

HEMISPHERE MEDIA GROUP, INC.

Form 8-K

July 31, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **July 31, 2014**

HEMISPHERE MEDIA GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

001-35886

80-0885255

(State or other jurisdiction of

(Commission File Number)

(I.R.S. Employer

Incorporation)

Identification Number)

2000 Ponce de Leon Boulevard

Suite 500

Coral Gables, FL 33134

(Address of principal executive offices) (Zip Code)

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(305) 421-6364

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

On July 31, 2014 (the Closing Date), Hemisphere Media Holdings, LLC (Holdings) and InterMedia Español, Inc. and together with Holdings, (the Borrowers), both wholly-owned indirect subsidiaries of Hemisphere Media Group, Inc. (the Company), the guarantors party thereto, the several lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as successor administrative agent and collateral agent, J.P. Morgan Securities LLC as joint lead arranger and joint bookrunner, Deutsche Bank Securities Inc., as joint lead arranger, joint bookrunner and syndication agent (DB) and CIT Capital Securities LLC as documentation agent, entered into Amendment No. 1 (Amendment No. 1) to that certain Credit Agreement dated as of July 30, 2013, among the Borrowers, the guarantors party thereto, the several lenders from time to time party thereto and the other parties named therein (the Existing Credit Agreement and as amended by Amendment No. 1, the Amended Credit Agreement).

The Amended Credit Agreement, provides for term loans in the aggregate principal amount of \$225.0 million (increased from \$175.0 million under the Existing Credit Agreement) (the Amended Term Loan Facility), which shall mature on July 30, 2020. The Amended Term Loan Facility, among other terms, provides for an uncommitted incremental loan option (the Incremental Facility) allowing for increases for borrowings under the Amended Term Loan Facility and borrowing of new tranches of term loans, up to an aggregate principal amount equal to (i) \$40.0 million (increased from \$20.0 million from the Existing Credit Agreement) plus (ii) an additional amount (the Incremental Facility Increase) provided, if after giving effect to such Incremental Facility Increase (as well as any other additional term loans), on a pro forma basis, the First Lien Net Leverage Ratio (as defined in the Amended Credit Agreement) for the most recent four consecutive fiscal quarters does not exceed 4.00:1.00 and the Total Net Leverage Ratio (as defined in the Amended Credit Agreement) for the most recent four consecutive fiscal quarters does not exceed 6.00:1.00. The First Lien Net Leverage Ratio and the Total Net Leverage Ratio each caps the cash netted against debt up to a maximum amount of \$45.0 million (increased from \$10.0 million under the Existing Credit Agreement). Additionally, the Amended Term Loan Facility also provides for an uncommitted incremental revolving loan option (the Incremental Revolving Facility) allowing for an aggregate principal amount of up to \$20.0 million, which shall be secured on a *pari passu* basis by the collateral securing the Amended Term Loan Facility.

The Amended Term Loan Facility, issued with 0.5% of original issue discount, will bear interest at the Borrowers' option of either (i) LIBOR plus a margin of 4.00% (decreased from a margin of 5.00% under the Existing Credit Agreement) or (ii) or an Alternate Base Rate (ABR) plus a margin of 3.00% (decreased from a margin of 4.00% under the Existing Credit Agreement), in each case, subject to a 0.25% step-down subject to a net leverage test. Interest on the Amended Term Loan Facility is subject to, as applicable, (i) a LIBOR floor of 1.00% (decreased from a LIBOR floor of 1.25% under the Existing Credit Agreement) or (ii) an ABR floor of 2.00% (decreased from an ABR floor of 2.25% under the Existing Credit Agreement). The Amended Term Loan Facility will require the Borrowers to make amortization payments (in quarterly installments) equal to 1.00% per annum with respect to the Term Loan Facility with any remaining amount due at final maturity. Voluntary prepayments will be permitted, in whole or in part, subject to certain minimum prepayment requirements; provided that any prepayments made, prior to the date that is twelve months from the Closing Date of the Amended Term Loan Facility, for the purpose of repricing or effectively repricing the Amended Term Loan Facility shall include a 1.00% prepayment premium.

The obligations under the Amended Term Loan Facility will be guaranteed by HMTV, LLC, a direct wholly-owned subsidiary of the Company (parent of Holdings) and all of Holdings' existing and future direct and indirect domestic subsidiaries (subject to certain exceptions in the case of immaterial subsidiaries). The Amended Term Loan Facility is secured by a first-priority perfected security interest in substantially all of the assets of HMTV, Holdings and Holdings' restricted subsidiaries.

The Amended Term Loan Facility does not have any maintenance-based financial covenants. Incurrence based financial covenants include (i) a Total Net Leverage Ratio of 6.00:1.00, determined on a pro forma basis after giving aggregate effect to any Incremental Facility, new term loans or new incremental notes that would apply and (ii) a First Lien Net Leverage Ratio (as defined in the Amended

Credit Agreement) of 4.00:1.00, determined on a pro forma basis after giving aggregate affect to any Incremental Facility, Incremental Revolving Facility, new term loans or new incremental notes first.

The lenders have the ability, subject to certain rights of the Borrowers to cure periods, to accelerate loan payment dates and charge default interest rates for certain breaches by the Borrowers of its covenants and other obligations under the Amended Term Loan Facility.

The incremental proceeds of the Amended Term Loan Facility will be used to (i) pay certain fees and expenses incurred in connection with the Amended Term Loan Facility, (ii) repay certain loans under the Existing Credit Agreement and (ii) fund cash on the balance sheet of the Company's operating subsidiaries, to be used for general corporate purposes (which may include funding acquisitions from time to time).

The foregoing descriptions are not complete and are qualified in their entirety by reference to the full text of the Amended Credit Agreement and Guaranty Agreement (as defined below), which are filed as Exhibits 10.1 and 10.2 to this Current Report on Form 8-K, respectively, and incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The disclosure set forth under Item 1.01 relating to the Amended Term Loan Facility is incorporated by reference into this Item 2.03.

Item 7.01. Regulation FD Disclosure

On July 31, 2014, the Company issued a press release announcing the closing of the Amended Term Loan Facility. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

Statements in this Current Report on Form 8-K, may contain certain statements about the Company and its consolidated subsidiaries that do not directly or exclusively relate to historical facts. The statements are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are necessarily estimates reflecting the best judgment and current expectations, plans, assumptions and beliefs about future events (in each case subject to change) of the Company's senior management and management of its subsidiaries and involve a number of risks, uncertainties and other factors, some of which may be beyond the Company's control that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. Without limitation, any statements preceded or followed by or that include the words targets, plans, believes, expects, intends, will, likely, may, anticipate, estimates, projects, should, would, expect, positioned, strategy, future, potential, plan, forecast, or words, phrases or the negative thereof, are forward-looking statements. Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements are discussed under the heading Risk Factors and Forward-Looking Statements in the company's most recent annual report on Form 10-K filed with the Securities and Exchange Commission (SEC), as they may be updated in any future reports filed with the SEC. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, the Company's actual results, performance, or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements included herein are made as of the date hereof, and the Company undertakes no obligation to update publicly such statements to reflect subsequent events or circumstances.

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The information included in Item 7.01 of this Current Report on Form 8-K, is furnished solely pursuant to Item 7.01 of this Current Report on Form 8-K. Consequently, it is not deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing

under the Securities Act of 1933, as amended, or the Exchange Act if such subsequent filing specifically references this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit

No.	Description of Exhibit
10.1*	Amendment No. 1 to the Credit Agreement, dated as of July 31, 2014, by and among Hemisphere Media Holdings, LLC, a Delaware limited liability company, InterMedia Español, Inc., a Delaware corporation, the lenders party thereto from time to time, JPMorgan Chase Bank, N.A., as successor administrative agent and collateral agent, J.P. Morgan Securities LLC as joint lead arranger and joint bookrunner, Deutsche Bank Securities Inc., as joint lead arranger, joint bookrunner and syndication agent and CIT Capital Securities LLC as documentation agent, and the other parties named therein.
10.2	Guaranty Agreement, dated as of July 30, 2013, by and among HMTV, LLC, a Delaware limited liability company, Hemisphere Media Holdings, LLC, a Delaware limited liability company, InterMedia Español, Inc., a Delaware corporation, the subsidiary guarantors from time to time party thereto and Deutsche Bank AG New York Branch as administrative agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 31, 2013).
99.1*	Press Release issued by the Company on July 31, 2014.

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEMISPHERE MEDIA GROUP, INC.

Date: July 31, 2014

By: /s/ Alex J. Tolston
Name: Alex J. Tolston
General Counsel and Corporate Secretary

EXHIBIT INDEX

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