

## Description of Transaction

This application seeks Commission consent to the assignment of licenses of radio Stations WFXF(FM), Dundee, IL (Facility ID 3135) and WZSR(FM), Woodstock, IL (Facility ID 53505) (the “Matrix Stations”) from The Mile High Station Trust, LLC, as Trustee, (“MHST”) to Matrix Broadcasting, LLC (“Matrix”). The Matrix Stations’ licenses were assigned to MHST when NextMedia Operating, Inc., Debtor-In-Possession emerged from bankruptcy in accordance with the terms and conditions of that certain Trust Agreement dated as of May 27, 2010 by and among MHST, NextMedia Operating Inc. and NextMedia Licensing, LLC. A separate concurrently-filed assignment application (the “NM Acquisition Application”) seeks Commission consent to the assignment of the licenses of 33 full-power radio stations from NM Licensing, LLC, the licensee subsidiary of NextMedia Group, Inc. (“NextMedia”), to NM License, LLC, a wholly-owned subsidiary of NM Acquisition Sub, LLC (“NM Acquisition”). MHST is the trustee of The Mile High Station Trust, a divestiture trust of which NextMedia is the sole beneficiary.

The assignment of licenses will be made pursuant to an Asset Purchase Agreement by and between NM Acquisition and Matrix dated as of October 8, 2013 (the “APA”). Pursuant to an Asset Purchase Agreement among NextMedia, NM Acquisition, MHST, and Palm Beach Broadcasting, LLC, dated as October 8, 2013 (the “NM APA”), NM Acquisition has agreed to purchase substantially all of the assets relating to 33 full-power radio stations owned by NextMedia as well as the Matrix Stations owned by MHST. Pursuant to the APA, NM Acquisition has agreed to direct MHST to assign to Matrix the right, title and interest in certain assets (including the FCC licenses) used in the operation of the Matrix Stations. Matrix is not affiliated with NM Acquisition, and neither NM Acquisition nor any of its attributable owners has an ownership interest or other attributable interest in Matrix. As described below, NM Acquisition has agreed to provide certain services to support Matrix’s operation of the Matrix Stations, subject to the supervision and control of Matrix, and NM Acquisition will have an option to acquire the Matrix Stations. The parties respectfully request that this application and the NM Acquisition Application be processed concurrently.

The consummation of the proposed sale of the Matrix Stations is expected to take place, subject to satisfaction or waiver of specified conditions, on a date to be designated by NM Acquisition after the date that Commission consent to this Application is granted and has become a final, non-appealable order. Consummation of Matrix’s acquisition of the Matrix Stations is not a condition to NM Acquisition’s obligation to consummate its acquisition of the NextMedia stations under the NM APA. Accordingly, consummation of NM Acquisition’s acquisition of the NextMedia Stations may occur prior to the consummation of the transaction contemplated by this application. In that event, MHST would continue to hold the licenses of the Matrix Stations.

**Matrix Broadcasting.** Broadcast industry veteran Peter Handy, Founder and Managing General Partner of Star Media Group, a media brokerage and consulting firm, owns 95% of Matrix. Mr. Handy has invested \$1,000,000 in equity to finance the acquisition of the Matrix Stations. Matrix will obtain a bank loan for the remaining portion of the purchase price. Mr. Handy is an experienced radio station owner and currently has a majority interest in Cohan Radio Group, Inc., the licensee of five radio stations in the Sebring, Florida market. The APA contemplates that at closing Matrix will enter into a Shared Services Agreement with NM Acquisition pursuant to which NM Acquisition will provide certain limited services to the Matrix Stations under Matrix’s supervision and control. These services include monitoring

and maintenance of the Matrix Stations' technical facilities and equipment; maintenance and operation of the Matrix Stations' websites, the provision, operation and maintenance of mobile applications for the Matrix Stations, and back-office and support services. The Commission has consistently held that the provision of these services by a third party does not raise an issue under the attribution rules. *See e.g. In re Applications of Local TV Holdings, LLC*, MB Docket No. 13-190 (M Bur. December 20, 2013), *In re Applications for Consent to Transfer of Control from Shareholders of Belo Corp. to Gannett Co.*, MB Docket No. 13-189 (M. Bur. December 20, 2013 ("Belo Gannet"). In accordance with FCC rules, NM Acquisition would have the right to sell up to fifteen percent of the advertising time on each of the Matrix Stations, and provide no more than 15% of the programming aired on each of the Matrix Stations, subject to the ultimate control of Matrix. Other than the limited advertising time sold by NM Acquisition, Matrix will conduct or coordinate all sales operations for the Matrix Stations. NM Acquisition's provision of a limited amount of programming and sale of a limited amount of commercial inventory are consistent with Section 73.3555 of the Rules and do not give NM Acquisition an attributable interest in either of the Matrix Stations. *See* 47 C.F.R. § 73.3555 Notes 2 (j) and 2(k). Matrix also will enter into an Option Agreement with NM Acquisition, pursuant to which Matrix grants NM Acquisition the right to acquire Matrix's interest in the Matrix Stations under specified circumstances. In the event the option is exercised, Matrix will benefit from any increase in the value of the Matrix Stations as well as share in any losses attributable to a decrease in value. A redacted copy of the Form of Option Agreement is attached to Exhibit 13. An unredacted copy of this exhibit has been submitted to the Media Bureau directly with a request for confidential treatment. An unredacted copy of the Form of Shared Services Agreement is attached to Exhibit 13.

Assignment of the Stations' licenses to Matrix will serve the public interest. The Stations have been held in a divestiture trust for almost four years. Upon consummation of the proposed assignment, Matrix, which is owned by an experienced broadcaster, will independently control all aspects of the Stations' operations and sell at least 85% of the advertising time on the Matrix Stations. Matrix's principal is making a substantial \$1,000,000 equity investment, and Matrix is obtaining a loan for the balance of the Purchase Price that will be secured by the Matrix Stations' assets and Matrix's equity. Matrix therefore bears risks associated with a decline in the Matrix Stations' value or a default under the Credit Agreement. By the same token, because Matrix will receive all revenues except those associated with the limited amount of advertising sold by NM Acquisition and will pay the Stations' expenses, including debt service and a Services Fee payable to NM Acquisition, Matrix has an economic incentive to control the programming and improve the Matrix Stations' operations. *See Belo Gannet* at ¶ 28.

**Attachments.** The APA is attached to this Exhibit. The NM APA is included as Exhibit 5 to the NM Acquisition Application. Matrix responds "no" to Section III, Question 3 because certain exhibits and schedules to the APA are not being submitted with this application pursuant to FCC policy and practice.<sup>1</sup> The omitted exhibits and schedules, listed below, contain information that is proprietary, not germane to the Commission's evaluation of the application, or already in the Commission's possession. These materials will be provided to the Commission upon request.

#### **APA Exhibits**

Exhibit A      Broadcast Cash Flow

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<sup>1</sup> *See LUJ, Inc.*, 17 FCC Rcd 16980 (2002).

Exhibit B	Form of Assignment of FCC Licenses (MHST to Buyer)
Exhibit C	Form of Lease Assignment and Assumption (MHST to Buyer)
Exhibit D	Form of Deed (MHST to Buyer)
Exhibit E	Form of Intellectual Property Assignment (MHST to Buyer)
Exhibit F	Form of Station Contract Assignment and Assumption (MHST to Buyer)
Exhibit G	Form of Bill of Sale (MHST to Buyer)
Exhibit H	Form of Affidavit of Non-Foreign Status

### **APA Schedules**

Schedule 1.1	Permitted Liens
Schedule 1.1(a)	Excluded Contracts
Schedule 2.1(a)	Governmental Licenses
Schedule 2.1(b)	Tangible Personal Property
Schedule 2.1(c)(i)	Owned Real Property
Schedule 2.1(c)(ii)	Leased Real Property
Schedule 2.1(d)	Station Contracts
Schedule 2.1(e)	Business Intellectual Property
Schedule 2.2	Excluded Assets
Schedule 2.3(b)	Assumed Liabilities
Schedule 3.3	No Conflicts
Schedule 3.4	FCC License Matters
Schedule 3.5	Taxes
Schedule 3.8(c)	Condemnation Proceedings
Schedule 3.8(d)	Real Property Use
Schedule 3.10	Environmental
Schedule 3.13(i)	Compliance with Law
Schedule 3.13(ii)	Indecency Complaints
Schedule 3.14	Litigation
Schedule 3.17	Financial Statements
Schedule 5.1	Pre-Closing Actions of Seller
Schedule 5.5	Required Consents
Schedule 5.7	Station Employees