Esther Liberman will partition their community property shares into equal separate property, so that each will hold 50 shares or 25% of the total assets and votes of LBI. Jose and Esther will then immediately contribute their separate property LBI shares into the GRATs. The LBI shares will be the only asset held by the GRATs. Jose Liberman will serve as the trustee of both GRATs and will have the power to vote the stock held by each GRAT.

¹ Jose Liberman’s son, Lenard Liberman, holds the remaining 50% of the LBI voting stock.

The GRATs, each of which will have a three-year term, provide that the settlor of each GRAT (or the settlor's estate, if deceased) will receive one fixed annuity payment each year over a three-year term. It is anticipated that these payments will be made in the form of LBI stock.²

LBI stock distributed to each of Jose and Esther Liberman in each of the three annuity payments will be held as community property, in the identical manner in which it is held prior to this transaction. In light of the identical manner in which the LBI shares will be held before and after the annuity payments, LBI does not believe that it will be necessary to seek Commission approval prior to the distribution of the LBI stock as part of the annuity payments.

If a settlor is living upon the termination of his or her GRAT, any shares of LBI stock that remain in such settlor's respective GRAT will be distributed to Lenard Liberman.³ If either settlor is deceased upon the termination of his or her GRAT, any shares of LBI stock remaining in such deceased settlor's GRAT will be distributed to the other spouse, or if the the other spouse is deceased, to the other spouse's estate.⁴

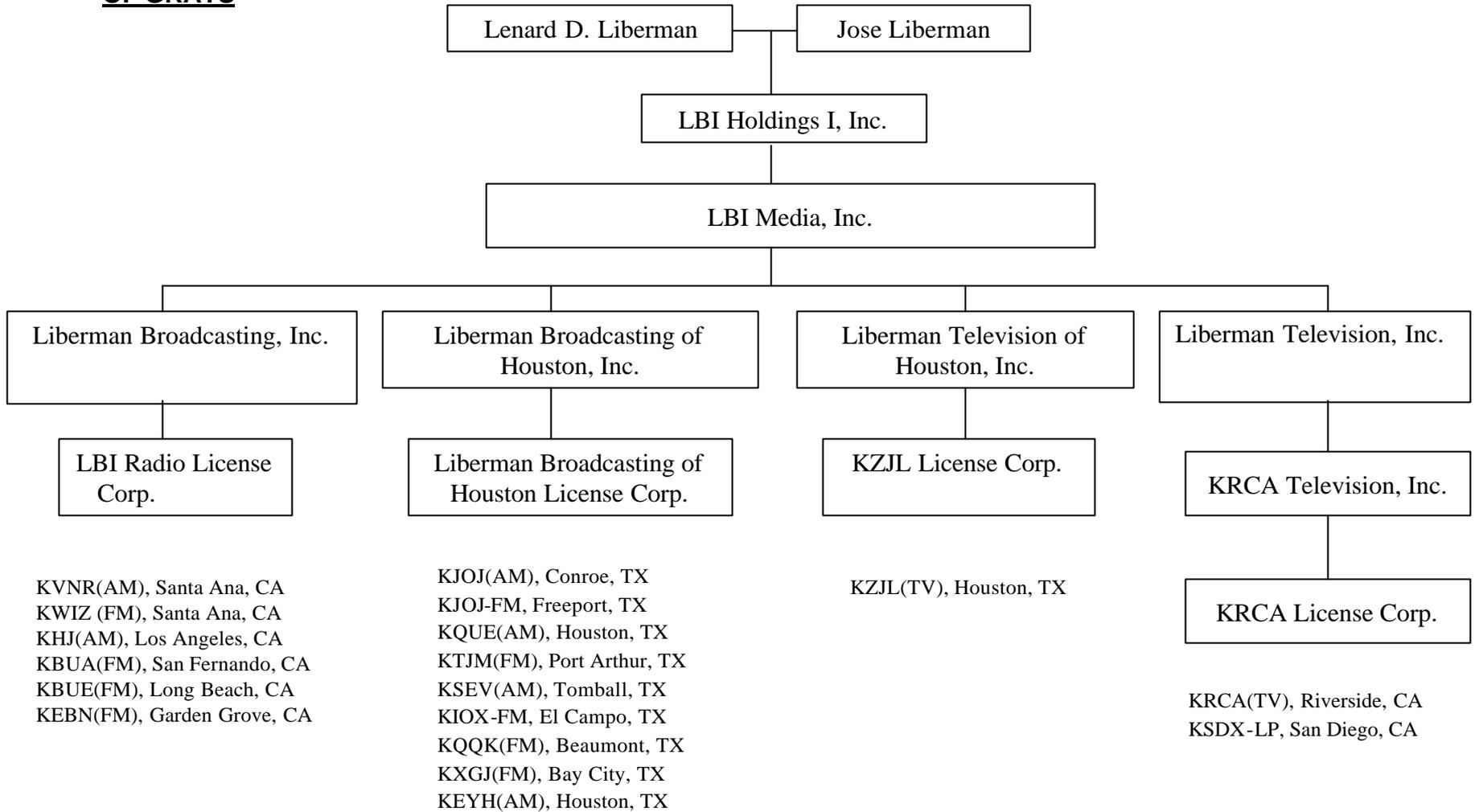
² Although possible, it is not contemplated that any cash distributions will be made necessitating sale of LBI shares, nor that any sale of LBI shares will be made to third parties. In the event the trustee seeks to sell shares of LBI stock to a third party, LBI will seek any necessary Commission approvals prior to such transaction.

³ Because the value of the annuity is fixed and the value of the LBI shares may change, it cannot be determined at this point whether any LBI shares will remain in the trusts after the final annuity payment is made.

⁴ To the extent necessary, the parties will seek Commission consent to the transfer of the shares resulting from the final distribution from the trusts.

STRUCTURE
BEFORE
IMPLEMENTATION
OF GRATS

Liberman Ownership Structure*



*Each subsidiary is wholly-owned by its parent corporation Jose and Lenard Liberman each own 50% of the stock of LBI Holdings I, Inc.

Liberman Ownership Structure

STRUCTURE AFTER IMPLEMENTATION OF GRATS

