UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 000-27823

Spanish Broadcasting System, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-3827791**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

7007 NW 77th Ave.
Miami, Florida 33166
(Address of principal executive offices) (Zip Code)

(305) 441-6901
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 7, 2017, 4,166,991 shares of Class A common stock, par value $0.0001 per share, 2,340,353 shares of Class B common stock, par value $0.0001 per share and 380,000 shares of Series C convertible preferred stock, $0.01 par value per share, which are convertible into 760,000 shares of Class A common stock, were outstanding.

SPANISH BROADCASTING SYSTEM, INC.

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Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Spanish Broadcasting System, Inc. intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and includes this statement for purposes of such safe harbor provisions.

"Forward-looking" statements, as such term is defined by the Securities Exchange Commission (the "SEC") in its rules, regulations and releases, represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, our recapitalization plan, growth and acquisition strategies, investments and future operational plans. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "forecast," "seek," "plan," "predict," "project," "could," "estimate," "might," "continue," "seeking" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors, including, but not limited to, those identified in our Annual Report on Form 10-K for the year ended December 31, 2016, and those described from time to time in our future reports filed with the SEC. All forward-looking statements made herein are qualified by these cautionary statements and risk factors and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized. These risks and uncertainties include the following factors:

- *The failure to repay our Notes;*
- *Risks relating to the existence of the Voting Rights Triggering Event;*
- *The maturity of our Notes and our obligations under our Series B preferred stock adversely affects our financial condition and raises substantial doubt about our ability to continue as a going concern;*
- *Our ability to repurchase all of the Notes and our Series B preferred stock upon a change in control;*
- *Our ability to generate sufficient cash from operations or the sale of assets to repay our Notes and our liabilities under our Series B preferred stock, which may force us to take other actions to satisfy our obligations under our Notes and Series B preferred stock;*
- *Our high leverage and substantial level of indebtedness;*
- *Restrictions on our current and future operations pursuant to the terms of the Indenture governing the Notes and the terms of the Series B preferred stock;*
- *We have experienced net losses in the past and, to the extent that we experience net losses in the future, our ability to raise capital may be adversely affected;*
- *Our industry is highly competitive, and we compete for advertising revenue with other broadcast stations, as well as other media, many operators of which have greater resources than we do;*
- *The large portion of our net revenue and operating income that currently comes from our New York, Los Angeles and Miami markets;*
- *Possible cancellations, reductions, delays and seasonality in advertising could adversely affect our net revenues;*
- *Our inability to pursue and successfully execute our expansion strategy which may impact our growth;*
- *Our cost-cutting measures may impact our ability to pursue our expansion strategy;*
- *The success of our radio stations depends on the popularity and appeal of our content, which is difficult to predict;*
- *The success of our television operation depends upon our ability to attract viewers and advertisers to our broadcast television operation;*
- *The loss of distribution agreements could materially adversely affect our results of operations;*
- *The failure or destruction of satellites and transmitter facilities that we depend upon to distribute our programming could materially adversely affect our business and results of operation;*
- *Our ability to respond to rapidly changing technology, services and standards which characterize our industry in order to remain competitive;*

- *Our ability to retain key employees, on-air talent and program hosts;*
- *Impairment of our goodwill and other intangible assets deemed to have indefinite useful lives can cause our net income or net loss to fluctuate significantly;*
- *Piracy of our programming and other content, including digital and internet piracy, may decrease revenue received from the exploitation of our programming and other content and adversely affect our business and profitability;*
- *Damage to our brands or reputation;*
- *Our business may be adversely affected by legal or governmental proceedings brought by or on behalf of our employees;*
- *Raúl Alarcón, the Chairman of our Board of Directors, Chief Executive Officer and President, has majority voting control of our common stock and 100% voting control of our Series C preferred stock and this control may discourage or influence certain types of transactions or strategic initiatives; and*
- *Changes in government regulation.*

We do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements—Unaudited***

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Balance Sheets
(In thousands, except share data)

Assets	June 30, 2017	December 31, 2016
Current assets:		
Cash and cash equivalents	$ 16,234	$ 23,835
Receivables:		
Trade	28,034	32,952
Barter	162	270
	28,196	33,222
Less allowance for doubtful accounts	1,064	745
Net receivables	27,132	32,477
Prepaid expenses and other current assets	8,754	6,597
Total current assets	52,120	62,909
Property and equipment, net of accumulated depreciation of $63,654 in 2017 and $61,735 in 2016	24,621	26,406
FCC broadcasting licenses	322,197	323,961
Goodwill	32,806	32,806
Other intangible assets, net of accumulated amortization of $1,164 in 2017 and $1,116 in 2016	1,384	1,432
Assets held for sale	2,173	1,377
Deferred tax assets	1,789	1,615
Other assets	442	384
Total assets	$ 437,532	$ 450,890
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 17,013	$ 12,733
Accrued interest	1,872	7,290
Unearned revenue	975	1,325
Other liabilities	—	4
12.5% senior secured notes, net of unamortized discount of $0 in 2017 and $629 in 2016 and net of deferred financing costs of $0 in 2017 and $1,138 in 2016 (note 8).	264,664	273,233
Current portion of other long-term debt	11	4,616
10 3/4% Series B cumulative exchangeable redeemable preferred stock outstanding and dividends outstanding, $0.01 par value, liquidation value $1,000 per share. Authorized 280,000 shares: 90,549 shares issued and outstanding at June 30, 2017 and December 31, 2016 and $70,165 and $65,299 of dividends payable as of June 30, 2017 and December 31, 2016, respectively.	160,714	155,848
Total current liabilities	445,249	455,049
Other liabilities, less current portion	3,143	2,955
Derivative instruments	—	17
Deferred income taxes	111,301	106,986
Total liabilities	559,693	565,007
Commitments and contingencies (note 6)		
Stockholders' deficit:		
Series C convertible preferred stock, $0.01 par value and liquidation value. Authorized 600,000 shares; 380,000 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	4	4
Class A common stock, $0.0001 par value. Authorized 100,000,000 shares; 4,166,991 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	—	—
Class B common stock, $0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	—	—
Additional paid-in capital	526,124	525,999
Accumulated other comprehensive loss, net	—	(102)
Accumulated deficit	(648,289)	(640,018)
Total stockholders' deficit	(122,161)	(114,117)
Total liabilities and stockholders' deficit	$ 437,532	$ 450,890

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations
and Comprehensive Income (Loss)
(In thousands, except per share data)

	Three-Months Ended June 30,		Six-Months Ended June 30,	
	2017	2016	2017	2016
Net revenue	$ 34,181	$ 35,260	$ 65,531	$ 66,873
Operating expenses:				
Engineering and programming	6,818	7,586	15,435	15,748
Selling, general and administrative	16,563	12,978	31,050	28,433
Corporate expenses	2,793	2,549	5,237	5,542
Depreciation and amortization	1,111	1,165	2,243	2,415
Total operating expenses	27,285	24,278	53,965	52,138
Gain on the disposal of assets, net of disposal costs	(12,826)	—	(12,827)	(3)
Recapitalization costs	3,263	—	4,089	—
Other operating gains	—	(26)	—	(26)
Operating income	16,459	11,008	20,304	14,764
Other (expense) income:				
Interest expense, net	(9,328)	(10,053)	(19,315)	(20,089)
Dividends on Series B preferred stock classified as interest expense	(2,433)	(2,434)	(4,866)	(4,867)
Income (loss) before income taxes	4,698	(1,479)	(3,877)	(10,192)
Income tax expense	2,131	2,300	4,394	4,903
Net income (loss)	$ 2,567	$ (3,779)	$ (8,271)	$ (15,095)
Basic and Diluted net income (loss) per common share	$ 0.35	$ (0.52)	$ (1.14)	$ (2.08)
Weighted average common shares outstanding:				
Basic and Diluted	7,267	7,267	7,267	7,267
Net income (loss)	$ 2,567	$ (3,779)	$ (8,271)	$ (15,095)
Other comprehensive income, net of taxes	92	51	102	96
Total comprehensive income (loss)	$ 2,659	$ (3,728)	$ (8,169)	$ (14,999)

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statement of Changes in Stockholders' Deficit
for the Six-Months Ended June 30, 2017
(In thousands, except share data)

	Series C convertible preferred stock		Class A common stock		Class B common stock		Additional paid-in capital	Accumulated other comprehensive loss, net	Accumulated deficit	Total stockholders' deficit
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value				
Balance at December 31, 2016	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,999	$ (102)	$ (640,018)	$ (114,117)
Net loss	—	—	—	—	—	—	—	—	(8,271)	(8,271)
Stock-based compensation	—	—	—	—	—	—	125	—	—	125
Unrealized gain on derivative instrument	—	—	—	—	—	—	—	102	—	102
Balance at June 30, 2017	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 526,124	$ —	$ (648,289)	$ (122,161)

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

	Six-Months Ended June 30,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (8,271)	$ (15,095)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Dividends on Series B preferred stock classified as interest expense	4,866	4,867
(Gain) loss on the disposal of assets	(12,827)	(3)
Other operating gains	—	(26)
Stock-based compensation	125	463
Depreciation and amortization	2,243	2,415
Net barter loss	94	172
Provision for trade doubtful accounts	377	(126)
Amortization of deferred financing costs	1,138	1,695
Amortization of original issued discount	629	958
Deferred income taxes	4,240	4,421
Unearned revenue-barter	(337)	84
Changes in operating assets and liabilities:		
Trade receivables	4,702	3,869
Prepaid expenses and other current assets	(1,998)	(1,332)
Other assets	(58)	70
Accounts payable and accrued expenses	4,240	(1,643)
Accrued interest	(5,418)	96
Other liabilities	184	14
Net cash (used in) provided by operating activities	(6,071)	899
Cash flows from investing activities:		
Purchases of property and equipment	(450)	(1,752)
Proceeds from the sale of property and equipment	13,861	—
Cash payment related to station exchange	—	(1,897)
Net cash provided by (used in) investing activities	13,411	(3,649)
Cash flows from financing activities:		
Paydown of 12.5% senior secured notes	(10,336)	—
Payments of other debt	(4,605)	(153)
Net cash used in financing activities	(14,941)	(153)
Net decrease in cash and cash equivalents	(7,601)	(2,903)
Cash and cash equivalents at beginning of period	23,835	19,443
Cash and cash equivalents at end of period	$ 16,234	$ 16,540
Supplemental cash flows information:		
Interest paid	$ 22,971	$ 17,347
Income tax paid	$ 28	$ 105
Noncash investing and financing activities:		
Nonmonetary asset exchange	$ —	$ 2,794
Unrealized gain on derivative instruments	$ 102	$ 96

See accompanying notes to the unaudited condensed consolidated financial statements.

1. Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of Spanish Broadcasting System, Inc. and its subsidiaries (the Company, we, us, our or SBS). All intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements as of June 30, 2017 and December 31, 2016 and for the three- and six-month periods ended June 30, 2017 and 2016 have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. They do not include all information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements as of, and for the fiscal year ended December 31, 2016, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are all of a normal and recurring nature, necessary for a fair presentation of the results of the interim periods. Additionally, we evaluated subsequent events after the balance sheet date of June 30, 2017 through the financial statements issuance date. The results of operations for the six-months ended June 30, 2017 are not necessarily indicative of the results for the entire year ending December 31, 2017, or for any other future interim or annual periods.

Our consolidated financial statements have been prepared assuming we will continue as a going-concern, and do not include any adjustments that might result if we were unable to do so, and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. As of June 30, 2017 and December 31, 2016, we had a working capital deficit due primarily to the classification of our 10¾% Series B Cumulative Exchangeable Redeemable Preferred Stock (the "Series B preferred stock") as a current liability and the classification of our 12.5% Senior Secured Notes (the "Notes") as a current liability. Under Delaware law, our state of incorporation, the Series B preferred stock is deemed equity. Because the holders of the Series B preferred stock are not creditors, they do not have rights of, or remedies available to, creditors. Delaware law does not recognize a right of preferred stockholders to force redemptions or repurchases where the corporation does not have funds legally available. Currently, we do not have sufficient funds legally available to be able to redeem or repurchase the Series B preferred stock and its accumulated unpaid dividends. If we are successful in repaying or refinancing our Notes, and are able to generate legally available funds under Delaware law, we may be required to pay all or a portion of the accumulated preferred dividends and redeem all or a portion of the Series B preferred stock, to extent of the funds legally available.

As discussed in Note 8, the Notes matured on April 15, 2017. Cash from operations or the sale of assets was not sufficient to repay the Notes when they became due. We are working with a team of financial and legal advisors in evaluating all options available to us in executing a comprehensive recapitalization plan. These options, include, but are not limited to, selling certain non-core assets (whose net proceeds would be used to repay a portion of outstanding Notes), new financings (including debt, equity-linked securities and equity offerings), an exchange offer with the holders of our Notes (the "Noteholders"), with or without exit consents to amend the terms of the indenture under which the Notes were issued (the "Indenture"), use of cash on hand and a combination of these options. We have been pursuing the sale of certain non-core assets, including certain of our television stations and real estate assets. As further described in Note 11, on June 9, 2017 we sold our Los Angeles real estate assets and used the net proceeds to pay down a portion of the Notes. We expect to continue to use the net proceeds of other significant asset sales to repay a portion of the Notes and thereby deleverage our balance sheet. In connection with our recapitalization plan, we continue conversations with representatives of the Noteholders and the holders of the Series B preferred stock regarding these matters. However, we cannot assure you that we will be successful in our recapitalization efforts. We did not repay the Notes at their maturity, as a result of which there was an event of default under the Indenture on April 17, 2017 (April 17, 2017 being the payment date following the Saturday, April 15, 2017 maturity date). On April 17, 2017, we made the interest payment due on the Notes. The Notes will continue to earn interest at the current rate of 12.5% per year after the maturity date but we are not required to pay any default interest under the Indenture. As further described in Note 8, the Company on May 8, 2017 entered into a forbearance agreement (the "Forbearance Agreement") with an ad hoc group of more than 75% of the Notes (the "Supporting Holders"). Pursuant to the Forbearance Agreement, the Supporting Holders agreed to forbear from exercising any of their rights and remedies under the Indenture under which the Notes were issued, with respect to certain defaults from the effective date of the Forbearance Agreement until the earliest to occur of (a) the occurrence of any Event of Termination (as defined in the Forbearance Agreement) and (b) May 31, 2017 at 12:01 a.m. New York City time. The Forbearance Agreement expired and has not been extended, however the Company has continued to make monthly interest payments on the Notes on the 15th of each month and has also continued to pay the monthly legal fees and financial advisor due diligence fees of the Supporting Holders. Nonetheless, one or more Noteholders may seek to exercise various remedies against us, including foreclosing on our assets that constitute collateral under the Indenture.

The Company has incurred $3.3 and $4.1 million, respectively for the three and six-months ended June 30, 2017, of recapitalization costs, primarily due to professional fees related to the current process of evaluating all options available towards executing a comprehensive recapitalization plan. Also included in these amounts are the consent fees paid to the Supporting Holders

of the Notes who entered into the Forbearance Agreement with the Company, as well as the legal and financial advisory fees incurred by the Supporting Holders.

In the event we are unsuccessful in these efforts and one or more Noteholders seek to exercise remedies against us or our assets, we may be required to seek protection under Chapter 11 of the U.S. Bankruptcy Code, among other things, in order to maximize the value of our company for all of our constituents. While we believe that a Chapter 11 filing may create an avenue to successfully execute on our strategy, such a filing may also have several negative consequences to our business, including the costs and negative publicity that surrounds such a filing, reduced advertising revenue due to the uncertainty surrounding the filing, the potential need to sell assets (including the equity of our subsidiaries that own our FCC licenses) under distressed circumstances and the risk that we are unable to execute on a successful plan of reorganization.

Management is responsible for evaluating whether there is substantial doubt about the organization's ability to continue as a going concern and to provide related footnote disclosures, in accordance with the going concern accounting standard adopted in 2016. Our inability to obtain financing in adequate amounts and on acceptable terms necessary to operate our business, repay our Notes, redeem or refinance our Series B preferred stock or finance future acquisitions negatively impacts our business, financial condition, results of operations and cash flows and raises substantial doubt about our ability to continue as a going concern. The financial statements do not include adjustments, if any, that might arise from the outcome of this uncertainty.

Recently Issued Accounting Pronouncements

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation (Topic 718),* to provide clarity and reduce cost, complexity, and diversity in practice when applying stock compensation guidance to a change to the terms or conditions of a share-based payment award. The update is effective prospectively for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The Company is currently evaluating the effect the update will have on its financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20),* to clarify the scope of guidance on the derecognition of nonfinancial assets and to provide guidance for partial sales of nonfinancial assets. The update is effective retrospectively or on a modified retrospective basis for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early application permitted in certain circumstances. The Company is currently evaluating the effect the update will have on its financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles — Goodwill and Other (Topic 350),* which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. ASU 2017-04 is required to be applied prospectively and will be effective for annual or interim impairment test in fiscal years beginning after December 15, 2019, with early adoption permitted. We have evaluated the impact and determined that applying this new standard will not have a material impact on our financial position, results of operations and disclosures.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805)*. This new standard clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This update is effective prospectively for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Upon adoption, we will evaluate the accounting implications for any acquisitions we may enter into.

In October 2016, the FASB issued ASU No. 2016-16, – *Income Taxes (Topic 740)*. This new standard improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The update is effective retrospectively for annual periods beginning after December 15, 2017 and in interim periods in that reporting period, with early adoption permitted. The Company is currently evaluating the effect the update will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statements of Cash Flows (Topic 230).* This new standard's objective is to clarify how companies present and classify certain cash receipts and cash payments in the statement of cash flows. In November 2016, the FASB issued ASU 2016-18, Statements of Cash Flows (Topic 230) which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This update is effective on a retrospective basis for annual and interim periods beginning after December 15, 2017 with early adoption permitted. We are currently evaluating the impact, if any, that this new standard will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This new standard requires organizations that lease assets to recognize on the balance sheet the lease assets and lease liabilities for the rights and obligations created by those leases and

disclose key information about the leasing agreements. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of an interim or annual reporting period and must be adopted using a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. We are currently evaluating the impact that this new standard will have on our financial position and related disclosures and expect the impact on our assets and liabilities will be material due to the addition of right-of-use assets and lease liabilities; however the impact cannot currently be quantified.

In January 2016, the FASB issued ASU No. 2016-01, *Accounting for Financial Instruments – Recognition and Measurement.* The new guidance changes how entities measure equity investments and present changes in the fair value of financial liabilities. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value and as such these investments may be measured at cost. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently evaluating the impact, if any; however, we do not expect this update to have a material impact on our financial position and results of operations.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This new standard provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under U.S. GAAP. In July 2015, the FASB postponed the effective date of this standard. The standard is now effective for the first interim period within annual reporting periods beginning after December 15, 2017. In May 2016, the FASB issued accounting standards updates to address implementation issues and to clarify the guidance for identifying performance obligations, licenses, and determining if a company is the principal or agent in a revenue arrangement. In December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to Topic 606, which is intended to make minor corrections and to improve and clarify the implementation guidance of Topic 606. The Company currently expects to adopt the new revenue standard in its first quarter of 2018 and continues to evaluate the method of adoption and the impact of the provisions on our financial position and results of operations, if any. The company has since implemented an evaluation tool to assist it in clearly determining the risks, materiality and complexities associated with its multiple revenue streams. The Company expects to finalize its implementation and assess its impacts in the third quarter 2017. Based on the Company's on-going review, we continue to not expect this update to have a material impact on our financial position or results of operations; however, our initial assessment is subject to change.

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2. Stockholders' Deficit

(a) Series C Convertible Preferred Stock

On December 23, 2004, in connection with the closing of the merger agreement, dated October 5, 2004, with CBS Radio Media Corporation (formerly known as Infinity Media Corporation, "CBS Radio"), an indirect wholly-owned subsidiary of CBS Corporation, Infinity Broadcasting Corporation of San Francisco ("Infinity SF") and SBS Bay Area, LLC, a wholly-owned subsidiary of SBS, pursuant to which SBS acquired the FCC license of Infinity SF (the "CBS Radio Merger"), we issued to CBS Radio an aggregate of 380,000 shares of Series C convertible preferred stock, $0.01 par value per share (the "Series C preferred stock"). Each share of Series C preferred stock is convertible at the option of the holder into two fully paid and non-assessable shares of the Class A common stock. The shares of Series C preferred stock issued at the closing of the CBS Radio Merger are convertible into 760,000 shares of Class A common stock, subject to certain adjustments. In connection with the CBS Radio Merger, we also entered into a registration rights agreement with CBS Radio, pursuant to which CBS Radio may instruct us to file up to three registration statements, on a best efforts basis, with the SEC, providing for the registration for resale of the Class A common stock issuable upon conversion of the Series C preferred stock.

In connection with the issuance of the Series C preferred stock, we entered into a Stockholder Agreement, dated October 5, 2004, with CBS Radio and Mr. Alarcón. Pursuant to the terms of the Stockholder Agreement, CBS Radio was given a right of first negotiation with respect to any radio station that we control in the New York and Miami markets after the date of such agreement. The negotiation right is required to stay open for a period of ten (10) business days. In addition, CBS Radio was also given a right to match any offer received by us with respect to any Miami radio station. Such matching right expired one year after the date of the Stockholder Agreement.

We are required to pay holders of Series C preferred stock dividends on parity with our Class A common stock and Class B common stock, and each other class or series of our capital stock created after December 23, 2004. The Series C preferred stock

holders have the same voting rights and powers as our Class A common stock on an as-converted basis, subject to certain adjustments. The Certificate of Designations for the Series C preferred stock does not contain a voting rights triggering event provision like the one found in the Certificate of Designations for the Series B preferred stock. Each holder of Series C preferred stock (i) has preemptive rights to purchase its pro rata share of any equity securities we may offer, subject to certain conditions, and (ii) may, at their option, convert each share of Series C preferred stock into two (2) shares of Class A common stock, subject to certain adjustments.

The terms of the Certificate of Designations for our Series C preferred stock limits our ability to (i) enter into transactions with affiliates and certain merger transactions and (ii) create or adopt any shareholders rights plan.

On August 8, 2016, CBS Radio entered into a Stock Purchase Agreement with the Company, AAA Trust and Mr. Alarcón (the "Stock Purchase Agreement") to sell and assign its rights related to its 380,000 shares of Series C preferred stock to the AAA Trust for $3.8 million. AAA Trust is a Florida trust, of which Mr. Alarcón is the trustee. Pursuant to the Stock Purchase Agreement, CBS Radio agreed to assign the rights under the registration rights agreement and Stockholder Agreement to AAA Trust, which now holds such registration rights. The parties closed on the Stock Purchase Agreement on August 18, 2016.

(b) Class A and B Common Stock

The rights of the Class A common stockholders and Class B common stockholders are identical except with respect to their voting rights and conversion provisions. The Class A common stock is entitled to one vote per share and the Class B common stock is entitled to ten votes per share. The Class B common stock is convertible to Class A common stock on a share-for-share basis at the option of the holder at any time, or automatically upon a transfer of the Class B common stock to a person or entity which is not a permitted transferee (as described in our Certificate of Incorporation). Holders of each class of common stock are entitled to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders. Neither the holders of the Class A common stock nor the holders of the Class B common stock have preemptive or other subscription rights, and there are no redemption or sinking fund provisions with respect to such shares. Each class of common stock is subordinate to our Series B preferred stock. The Series B preferred stock has a liquidation preference of $1,000 per share and is on parity with the Series C preferred stock with respect to dividend rights and rights upon liquidation, winding up and dissolution of SBS.

(c) 2006 Omnibus Equity Compensation Plan

In July 2006, we adopted an omnibus equity compensation plan (the "Omnibus Plan") in which grants of Class A common stock could be made to participants in any of the following forms: (i) incentive stock options, (ii) nonqualified stock options, (iii) stock appreciation rights, (iv) stock units, (v) stock awards, (vi) dividend equivalents, and (vii) other stock-based awards. The Omnibus Plan authorized up to 350,000 shares of our Class A common stock for issuance, subject to adjustment in certain circumstances. The Omnibus Plan provided that the maximum aggregate number of shares of Class A common stock units, stock awards and other stock-based awards that may be granted, other than dividend equivalents, to any individual during any calendar year was 100,000 shares, subject to adjustments. The Omnibus Plan expired on July 17, 2016 and no further options can be granted under this plan.

(d) Stock Options and Nonvested Share Activity

Stock options have only been granted to employees or directors. Our stock options have various vesting schedules and are subject to the employees' continuing service. A summary of the status of our stock options, as June 30, 2017 and March 31, 2017, and changes during the quarter ended June 30, 2017, is presented below (in thousands, except per share data and contractual life):

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at March 31, 2017	408	$ 4.32		
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Outstanding at June 30, 2017	408	$ 4.32	$ 1,200	7.7
Exercisable at June 30, 2017	358	$ 4.50	$ 1,200	7.2

The following table summarizes information about our stock options outstanding and exercisable at June 30, 2017 (in thousands, except per share data and contractual life):

	Outstanding				Exercisable	
Range of Exercise Prices	Vested Options	Unvested Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Exercisable	Weighted Average Exercise Price
$1.03 - 2.99	45	50	$ 2.68	8.9	45	$ 2.33
$3.00 - 4.99	273	-	3.21	8.1	273	3.21
$5.00 - 9.99	20	-	7.50	2.8	20	7.50
$10.00 - 49.99	20	-	24.03	1.0	20	24.03
	358	50	$ 4.32	7.7	358	$ 4.50

As of June 30, 2017, there was $0.1 million of total unrecognized compensation costs related to nonvested stock-based compensation arrangements granted under all of our plans. The cost is expected to be recognized over a weighted average period of approximately 1.2 years.

(e) Accumulated Other Comprehensive Loss

Our accumulated other comprehensive loss was comprised of accumulated gains and losses on a derivative instrument (interest rate swap) that qualifies for cash flow hedge treatment. Our total comprehensive income (loss) consisted of our net income (loss) and a gain on our interest rate swap for the respective periods. The gain on the interest rate swap was shown net of taxes; however, there was no tax effect as a result of a full deferred tax asset valuation allowance related to the interest rate swap. The interest rate swap expired on January 3, 2017.

For the three-months ended June 30, 2017 and 2016, we reclassified from other comprehensive loss to interest expense less than $0.1 million and $0.1 million, respectively. During the three-months ended June 30, 2017 and 2016, we recognized in other comprehensive income, net of taxes, an unrealized gain on derivative instrument of approximately $92 thousand and $51 thousand, respectively.

For the six-months ended June 30, 2017 and 2016, we reclassified from other comprehensive loss to interest expense less than $0.1 million and $0.1 million, respectively. During the six-months ended June 30, 2017 and 2016, we recognized in other comprehensive income, net of taxes, an unrealized gain on derivative instrument of approximately $102 thousand and $96 thousand, respectively.

3. Basic and Diluted Net Income (Loss) Per Common Share

Basic net income (loss) per common share was computed by dividing net income (loss) applicable to common stockholders by the weighted average number of shares of common stock and convertible preferred stock outstanding for each period presented, using the “if converted” method. Diluted net loss per common share is computed by giving effect to common stock equivalents as if they were outstanding for the entire period.

The following is a reconciliation of the shares used in the computation of basic and diluted net income (loss) per share for the three- and six-month periods ended June 30, 2017 and 2016 (in thousands):

	Three-Months Ended June 30,		Six-Months Ended June 30,	
	2017	2016	2017	2016
Basic weighted average shares outstanding	7,267	7,267	7,267	7,267
Effect of dilutive equity instruments	—	—	—	—
Dilutive weighted average shares outstanding	7,267	7,267	7,267	7,267
Options to purchase shares of common stock and other stock-based awards outstanding which are not included in the calculation of diluted net income per share because their impact is anti-dilutive	408	399	399	409

4. Operating Segments

We have two reportable segments: radio and television.

The following summary table presents separate financial data for each of our operating segments (in thousands):

	Three-Months Ended June 30,		Six-Months Ended June 30,	
	2017	2016	2017	2016
Net revenue:				
Radio	$ 31,279	$ 31,429	$ 59,503	$ 59,954
Television	2,902	3,831	6,028	6,919
Consolidated	$ 34,181	$ 35,260	$ 65,531	$ 66,873
Engineering and programming expenses:				
Radio	$ 5,672	$ 6,112	$ 11,871	$ 12,144
Television	1,146	1,474	3,564	3,604
Consolidated	$ 6,818	$ 7,586	$ 15,435	$ 15,748
Selling, general and administrative expenses:				
Radio	$ 14,932	$ 11,327	$ 28,068	$ 24,803
Television	1,631	1,651	2,982	3,630
Consolidated	$ 16,563	$ 12,978	$ 31,050	$ 28,433
Corporate expenses:	$ 2,793	$ 2,549	$ 5,237	$ 5,542
Depreciation and amortization:				
Radio	$ 460	$ 475	$ 936	$ 963
Television	559	584	1,118	1,247
Corporate	92	106	189	205
Consolidated	$ 1,111	$ 1,165	$ 2,243	$ 2,415
Gain on the disposal of assets, net of disposal costs:				
Radio	$ (12,826)	$ —	$ (12,826)	$ (3)
Television	—	—	(1)	—
Corporate	—	—	—	—
Consolidated	$ (12,826)	$ —	$ (12,827)	$ (3)
Recapitalization costs:				
Radio	$ —	$ —	$ —	$ —
Television	—	—	—	—
Corporate	3,263	—	4,089	—
Consolidated	$ 3,263	$ —	$ 4,089	$ —
Other operating gains:				
Radio	$ —	$ —	$ —	$ —
Television	—	—	—	—
Corporate	—	(26)	—	(26)
Consolidated	$ —	$ (26)	$ —	$ (26)
Operating income (loss):				
Radio	$ 23,041	$ 13,515	$ 31,454	$ 22,047
Television	(434)	122	(1,635)	(1,562)
Corporate	(6,148)	(2,629)	(9,515)	(5,721)
Consolidated	$ 16,459	$ 11,008	$ 20,304	$ 14,764
Capital expenditures:				
Radio	$ 111	$ 897	$ 313	$ 1,279
Television	44	215	67	309
Corporate	19	63	70	164
Consolidated	$ 174	$ 1,175	$ 450	$ 1,752

	June 30, 2017	December 31, 2016
Total Assets:		
Radio	$ 378,929	$ 391,817
Television	56,109	56,554
Corporate	2,494	2,519
Consolidated	$ 437,532	$ 450,890

5. Income Taxes

We are calculating our effective income tax rate using a year-to-date income tax calculation, due to the full valuation allowance on the Company's deferred tax assets, other than the net operating loss carryforwards of our U.S. Licensing companies and the U.S. AMT tax credits. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or the entire deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income, and tax planning strategies in making this assessment. Due to the continued pre-tax operating losses reported through Q2 2017, management has not changed its valuation allowance position as of June 30, 2017, from December 31, 2016.

Our income tax expense differs from the statutory federal tax rate of 35% and related statutory state tax rates primarily due to the tax amortization on certain indefinite-lived intangible assets that do not have any valuation allowance and the continued losses that cannot be realized due to the full valuation allowance. The gain on the sale of property in 2017 will be absorbed by operating losses for the current year, and as such, there is no incremental tax expense recorded for this transaction.

We file federal, state and local income tax returns in the United States and Puerto Rico. The tax years that remain subject to assessment of additional liabilities by the United States federal tax authorities are 2013 through 2016. The tax years that remain subject to assessment of additional liabilities by state, local, and Puerto Rico tax authorities are 2012 through 2016.

From time to time, we continue to be subject to state income tax audits, including an active audit by a State tax authority (the "State") for the income tax years from December 31, 2010 through 2013. The audit is ongoing; however, the state has issued a "consent to field adjustments", for which a resulting liability is probable. The liability is related to franchise taxes. The company has accrued $1.0 million for the liability expected to be paid.

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements as of June 30, 2017 and December 31, 2016.

6. Commitments and Contingencies

We are subject to certain legal proceedings and claims that have arisen in the ordinary course of business and have not been fully adjudicated. In our opinion, we do not have a potential liability related to any current legal proceedings and claims that would individually or in the aggregate have a material adverse effect on our financial condition or operating results. However, the results of legal proceedings cannot be predicted with certainty. Should we fail to prevail in any of these legal matters or should all of these legal matters be resolved against us in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

State Tax Assessment

The company is periodically subject to state tax audits. Currently, the company is under audit by the State, which is challenging the company's allocation of subsidiary capital and attributable liabilities, for the tax years from December 31, 2010 through 2013. The audit is ongoing; however, the state has issued a "consent to field adjustments", for which a resulting liability is probable. The liability is related to franchise taxes. The company has accrued $1.0 million for the liability expected to be paid.

Local Tax Assessment

The company received an audit assessment (the "Assessment") wherein it was proposed that the Company underpaid a local tax for the tax periods between June 1, 2005 and May 31, 2015 totaling $1,439,452 in underpaid tax, applicable interest and penalties. The Company disagrees with the assessment and related calculations but is developing a settlement strategy to discuss and pursue with the taxing jurisdiction with the hope of avoiding a lengthy litigation process. While we are uncertain as to whether the jurisdiction will accept this offer, an accrual of $391,000, based upon our current best estimate of probable loss, was charged to operations in the

second quarter of 2016. However, if the settlement offer is not accepted by the jurisdiction, the amount of the ultimate loss to the Company, if any, may equal the entire amount of the Assessment sought by the taxing jurisdiction.

Gutierrez-Ortiz Lawsuit

We are a defendant in Aida Ivette Gutiérrez Ortiz et al. v. Municipio Autónomo de Bayamón, et al., a lawsuit involving the death of a man who was shot and killed at a concert co-promoted by us. Plaintiffs allege that we were negligent because we did not provide the necessary security to prevent the entry of firearms in the concert venue or its surrounding areas. Plaintiffs also allege we did not provide the necessary measures to control the venue and allege that we were negligent because we failed to provide the necessary medical assistance to aid the victim. Plaintiffs are seeking an estimated $3.5 million as indemnity. We intend to defend our self vigorously against this claim. At this stage, an estimate of loss cannot be made, however, we believe we have good defenses and it is not probable that the outcome of the litigation will result in a material loss or liability to us.

7. Fair Value Measurement Disclosures

Fair Value of Financial Instruments

Cash and cash equivalents, receivables, as well as accounts payable and accrued expenses, and other current liabilities, as reflected in the consolidated financial statements, approximate fair value because of the short-term maturity of these instruments. The estimated fair value of our other long-term debt instruments, approximate their carrying amounts as the interest rates approximate our current borrowing rate for similar debt instruments of comparable maturity, or have variable interest rates.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value of the Notes is estimated using market quotes from a major financial institution taking into consideration the most recent activity and are considered Level 2 measurements within the fair value hierarchy. The fair value of the Series B preferred stock was based upon a weighted average analysis using the Black-Scholes method, an income approach, and the yield method resulting in a Level 3 classification. The Black-Scholes method utilized an estimate of the fair value of the SBS equity, volatility, an estimate of the time to liquidity, and a risk free rate in the determination of the SBS preferred fair value. Key assumptions for the income and yield methods included the expected yield on preferred stock, accrued dividends, the principal amount of the Series B preferred stock, and an estimate of the time to liquidity. A discount for lack of marketability of the Series B preferred stock was also utilized in the analysis. The fair value of the Series B preferred stock may be impacted by the Company's ability to monetize certain non-core assets to generate cash proceeds which we could use to repay, refinance and/or restructure our short term obligations, as well as its ability to be able to successfully recapitalize its balance sheet.

The fair value of the Series B Preferred Stock may be impacted by the potential monetization of non-core assets used to generate cash proceeds which the Company could use to repay, refinance and/or restructure its short term obligations, as well as its ability to be able to successfully recapitalize its balance sheet.

The estimated fair values of our financial instruments are as follows (in millions):

		June 30, 2017		December 31, 2016	
Description	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
12.5% senior secured notes (note 8)	Level 2	$ 264.7	279.9	$ 275.0	275.5
10 3/4% Series B cumulative exchangeable redeemable preferred stock (note 9)	Level 3	160.7	49.1	155.8	60.5
Promissory note payable	Level 3	—	—	4.6	4.7

8. 12.5% Senior Secured Notes

On February 7, 2012 we closed our offering of $275 million in aggregate principal amount of our Notes, at an issue price of 97% of the principal amount. The Notes were offered solely by means of a private placement either to qualified institutional buyers in the United States pursuant to Rule 144A under the Securities Act, or to certain persons outside the United States pursuant to Regulation S under the Securities Act. We used the net proceeds from the offering, together with some cash on hand, to repay and terminate our then existing senior credit facility term loan, and to pay the transaction costs related to the offering. The Notes matured on April 15, 2017. Because we did not have sufficient cash on hand and did not generate sufficient cash from operations or asset sales, we did not repay the Notes at their maturity on April 17, 2017 (being the payment date following the Saturday, April 15, 2017

maturity date), as a result the Company is in default of the covenant to repay the Notes at their maturity (which constitutes an event of default under the Indenture). See Note 1 elsewhere in these notes to the financial statements for additional detail regarding our recapitalization efforts and our failure to repay the Notes at maturity.

In addition, one of our limited liability companies had not become a guarantor when formed in 2013, as required by a covenant under the Indenture and therefore we were in default under the Indenture from the formation of the limited liability company until we subsequently submitted documentation to the Trustee to have the limited liability company become an additional guarantor in April 2017. We were also required to amend the limited liability operating agreement to permit the trustee to more adequately perfect its security interest in the equity of the company. This default has subsequently been cured.

On April 17, 2017, the Company timely made the interest payment due on the Notes. The Notes will continue to earn interest at the current rate of 12.5% per year after the maturity date.

On May 8, 2017, the Company, and certain of its subsidiaries entered into the Forbearance Agreement with the Supporting Holders of more than 75% of the $275 million of outstanding Notes. The Forbearance Agreement became effective on May 17, 2017, after the Company complied with the conditions precedent to its effectiveness. Pursuant to the Forbearance Agreement, the Supporting Holders agreed to forbear from exercising any of their rights and remedies under the indenture under which the Notes were issued, with respect to certain defaults from the effective date of the Forbearance Agreement until the earliest to occur of (a) the occurrence of any Event of Termination (as defined in the Forbearance Agreement) and (b) May 31, 2017 at 12:01 a.m. New York City time. As part of the Forbearance Agreement, the Company agreed to make monthly (as opposed to semiannual) interest payments of $2,864,583 on the Notes for the 30 day periods ending on May 15, 2017 and June 15, 2017. The Company also agreed to pay a consent fee to the Supporting Holders equal to 0.35% of the principal amount of the Notes held by such parties and also agreed to pay the legal fees and financial advisor due diligence fees of the Supporting Holders. The Forbearance Agreement expired and has not been extended.

As of the date of the filing of this Quarterly Report on Form 10Q, the Company had made all of the payments required to be made under the Forbearance Agreement and has continued to make the monthly interest payments on the Notes on the 15th day of each month and continued to pay the monthly fees legal and financial advisor due diligence fees of the Supporting Holders. As previously discussed in Note 1 we continue to work with a team of financial and legal advisors in evaluating all options available to us in executing a comprehensive recapitalization plan and continue conversations with representatives of the Noteholders and the holders of the Series B preferred stock regarding these matters.

As further described in Note 11, on June 9, 2017 we sold our Los Angeles real estate assets and used the net proceeds to pay down a portion of the outstanding indebtedness on our Notes. On June 9, 2017, net proceeds of $10.3 million were delivered directly to the trustee in order to pay down our Notes. These monies were subsequently distributed to the Noteholders, by the trustee, on August 4, 2017.

A summary of the outstanding balance of our Notes, as of March 31, 2017 and June 30, 2017, and changes during the quarter ended June 30, 2017, is presented below (in thousands and net of unamortized discount and deferred financing costs):

12.5% senior secured notes, net, as of March 31, 2017	$	274,624
Amortization of discount and deferred financing cost		376
Redemption of Notes		(10,336)
12.5% senior secured notes, net, as of June 30, 2017	$	264,664

Interest

The Notes accrue interest at a rate of 12.5% per year. Since April 17, 2017, interest has been payable, from time to time, on demand. We have been paying interest monthly since that date. Additional interest will be payable at a rate of 2.00% per annum (the "Additional Interest") on (i) the unpaid principal amount of the Notes plus (ii) any amount of Additional Interest payable but unpaid in any prior interest period, to be paid in cash, at our election, on any acceleration of the Notes and any redemption of the Notes; provided that no Additional Interest will be payable if, for the applicable fiscal period, either (a) we record positive consolidated station operating income for our television segment for the most recent twelve-month period ending either June 30 or December 31or (b) our secured leverage ratio on a consolidated basis is less than 4.75 to 1.00.

Although our secured leverage ratio was greater than 4.75 to 1.00, we recorded positive consolidated station operating income for our television segment for the twelve month period ending June 30, 2017.

Collateral and Ranking

The Notes and the guarantees are secured on a first-priority basis by a security interest in certain of the Company's and the guarantors' existing and future tangible and intangible assets (other than Excluded Assets (as defined in the Indenture)). The Notes and the guarantees are structurally subordinated to the obligations of our non-guarantor subsidiaries. The Notes and guarantees are

senior to all of the Company's and the guarantors' existing and future unsecured indebtedness to the extent of the value of the collateral.

The Indenture permits us, under specified circumstances, to incur additional debt; however, the occurrence and continuance of the Voting Rights Triggering Event (as defined in note 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements) currently prevents us from incurring any such additional debt.

The Notes are senior secured obligations of the Company that rank equally with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. Subject to certain exceptions, the Notes are fully and unconditionally guaranteed by each of our existing and future wholly owned domestic subsidiaries (which excludes (i) our existing and future subsidiaries formed in Puerto Rico (the "Puerto Rican Subsidiaries"), (ii) our future subsidiaries formed under the laws of foreign jurisdictions and (iii) our existing and future subsidiaries, whether domestic or foreign, of the Puerto Rican Subsidiaries or foreign subsidiaries) and our other domestic subsidiaries that guarantee certain of our other debt. The Notes and guarantees are structurally subordinated to all existing and future liabilities (including trade payables) of our nonguarantor subsidiaries.

Covenants and Other Matters

The Indenture governing the Notes contains covenants that, among other things, limit our ability and the ability of the guarantors to:

- incur or guarantee additional indebtedness;
- pay dividends and make other restricted payments;
- incur restrictions on the payment of dividends or other distributions from our restricted subsidiaries;
- engage in sale-lease back transactions;
- enter into new lines of business;
- make certain payments to holders of Notes that consent to amendments to the Indenture governing the Notes without paying such amounts to all holders of Notes;
- create or incur certain liens;
- make certain investments and acquisitions;
- transfer or sell assets;
- engage in transactions with affiliates; and
- merge or consolidate with other companies or transfer all or substantially all of our assets.

As a result of our failure to pay the Notes at maturity, an event of default under the Indenture has occurred and is continuing.

9. 10 3/4% Series B Cumulative Exchangeable Redeemable Preferred Stock

Voting Rights Triggering Event

On October 30, 2003, we partially financed the purchase of a radio station with proceeds from the sale, through a private placement, of 75,000 shares of our 10 3/4% Series A cumulative exchangeable redeemable preferred stock, par value $0.01 per share, with a liquidation preference of $1,000 per share (the "Series A preferred stock"), without a specified maturity date. The gross proceeds from the issuance of the Series A preferred stock amounted to $75.0 million.

On February 18, 2004, we commenced an offer to exchange registered shares of our 10 3/4% Series B preferred stock, par value $0.01 per share and liquidation preference of $1,000 per share for any and all shares of our outstanding unregistered Series A preferred stock. On April 5, 2004, we completed the exchange offer and exchanged 76,702 shares of our Series B preferred stock for all of our then outstanding shares of Series A preferred stock.

Holders of the Series B preferred stock have customary protective provisions. The Certificate of Designations contains covenants that, among other things, limit our ability to: (i) pay dividends, purchase junior securities and make restricted investments other restricted payments; (ii) incur indebtedness, including refinancing indebtedness; (iii) merge or consolidate with other companies or transfer all or substantially all of our assets; and (iv) engage in transactions with affiliates. Upon a change of control, we will be

required to make an offer to purchase these shares at a price of 101% of the aggregate liquidation preference of these shares plus accumulated and unpaid dividends to, but excluding the purchase date.

We had the option to redeem all or some of the registered Series B preferred stock for cash on or after October 15, 2009 at 103.583%, October 15, 2010 at 101.792% and October 15, 2011 and thereafter at 100%, plus accumulated and unpaid dividends to the redemption date. On October 15, 2013, each holder of Series B preferred stock had the right to request that we repurchase (subject to the legal availability of funds under Delaware General Corporate Law) all or a portion of such holder's shares of Series B preferred stock at a purchase price equal to 100% of the liquidation preference of such shares, plus all accumulated and unpaid dividends (as described in more detail below) on those shares to the date of repurchase. Under the terms of our Series B preferred stock, we are required to pay dividends at a rate of 10 3/4% per year of the $1,000 liquidation preference per share of Series B preferred stock. From October 30, 2003 to October 15, 2008, we had the option to pay these dividends in either cash or additional shares of Series B preferred stock. During October 15, 2003 to October 30, 2008, we increased the carrying amount of the Series B preferred stock by approximately $17.3 million for stock dividends, which were accreted using the effective interest method. Since October 15, 2008, we have been required to pay the dividends on our Series B preferred stock in cash.

On October 15, 2013, holders of shares of our Series B preferred stock requested that we repurchase 92,223 shares of Series B preferred stock for an aggregate repurchase price of $126.9 million, which included accumulated and unpaid dividends on these shares as of October 15, 2013. We did not have sufficient funds legally available to repurchase all of the Series B preferred stock for which we received requests and instead used the limited funds legally available to us to repurchase 1,800 shares for a purchase price of approximately $2.5 million, which included accrued and unpaid dividends. Consequently, a "voting rights triggering event" occurred (the "Voting Rights Triggering Event").

During the continuation of a Voting Rights Triggering Event, certain of the covenants summarized above become more restrictive by their terms including (i) a prohibition on our ability to incur additional indebtedness, (ii) restrictions on our ability to make restricted payments and (iii) restrictions on our ability to merge or consolidate with other companies or transfer all or substantially all of our assets. In addition, the holders of the Series B preferred stock have the right to elect two members to our Board of Directors. At our Annual Meeting of Stockholders in 2014, the holders of the Series B preferred stock nominated and elected Alan Miller and Gary Stone to serve as the Series B preferred stock directors who have remained on the board since then.

The Voting Rights Triggering Event shall continue until (i) all dividends in arrears shall have been paid in full and (ii) all other failures, breaches or defaults giving rise to such Voting Rights Triggering Event are remedied or waived by the holders of at least a majority of the shares of the then outstanding Series B preferred stock. We do not currently have sufficient funds legally available to be able to satisfy the conditions for terminating the Voting Rights Triggering Event. The terms of our Series B preferred stock require us, in the event of a change of control, to offer to repurchase all or a portion of a holder's shares at an offer price in cash equal to 101% of the liquidation preference of the shares, plus an amount in cash equal to all accumulated and unpaid dividends on those shares up to but excluding the date of repurchase. We do not currently have sufficient funds legally available to be able to satisfy the conditions for terminating the Voting Rights Triggering Event or for repurchasing the shares in the event of a change of control. During the continuation of the Voting Rights Triggering Event, the Indenture governing our Notes prohibits us from paying dividends or from repurchasing the Series B preferred stock.

Quarterly Dividends

Under the terms of our Series B preferred stock, the holders of the outstanding shares of the Series B preferred stock are entitled to receive, when, as and if declared by the Board of Directors out of funds of the Company legally available therefor, dividends on the Series B preferred stock at a rate of 10 ¾% per year, of the $1,000 liquidation preference per share. All dividends are cumulative, whether or not earned or declared, and are payable quarterly in arrears on specified dividend payment dates. While the Voting Rights Triggering Event continues, we cannot pay dividends on the Series B preferred stock without causing a breach of covenants under the Indenture governing our Notes.

As of June 30, 2017, the aggregate cumulative unpaid dividends on the outstanding shares of the Series B preferred stock was approximately $70.2 million, which is accrued on our condensed consolidated balance sheet as 10 ¾% Series B cumulative exchangeable redeemable preferred stock.

Redemption Date and Subsequent Accounting Treatment of the Preferred Stock

Prior to October 15, 2013, the Series B preferred stock was considered "conditionally redeemable" because the redemption of the shares of Series B preferred stock was contingent on the Series B preferred stockholders requesting that their Series B preferred stock be repurchased on October 15, 2013. On October 15, 2013, almost all of the holders of the Series B preferred stock requested that we repurchase their shares of Series B preferred stock. As a result of their request, we assessed and determined that, under applicable accounting principles, the contingency had occurred, and the Series B preferred stock now met the definition of a

"mandatorily redeemable" instrument under Accounting Standards Codification 480 *"Distinguishing Liabilities from Equity"* ("ASC 480"). Although under Delaware law the Series B preferred stock is deemed equity, under ASC 480, if an instrument changes from being "conditionally redeemable" to "mandatorily redeemable," then the financial instrument should be reclassified as a liability.

In addition, the Series B preferred stock will be measured at each reporting date as the amount of cash that would be paid pursuant to the contract, had settlement occurred on the reporting date, recognizing the resulting change in that amount from the previous reporting date as interest expense. Therefore, the accruing quarterly dividends of the Series B preferred stock is being recorded as interest expense (i.e. "Dividends on Series B preferred stock classified as interest expense").

10. Asset Exchange

On January 4, 2016, the Company completed an asset exchange with International Broadcasting Corp. under which the Company agreed to exchange certain assets used or useful in the operations of WIOA-FM, WIOC-FM, and WZET-FM in Puerto Rico for certain assets used or useful in the operations of WTCV (DT), WVEO (DT), and WVOZ (TV) in Puerto Rico previously owned and operated by International Broadcasting Corp.

The asset exchange is being accounted for as a non-monetary exchange in accordance with ASC-845 *Nonmonetary Transactions*, as the Company did not acquire any significant processes to meet the definition of a business in accordance with ASC 805 *Business Combinations*. As the transaction involved significant monetary consideration, the Company recorded the exchange at fair value. The fair value of the assets received in the asset exchange was $2.9 million, as determined by an independent third party valuation. In addition, the Company paid $1.9 million in cash which we attribute to the value of the acquired television spectrum. Subsequently, we filed an application and participated in the FCC's Broadcast Incentive Auction with our Puerto Rico television stations. As a result of the fair value assessment of the assets exchanged, the difference in exchanged fair values of $1.8 million was deemed attributable to the acquired television spectrum and was recorded on the balance sheet under FCC licenses. The cash proceeds of $4.7 million for the sale of the spectrum were received from the FCC on July 21, 2017. The Company has 90 days to relinquish the spectrum to the FCC, during which time the Company will continue to control and operate the asset. The gain on the sale of the spectrum will be recognized once the asset is relinquished to the FCC. In accordance with the financial gain to be recognized in a subsequent period during 2017, the tax gain will be recognized in the same period during the year and will be partially offset with a valuation allowance release.

11. Asset Held for Sale

During 2016, the Company entered into listing agreements with brokers to sell two buildings and related improvements in New York City and Los Angeles which are part of our radio segment. The two properties have been reclassified from land, building and building improvements, as well as furniture and fixtures to assets held for sale as these assets were approved for immediate sale in their present condition, are expected to be sold within one year and management is actively working to locate buyers for these buildings and related improvements . As of December 31, 2016, the land, buildings and related improvements had a net book value of $1.4 million.

On June 9, 2017, we closed on the sale of our Los Angeles facilities which had carrying values of $0.9 million of land and $0.1 million of property and equipment. These facilities are where we currently maintain our Los Angeles radio operations. We will continue to maintain our radio operations at the property pursuant to a separate office lease agreement which extends for a period of up to 12 months after the closing date and the Company has the option to unconditionally exit the lease by providing 30 days' notice to the lessor. In accordance with ASC-840 *Leases*, the Company has reviewed the sale and lease agreement and concluded that the two agreements qualify for accounting as a normal leaseback. As such, the Company will be able to recognize the gain on the sale of the Los Angeles facility in the current reporting period and treat the office lease agreement as a separate operating lease entered into in the ordinary course of business. The purchase price under the agreement was $14.7 million from which the Company recognized a gain of $12.8 million, net of closing costs. Additionally, the sale of the Los Angeles facilities resulted in net proceeds of $10.3 million to the Company, as defined by the Indenture governing our outstanding Notes, which is calculated differently than the recognized gain of $12.8 million for financial reporting purposes. In order to arrive at net proceeds, as defined by the Indenture, the Company is permitted to hold back certain amounts related to taxes, relocation expenses and capital expenditures that are expected to become payable in the future. The net proceeds were used to repay a portion of the outstanding indebtedness on our Notes.

The $1.8 million Puerto Rico television spectrum for which the Company has received the cash proceeds of $4.7 million, described in note 10, is expected to be relinquished in its present condition during the fourth quarter 2017.

A summary of assets held for sale as of June 30, 2017 and December 31, 2016 is as follows (in thousands):

Description	June 30, 2017	December 31, 2016
Land	$ —	$ 850
Property and equipment, net	409	527
FCC licenses (Puerto Rico television spectrum)	1,764	—
Assets held for sale	$ 2,173	$ 1,377

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

General Overview

We are a leading Spanish-language media and entertainment company with radio and television operations, together with live concerts and events, mobile, digital and interactive media platforms, which reach the growing U.S. Hispanic population, including Puerto Rico. We produce and distribute original Spanish-language content, including radio programs, television shows, music and live entertainment through our multi-media platforms. We operate in two reportable segments: radio and television.

We own and operate radio stations located in six of the eight most populous Hispanic markets in the United States: Los Angeles, New York, Puerto Rico, Chicago, Miami and San Francisco. The Los Angeles and New York markets have the largest and second largest Hispanic populations and are also the largest and second largest radio markets in the United States measured by advertising revenue, respectively. We format the programming of each of our radio stations to capture a substantial share of the Hispanic audience in their respective markets. The U.S. Hispanic population is diverse, consisting of numerous identifiable ethnic groups from many different countries of origin, and each ethnic group has its own musical and cultural heritage. Since the music, culture, customs and Spanish dialects vary from one radio market to another, we strive to maintain familiarity with the musical tastes and preferences of each of the various Hispanic ethnic groups. To accommodate and monetize such diversity, we customize our programming to match the local preferences of our target demographic audience in each market we serve. In addition to our owned and operated radio stations, we have our AIRE Radio Networks with over 250 affiliate radio stations serving over 75 of the top U.S. Hispanic markets, including all the top 30 Hispanic markets. AIRE Radio Networks currently covers 93% of the coveted U.S. Hispanic market. Our AIRE Radio Networks reach over 17.0 million listeners in an average week with our targeted networks. For the six-months ended June 30, 2017 and 2016, our radio segment generated 91% and 90%, respectively, of our consolidated net revenue which was generated primarily from the sale of local, national and network advertising.

Our television stations and related affiliates operate under the "MegaTV" brand. We broadcast via our owned and operated television stations in South Florida, Houston and Puerto Rico through programming and/or distribution agreements, including nationally on a subscriber basis, which allow us to serve markets representing over 3.5 million Hispanic households. We have created a unique television format which focuses on entertainment, current events and variety with high-quality content. Our programming is formatted to capture a larger share of the U.S. Hispanic audience by focusing on our core strengths as an "entertainment" company, thus offering a new alternative compared to the traditional Hispanic television channels. MegaTV's programming is based on a strategy designed to showcase a combination of programs, ranging from televised radio-branded shows to general entertainment programs, such as music, celebrity, debate, interviews and personality based shows. As part of our strategy, we have incorporated certain of our radio on-air personalities into our television programming. In addition, we have included interactive elements in our programming to complement our Internet websites. We produce over 70 hours of original programming per week. For the six-months ended June 30, 2017 and 2016, our television revenue was generated primarily from the sale of local advertising and paid programming and generated 9% and 10% of our consolidated net revenues, respectively.

As part of our operating business, we also maintain multiple Spanish and bilingual websites, including www.lamusica.com, Mega.tv and various station websites that provide content related to Latin music, entertainment, news and culture, as well as the LaMusica mobile app. The LaMusica mobile app is a music and entertainment video and audio app, that programs an extensive series of short form videos, simultaneously live streams our radio stations', includes hundreds of curated playlists and has tools that enable users to personalize their mobile radio streaming experience. The new video enhancements to our mobile app significantly enhance the audience's engagement level and increases the reach of our mobile offering. In addition, we produce live concerts and events in the United States and Puerto Rico. Concerts generate revenue from ticket sales, sponsorship and promotions, raise awareness of our brands in the surrounding communities and provide our advertising partners additional opportunities to reach their target audience.

Business Drivers and Financial Statement Presentation

The following discussion provides a brief description of certain key items that appear in our consolidated financial statements and general business factors that impact these items.

Net Revenue Description and Factors

Our net revenue is primarily derived from the sale of advertising airtime to local, national and network advertisers. Net revenue is gross revenue less agency commissions, which are generally 15% of gross revenue.

- Local revenue generally consists of advertising airtime sold in a station's local market either directly to the advertiser or through an advertiser's agency. Local revenue includes local spot sales, integrated sales, sponsorship sales and paid-programming (or infomercials). For the six-months ended June 30, 2017 and 2016, local revenue comprised 64% and 67% of our gross revenues, respectively.
- National and network revenue generally consists of advertising airtime sold to agencies purchasing advertising for multiple markets. National sales are generally facilitated by our outside national representation firm, which serves as our

agent in these transactions. For the six-months ended June 30, 2017 and 2016, national revenue comprised 12% and 13% of our gross revenues, respectively. Network sales consist of advertising airtime sold on our AIRE Radio Network platform by our network sales staff. For the six-months ended June 30, 2017 and 2016, network revenue comprised 6% and 7% of our gross revenues, respectively.

Our net revenue is generally determined by the advertising rates that we are able to charge and the number of advertisements that we can broadcast without jeopardizing listenership/viewership levels. Each station broadcasts a predetermined number of advertisements per hour with the actual number depending upon the format of a particular station and any programming strategy we are utilizing to attract an audience. The number of advertisements we decide to broadcast hourly is intended to maximize the station's revenue without negatively impacting its audience listener/viewer levels. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of the day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year.

Our advertising rates are primarily based on the following factors:

- a station's audience share in the demographic groups targeted by advertisers which are measured by ratings agencies, primarily Nielsen;
- the number of stations, as well as other forms of media, in the market competing for the attention of the same demographic groups;
- the supply of, and demand for, advertising time; and
- the size of the market.

Our net revenue is also affected by general economic conditions, competition and our ability to improve operations at our market clusters. Seasonal revenue fluctuations are also common in the broadcasting industry and are primarily due to variations in advertising expenditures by local and national advertisers. Our net revenue is typically lowest in the first calendar quarter of the year.

In addition to advertising revenue, we also generate revenue from barter sales, special events revenue, interactive revenue, syndication revenue, subscriber revenue and other revenue. For the six-months ended June 30, 2017 and 2016, these revenues combined comprised approximately 18% and 13% of our gross revenues, respectively.

- *Barter sales.* We use barter sales agreements to reduce cash paid for operating costs and expenses by exchanging advertising airtime for goods or services. However, we endeavor to minimize barter revenue in order to maximize cash revenue from our available airtime.
- *Special events revenue.* We generate special events revenue from ticket sales and event sponsorships, as well as profit-sharing arrangements by producing or co-producing live concerts and events promoted by our radio and television stations.
- *Interactive revenue.* We derive internet revenue from our websites through the sale of advertiser promotions and advertising on our websites and the sale of advertising airtime during audio streaming of our radio stations over the internet.
- *Syndication revenue.* We receive syndication revenue from licensing various MegaTV content.
- *Subscriber revenue.* We receive subscriber revenue in the form of a per subscriber based fee, which is paid to us by cable and satellite providers.
- *Other revenue.* We receive other ancillary revenue such as rental income from renting available tower space or sub-channels.

Operating Expenses Description and Factors

Our operating expenses consist primarily of (1) engineering and programming expenses, (2) selling, general and administrative expenses and (3) corporate expenses.

- *Engineering and programming expenses.* Engineering and programming expenses are related to the delivery and creation of our programming content. These expenses include compensation and benefits for employees involved in engineering and programming, transmitter-related expenses, originally produced content, on-air promotions, acquired programming, music license fees, and other expenses.
- *Selling, general and administrative expenses.* Selling, general and administrative expenses are related to the costs of selling our programming content and administrative costs associated with operating and managing our stations. These expenses include compensation and benefits for employees involved in selling and administrative functions, commissions,

rating services, advertising, barter expenses, facilities expenses, special events expenses, professional fees, insurance, allowance for doubtful accounts, affiliate station compensation and other expenses.

- *Corporate expenses.* Corporate expenses are related to the operations of our corporate offices and matters. These expenses include compensation and benefits for our corporate employees, professional fees, insurance, corporate facilities expenses and other expenses.

We strive to control our operating expenses by centralizing certain functions at our corporate offices and consolidating certain functions in each of our market clusters. In our pursuit to control our operating expenses, we work closely with our local station management and vendors.

Comparison Analysis of the Operating Results for the Three-Months Ended June 30, 2017 and 2016

The following summary table presents financial data for each of our operating segments (in thousands):

	Three-Months Ended June 30,	
	2017	2016
Net revenue:		
Radio	$ 31,279	31,429
Television	2,902	3,831
Consolidated	$ 34,181	35,260
Engineering and programming expenses:		
Radio	$ 5,672	6,112
Television	1,146	1,474
Consolidated	$ 6,818	7,586
Selling, general and administrative expenses:		
Radio	$ 14,932	11,327
Television	1,631	1,651
Consolidated	$ 16,563	12,978
Corporate expenses:	$ 2,793	2,549
Depreciation and amortization:		
Radio	$ 460	475
Television	559	584
Corporate	92	106
Consolidated	$ 1,111	1,165
Gain on the disposal of assets, net of disposal costs:		
Radio	$ (12,826)	$ —
Television	—	—
Corporate	—	—
Consolidated	$ (12,826)	$ —
Recapitalization costs:		
Radio	$ —	$ —
Television	—	—
Corporate	3,263	—
Consolidated	$ 3,263	$ —
Other operating gains:		
Radio	$ —	$ —
Television	—	—
Corporate	—	(26)
Consolidated	$ —	$ (26)
Operating income (loss):		
Radio	$ 23,041	$ 13,515
Television	(434)	122
Corporate	(6,148)	(2,629)
Consolidated	$ 16,459	$ 11,008

The following summary table presents a comparison of our results of operations for the three-months ended June 30, 2017 and 2016 (in thousands). Various fluctuations in our results are discussed below. This section should be read in conjunction with our unaudited condensed consolidated financial statements and notes.

	Three-Months Ended June 30,	
	2017	2016
Net revenue	$ 34,181	$ 35,260
Engineering and programming expenses	6,818	7,586
Selling, general and administrative expenses	16,563	12,978
Corporate expenses	2,793	2,549
Depreciation and amortization	1,111	1,165
Gain on disposal of assets, net of disposal costs	(12,826)	—
Recapitalization costs	3,263	—
Other operating gains	—	(26)
Operating income	16,459	11,008
Interest expense, net	(9,328)	(10,053)
Dividends on Series B preferred stock classified as interest expense	(2,433)	(2,434)
Income tax expense	2,131	2,300
Net income (loss)	2,567	(3,779)

Net Revenue

The decrease in our consolidated net revenues of $1.1 million or 3% was due to decreases in both our radio segment and television segments' net revenues. Our radio segment net revenues decreased $0.2 million or less than 1%, due to decreases in national and local revenue, which were partially offset by increases in special events. Our local sales decreased in our Los Angeles, Chicago, Puerto Rico and New York markets, while our national sales decreased in our Los Angeles, New York, Puerto Rico and Chicago markets. Our special events revenue increased primarily in our San Francisco market. Our television segment net revenues decreased by $0.9 million or 24%, due to the decreases in local sales.

Engineering and Programming Expenses

The decrease in our consolidated engineering and programming expenses of $0.8 million or 10% was due to the decreases in both our radio and television segments' expenses. Our radio segment expenses decreased $0.5 million or 7%, mainly due to a decrease in transmitter rents, programming compensation and benefits, and music license fees. The television segment expenses decreased by $0.3 million or 22% primarily due to decreases in programming related production costs and the increase of production tax credits in Puerto Rico.

Selling, General and Administrative Expenses

The increase in our consolidated selling, general and administrative expenses of approximately $3.6 million or 28% was due to an increase in our radio segment's expenses. Our radio segment expenses increased approximately $3.6 million or 32%, mainly due to increases in special events, taxes and licenses, barter, legal and Aire network related affiliate compensation expenses partially offset by reductions in severance expenses. Our television segment expenses remained flat and decreased less than $0.1 million or 1%, primarily due decreases in barter expenses offset by increases in professional fees associated with the acquisition of the Puerto Rico production tax credits.

Corporate Expenses

The increase in corporate expenses of $0.2 million or 10% was mostly due to increases in compensation and benefits, and professional fees.

Gain on Sale of Assets, net of disposal costs

The increase from the gain on sale of assets of $12.8 million was due to the sale of our Los Angeles facility in June 2017.

Recapitalization Costs

The Company incurred $3.3 million of recapitalization costs, primarily due to professional fees related to the current process of evaluating all options available towards executing a comprehensive recapitalization plan, as described in Note 1, Basis of Presentation,

of the Notes to the financial statements included elsewhere in this Quarterly Report on Form 10-Q. Also included in these amounts are the consent fees paid to the Supporting Holders of the Notes who entered into the Forbearance Agreement with the Company, as well as the legal and financial advisory fees incurred by the Supporting Holders.

Operating Income

The increase in operating income of $5.5 million or 50% was primarily due to the gain on the sale of our Los Angeles facility partially offset by the decrease in net revenues, the increase in operating expenses and increase in recapitalization costs.

Interest Expense, net

The decrease in in interest expense of $0.7 million or 7% was primarily due to the decrease in amortization of the originally issued discount and deferred financing costs being amortized and recorded as interest expense over the term of the Notes, which expired on April 15, 2017.

Income Tax Expense

The decrease in income tax expenses of $0.2 million or 7% was primarily a result of the partial release of valuation allowance against the US PR Licensing NOLs in 2017. The gain on the sale of property in 2017 will be absorbed by operating losses for the current year, and as such, there is no incremental tax expense recorded for this transaction.

Net Income

The increase in net income was primarily due to the increased operating income and decrease in interest and income tax expense.

Comparison Analysis of the Operating Results for the Six-Months Ended June 30, 2017 and 2016

The following summary table presents financial data for each of our operating segments (in thousands):

	Six-Months Ended June 30,	
	2017	2016
Net revenue:		
Radio	$ 59,503	59,954
Television	6,028	6,919
Consolidated	$ 65,531	66,873
Engineering and programming expenses:		
Radio	$ 11,871	12,144
Television	3,564	3,604
Consolidated	$ 15,435	15,748
Selling, general and administrative expenses:		
Radio	$ 28,068	24,803
Television	2,982	3,630
Consolidated	$ 31,050	28,433
Corporate expenses:	$ 5,237	5,542
Depreciation and amortization:		
Radio	$ 936	963
Television	1,118	1,247
Corporate	189	205
Consolidated	$ 2,243	2,415
Gain on the disposal of assets, net of disposal costs:		
Radio	$ (12,826)	(3)
Television	(1)	—
Corporate	—	—
Consolidated	$ (12,827)	(3)
Recapitalization costs:		
Radio	$ —	—
Television	—	—
Corporate	4,089	—
Consolidated	$ 4,089	—
Other operating gains:		
Radio	$ —	—
Television	—	—
Corporate	—	(26)
Consolidated	$ —	(26)
Operating income (loss):		
Radio	$ 31,454	22,047
Television	(1,635)	(1,562)
Corporate	(9,515)	(5,721)
Consolidated	$ 20,304	14,764

The following summary table presents a comparison of our results of operations for the six-months ended June 30, 2017 and 2016 (in thousands). Various fluctuations in our results are discussed below. This section should be read in conjunction with our unaudited condensed consolidated financial statements and notes.

	Six-Months Ended June 30,	
	2017	2016
Net revenue	$ 65,531	66,873
Engineering and programming expenses	15,435	15,748
Selling, general and administrative expenses	31,050	28,433
Corporate expenses	5,237	5,542
Depreciation and amortization	2,243	2,415
Gain on disposal of assets, net of disposal costs	(12,827)	(3)
Recapitalization costs	4,089	—
Other operating gains	—	(26)
Operating income	20,304	14,764
Interest expense, net	(19,315)	(20,089)
Dividends on Series B preferred stock classified as interest expense	(4,866)	(4,867)
Income tax expense	4,394	4,903
Net loss	(8,271)	(15,095)

Net Revenue

The decrease in our consolidated net revenues of $1.3 million or 2% was due to decreases in both our radio and television segments' net revenues. Our radio segment net revenues decreased $0.4 million or 1%, due to decreases in national, network, and local revenue, which were partially offset by increases in special events and digital sales. Our local sales decreased in our Los Angeles, Chicago, New York and Puerto Rico markets, while our national sales decreased in our Los Angeles, Chicago, New York and Puerto Rico markets. Our special events revenue increased primarily in our San Francisco and Los Angeles markets. Our television segment net revenues decreased by $0.9 million or 13%, due to a decrease in local sales offset by an increase in national sales.

Engineering and Programming Expenses

The decrease in our consolidated engineering and programming expenses of $0.3 million or 2% was due to the increases in both our radio and television segments' expenses. Our radio segment expenses decreased $0.3 million or 2%, mainly due to a decrease in transmitter rents, taxes and licenses, and programming salaries offset by an increase the acquisition of digital programming costs related to the LaMusica App. The television segment expenses decreased by less than $0.1 million or less than 1% primarily due to decreases in compensation and benefits offset by increases in programming content costs.

Selling, General and Administrative Expenses

The increase in our consolidated selling, general and administrative expenses of approximately $2.6 million or 9% was due to the increases in our radio segments' expenses offset by decreases in our television segments' expenses. Our radio segment expenses increased approximately $3.3 million or 13%, mainly due to increases in special event expenses, taxes and licenses, Aire network related affiliate compensation, rating services and the acquisition of digital programming content partially offset by lower compensation and benefits, commissions, and marketing expenses. Our television segment expenses decreased approximately $0.7 million or 18%, primarily due to decreased barter and commission expenses.

Corporate Expenses

The decrease in corporate expenses of $0.3 million or 6% was mostly due to decreases in professional fees and stock-based compensation offset by an increase in compensation and benefits.

Gain on Sale of Assets, net of disposal costs

The increase from the gain on sale of assets of $12.8 million was due to the sale of our Los Angeles facility in June 2017.

Recapitalization Costs

The Company incurred $4.1 million of recapitalization costs, primarily due to professional fees related to the current process of evaluating all options available towards executing a comprehensive recapitalization plan, as described in Note 1, Basis of Presentation, of the Notes to the financial statements included elsewhere in this Quarterly Report on Form 10-Q. Also included in these amounts are the consent fees paid to the Supporting Holders of the Notes who entered into the Forbearance Agreement with the Company, as well as the legal and financial advisory fees incurred by the Supporting Holders.

Operating Income

The increase in operating income of $5.5 million or 38% was primarily due to the gain on the sale of our Los Angeles facility partially offset by the decrease in net revenues, the increase in operating expenses and recapitalization costs.

Interest Expense, net

The decrease in in interest expense of $0.8 million or 4% was primarily due to the decrease in amortization of the originally issued discount and deferred financing costs being amortized and recorded as interest expense over the term of the Notes, which expired on April 15, 2017.

Income Tax Expense

The decrease in income tax expenses of $0.5 million or 10% was primarily due to the tax impacts of the Puerto Rico Swap transaction during 2016, which did not reoccur in 2017. The gain on the sale of property in 2017 will be absorbed by operating losses for the current year, and as such, there is no incremental tax expense recorded for this transaction.

Net Loss

The decrease in net loss was primarily due to the increased operating income and decrease in interest and income tax expense.

Liquidity and Capital Resources

On October 15, 2013, as a result of a failure by us to repurchase all of the shares of Series B preferred stock that were requested to be repurchased by the holders thereof, a Voting Rights Triggering Event occurred. Following the occurrence, and during the continuation, of the Voting Rights Triggering Event, we are subject to more restrictive operating covenants, including a prohibition on our ability to incur any additional indebtedness and restrictions on our ability to pay dividends or make distributions, redeem or repurchase securities, make investments, enter into transactions with affiliates or merge or consolidate with (or sell substantially all of our assets to) any other person. The Voting Rights Triggering Event shall continue until (i) all dividends in arrears shall have been paid in full and (ii) all other failures, breaches or defaults giving rise to such Voting Rights Triggering Event are remedied or waived by the holders of at least a majority of the shares of the then outstanding Series B preferred stock. We do not currently have sufficient funds legally available to be able to satisfy the conditions for terminating the Voting Rights Triggering Event.

Our primary sources of liquidity are our current cash and cash equivalents and the cash provided by operations. We do not currently have a revolving credit facility or other working capital lines of credit. Our cash flows from operations are subject to factors impacting our customers and target audience, such as overall advertising demand, shifts in population, station listenership and viewership, demographics, audience tastes and fluctuations in preferred advertising media. We do not expect to raise cash by increasing our indebtedness for several reasons, including the need to repay the Notes, the existence of an event of default under the Indenture that arose on April 17, 2017 (being the payment date following the Saturday, April 15, 2017 maturity date) and the existence of the Voting Rights Triggering Event. The Company continues to negotiate with the holders of the Notes and holders of the Series B Preferred Stock as to refinancing possibilities and any extension of the Forbearance Agreement, as may become necessary. As described in Note 1, Basis of Presentation, of the Notes to the financial statements included elsewhere in this Quarterly Report on Form 10-Q, one or more Noteholders may seek to exercise various remedies against us, including foreclosing on our assets that constitute collateral under the Indenture.

Our consolidated financial statements have been prepared assuming we will continue as a going-concern and do not include any adjustments that might result if we were unable to do so, and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. However, we have concluded that there is substantial doubt about our ability to continue as a going concern as discussed under “Critical Accounting Policies - Going Concern” in Item 7 of our annual report on Form 10-K for the year ended December 31, 2016. As of June 30, 2017 and December 31, 2016, we had a working capital deficit due primarily to the classification of our Series B preferred stock as a current liability and the classification of our Notes as a current liability. Under Delaware law, our state of incorporation, the Series B preferred stock is deemed equity. Because the holders of the Series B preferred stock are not creditors, they do not have rights of, or remedies available to, creditors. Delaware law does not recognize a right of preferred stockholders to force redemptions or repurchases where the corporation does not have funds legally available. Currently, we do not have sufficient funds legally available to be able to redeem or repurchase the Series B preferred stock and its accumulated unpaid dividends. If we are successful in repaying or refinancing our Notes, and are able to generate legally available funds under Delaware law, we may be required to pay all or a portion of the accumulated preferred dividends and redeem all or a portion of the Series B preferred stock, to extent of the funds legally available.

Our strategy is to primarily utilize cash flows from operations to meet our ordinary course operating obligations. Management continually projects anticipated cash requirements and believes that cash from operating activities, together with cash on hand, should be sufficient to permit us to meet our ordinary course operating obligations over the next twelve-month period. Cash from operating activities will not be sufficient to repay the Notes or to redeem the Series B preferred stock.

Assumptions which underlie management's beliefs with respect to operating activities include the following:

- the demand for advertising within the broadcasting industry and economic conditions in general will not deteriorate in any material respect;
- despite the consequences resulting from the occurrence of the Voting Rights Triggering Event, we will continue to successfully implement our business strategy; other than with respect to acquisitions and investments requiring proceeds from debt financings;
- we will use cash flows from operating activities to fund our operations and pay our expenses (including interest on the Notes), but not to repay the Notes or redeem the Series B preferred stock; and
- we will not incur any material unforeseen liabilities, including but not limited to taxes, environmental liabilities, regulatory matters or legal judgments.

We cannot assure you that these assumptions will be realized.

Historically, we have evaluated strategic media acquisitions and/or dispositions and strived to expand our media content through distribution, programming and affiliation agreements in order to achieve a significant presence with clusters of stations in the top U.S. Hispanic markets. Historically, we have engaged in discussions regarding potential acquisitions and/or dispositions and expansion of our content through media outlets from time to time in the ordinary course of business. As a result of the consequences resulting from the occurrence of the Voting Rights Triggering Event, we are currently not able to finance acquisitions through the incurrence of additional debt and are subject to additional restrictions which may preclude us from being able to execute this strategy.

12.5% Senior Secured Notes

On February 7, 2012 we closed our offering of $275 million in aggregate principal amount of our Notes, at an issue price of 97% of the principal amount. The Notes were offered solely by means of a private placement either to qualified institutional buyers in the United States pursuant to Rule 144A under the Securities Act, or to certain persons outside the United States pursuant to Regulation S under the Securities Act. We used the net proceeds from the offering, together with some cash on hand, to repay and terminate our then existing senior credit facility term loan, and to pay the transaction costs related to the offering. The Notes matured on April 15, 2017. Because we did not have sufficient cash on hand and did not generate sufficient cash from operations or asset sales, we did not repay the Notes at their maturity, on April 17, 2017 (being the payment date following the Saturday, April 15, 2017 maturity date), as a result the Company was in default of the covenant to repay the Notes at their maturity (which constitutes an event of default of the Indenture as we describe elsewhere). See Notes 1 and 8 to the financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional detail regarding our recapitalization efforts and our failure to repay the Notes at maturity.

In addition, one of our limited liability companies had not become a guarantor when formed in 2013, as required by a covenant under the Indenture and therefore we were in default under the Indenture from the formation of the limited liability company until we subsequently submitted documentation to the Trustee to have the limited liability company become an additional guarantor in April 2017. We were also required to amend the limited liability operating agreement to permit the trustee to more adequately perfect its security interest in the equity of the company. This default has subsequently been cured.

On April 17, 2017, we timely made the interest payment due on the Notes. The Notes will continue to earn interest at the current rate of 12.5% per year after the maturity date.

On May 8, 2017, the Company, and certain of its subsidiaries entered into the Forbearance Agreement with the Supporting Holders of more than 75% of the $275 million of outstanding Notes. The Forbearance Agreement became effective on May 17, 2017, after the Company complied with the conditions precedent to its effectiveness. Pursuant to the Forbearance Agreement, the Supporting Holders agreed to forbear from exercising any of their rights and remedies under the indenture under which the Notes were issued, with respect to certain defaults from the effective date of the Forbearance Agreement until the earliest to occur of (a) the occurrence of any Event of Termination (as defined in the Forbearance Agreement) and (b) May 31, 2017 at 12:01 a.m. New York City time. As part of the Forbearance Agreement, the Company agreed to make monthly (as opposed to semiannual) interest payments of $2,864,583 on the Notes for the 30 day periods ending on May 15, 2017 and June 15, 2017. The Company also agreed to pay a consent fee to the Supporting Holders equal to 0.35% of the principal amount of the Notes held by such parties and also agreed to pay the legal fees and financial advisor due diligence fees of the Supporting Holders. The Forbearance Agreement expired and has not been extended.

As of the date of the filing this Quarterly Report on Form 10Q, the Company had made all of the payments required to be made under the Forbearance Agreement and has continued to make the monthly interest payments on the Notes on the 15th day of each month and continued to pay the monthly fees legal and financial advisor due diligence fees of the Supporting Holders. As previously discussed in Note 1 we continue to work with a team of financial and legal advisors in evaluating all options available to us in executing a comprehensive recapitalization plan and continue conversations with representatives of the Noteholders and the holders of the Series B preferred stock regarding these matters.

As further described in Note 11, on June 9, 2017 we sold our Los Angeles real estate assets and used the net proceeds to pay down a portion of the outstanding indebtedness on our Notes. On June 9, 2017, net proceeds of $10.3 million were delivered directly to the trustee in order to pay down our Notes. These monies were subsequently distributed to the Noteholders, by the trustee, on August 4, 2017.

Interest

The Notes accrue interest at a rate of 12.5% per year. Since April 17, 2017, interest has been payable, from time to time, on demand. We have been paying interest monthly since that date. Additional interest will be payable at a rate of 2.00% per annum (the "Additional Interest") on (i) the unpaid principal amount of the Notes plus (ii) any amount of Additional Interest payable but unpaid in any prior interest period, to be paid in cash, at our election, on any acceleration of the Notes and any redemption of the Notes; provided that no Additional Interest will be payable if, for the applicable fiscal period, either (a) we record positive consolidated station operating income for our television segment for the most recent twelve-month period ending either June 30 or December 31or (b) our secured leverage ratio on a consolidated basis is less than 4.75 to 1.00.

Although our secured leverage ratio was greater than 4.75 to 1.00, we recorded positive consolidated station operating income for our television segment for the twelve month period ending June 30, 2017.

Collateral and Ranking

The Notes and the guarantees are secured on a first-priority basis by a security interest in certain of the Company's and the guarantors' existing and future tangible and intangible assets (other than Excluded Assets (as defined in the Indenture)). The Notes and the guarantees are structurally subordinated to the obligations of our non-guarantor subsidiaries. The Notes and guarantees are senior to all of the Company's and the guarantors' existing and future unsecured indebtedness to the extent of the value of the collateral.

The Indenture permits us, under specified circumstances, to incur additional debt; however, the occurrence and continuance of the Voting Rights Triggering Event (as defined in note 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements) currently prevents us from incurring any such additional debt.

The Notes are senior secured obligations of the Company that rank equally with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. Subject to certain exceptions, the Notes are fully and unconditionally guaranteed by each of our existing and future wholly owned domestic subsidiaries (which excludes (i) our existing and future subsidiaries formed in Puerto Rico (the "Puerto Rican Subsidiaries"), (ii) our future subsidiaries formed under the laws of foreign jurisdictions and (iii) our existing and future subsidiaries, whether domestic or foreign, of the Puerto Rican Subsidiaries or foreign subsidiaries) and our other domestic subsidiaries that guarantee certain of our other debt. The Notes and guarantees are structurally subordinated to all existing and future liabilities (including trade payables) of our nonguarantor subsidiaries.

Covenants and Other Matters

The Indenture governing the Notes contains covenants that, among other things, limit our ability and the ability of the guarantors to:

- incur or guarantee additional indebtedness;
- pay dividends and make other restricted payments;
- incur restrictions on the payment of dividends or other distributions from our restricted subsidiaries;
- engage in sale-lease back transactions;
- enter into new lines of business;
- make certain payments to holders of Notes that consent to amendments to the Indenture governing the Notes without paying such amounts to all holders of Notes;
- create or incur certain liens;

- make certain investments and acquisitions;
- transfer or sell assets;
- engage in transactions with affiliates; and
- merge or consolidate with other companies or transfer all or substantially all of our assets.

As a result of our failure to pay the Notes at maturity, an event of default under the Indenture has occurred and is continuing.

Summary of Capital Resources

The following summary table presents a comparison of our capital resources for the six-months ended June 30, 2017 and 2016, with respect to certain key measures affecting our liquidity (in thousands). The changes set forth in the table are discussed below. This section should be read in conjunction with the Company's unaudited condensed consolidated financial statements and the notes thereto.

	Six-Months Ended June 30,		Change
	2017	2016	$
Capital expenditures:			
Radio	$ 313	1,279	(966)
Television	67	309	(242)
Corporate	70	164	(94)
Consolidated	$ 450	$ 1,752	(1,302)
Net cash flows (used in) provided by operating activities	$ (6,071)	899	(6,970)
Net cash flows provided by (used in) investing activities	13,411	(3,649)	17,060
Net cash flows used in financing activities	(14,941)	(153)	(14,788)
Net decrease in cash and cash equivalents	$ (7,601)	(2,903)	

Capital Expenditures

The decrease in our capital expenditures was primarily due to reduced current year development cost associated with the LaMusica digital application, as compared to the prior year.

Net Cash Flows (Used In) Provided by Operating Activities

Changes in our net cash flows from operating activities were primarily a result of the company commencing to make interest payments on a monthly rather than semi-annual basis on the 12.5% Senior Secured Notes.

Net Cash Flows Provided by (Used In) Investing Activities

Changes in our net cash provided by investing activities were primarily a result of having sold the Los Angeles building property and related assets in June 2017.

Net Cash Flows Used in Financing Activities

Changes in our net cash used in financing activities were a result of providing a partial pay down of the principal related to the Notes, in June 2017, and paying the promissory note related to the SBS Miami Broadcast Center, which was due in January 2017.

Recent Developments

FCC Broadcast Incentive Auction

In January 2016, we filed applications to participate in the FCC's Broadcast Incentive Auction with respect to our television stations in Miami, Houston, and Puerto Rico to potentially generate cash proceeds. As part of our strategy, we also entered into a channel sharing agreement for one of our television stations in Puerto Rico. Due to below market pricing levels in the Broadcast Incentive Auction that concluded in January 2017 we will relinquish our spectrum for one of our Puerto Rico stations and will retain our other television stations in Miami, Houston and our other two stations in Puerto Rico. The cash proceeds from the Puerto Rico station of $4.7 million were received from the FCC on July 21, 2017.

OTC Markets Notice

On April 3, 2017, we received a written notice from OTC Markets ("OTC"), advising us that our market capitalization had stayed below $5 million for more than 30 consecutive calendar days (the “Rule”) and that it no longer met the Standards for Continued Qualification for the OTCQX as per the OTCQX Rules for U.S. Companies. OTC further notified us that a cure period of 180 calendar days to regain compliance had begun, during which the minimum criteria must be met for 10 consecutive trading days. The 180-calendar day grace period expires September 30, 2017. If our market capitalization has not been at or above $5 million for 10 consecutive trading days by that time, our Class A common stock will be moved from OTCQX to OTC Pink, which may result in further reduced liquidity for our Class A common stock.

On July 20, 2017, we received notification from the OTC informing the Company that it had regained compliance with the minimum market capitalization standard of $5 million for a minimum of 10 consecutive trading days as set forth by OTCQX Rules for U.S. Companies. Accordingly, the Company has regained compliance with the Rule and will continue to be listed on the OTCQX.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are described in Note 1 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. We consider an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and
- changes in the estimate or different estimates that could have been selected could have a material impact on our results of operations or financial condition.

Our critical accounting policies are described in Item 7 of our annual report on Form 10-K for the year ended December 31, 2016. There have been no material changes to our critical accounting policies during the six-months ended June 30, 2017.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

We are a “smaller reporting company” as defined by Regulation S-K and as such, we are not required to provide the information contained in this item pursuant to Regulation S-K.

Item 4. ***Controls and Procedures***

Evaluation Of Disclosure Controls And Procedures. Our management, including our principal executive and financial officers, have conducted an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures,” as such term is defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act, to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and financial officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes In Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting during the quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our legal proceedings, see Note 6, Commitments and Contingencies, of the Notes to the unaudited condensed consolidated financial statements of this Quarterly Report on Form 10-Q.

Item 6. ***Exhibits***

The following exhibits, which are numbered in accordance with Item 601 of Regulation S-K, are filed herewith or, as noted, furnished herewith or incorporated by reference herein:

Exhibit Number	Exhibit Description
10.1*	Contract of Purchase and Sale, dated May 15, 2017, among Spanish Broadcasting System, Inc. and Harbor Associates, LLC.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Periodic Financial Report by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Periodic Financial Report by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith
** Furnished 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.

SPANISH BROADCASTING SYSTEM, INC.

By: /s/ JOSEPH A. GARCÍA
JOSEPH A. GARCÍA

Chief Financial Officer,
Chief Administrative Officer, Senior
Executive Vice President and Secretary
(principal financial and accounting officer
and duly authorized officer of the registrant)

Date: August 14, 2017

EXHIBIT INDEX

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Exhibit 10.1

CONTRACT OF PURCHASE AND SALE

BETWEEN

HARBOR ASSOCIATES, LLC, PURCHASER

AND

SPANISH BROADCASTING SYSTEM, INC., SELLER

May 15, 2017

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EXHIBITS

CONTRACT OF PURCHASE AND SALE

THIS CONTRACT OF PURCHASE AND SALE (this "**Agreement**") is made and entered into as of the 15th day of May, 2017 (the "**Effective Date**"), by and between **SPANISH BROADCASTING SYSTEM, INC.**, a New Jersey corporation having an address c/o Spanish Broadcasting System, Inc., 7007 NW 77th Avenue, Miami, FL 33166 ("**Seller**") and **HARBOR ASSOCIATES, LLC**, a Delaware limited liability company, having an address at 200 Pine Avenue, Suite 630, Long Beach, CA 90802 ("**Purchaser**").

W I T N E S S E T H:

A. Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, at the price and upon the terms and conditions set forth in this Agreement, (a) that certain parcel of land located at 10281 Pico Boulevard, Los Angeles, California 90064, and more particularly described on Exhibit A attached hereto (the "**Land**"), (b) the buildings, improvements, and structures located upon the Land (collectively, the "**Improvements**"), (c) all other easements and rights appurtenant to the Land, if any (collectively, the "**Appurtenant Rights**", and together with the Land and the Improvements, the "**Real Property**"), (d) all right, title and interest of Seller in, to and under the Leases (as hereinafter defined), and, to the extent assignable, the Contracts (as hereinafter defined), (e) other than as set forth on Exhibit N-1 (which items, for avoidance of doubt, shall remain the sole property of Seller), all right, title and interest of Seller, if any, in and to the fixtures, equipment and other tangible personal property owned by Seller and, located on, and used exclusively in connection with, the Real Property (collectively, the "**Personal Property**") and (f) other than as set forth on Exhibit N-2 (which items, for avoidance of doubt, shall remain the sole property of Seller), to the extent assignable without consent or payment of any kind, all right, title and interest of Seller in, to and under any governmental permits, licenses and approvals, warranties and guarantees that Seller has received in connection with any work or services performed with respect to, or equipment installed in, the Improvements (collectively, the "**Intangible Property**", and together with the Real Property, the Leases, the Contracts, the Personal Property and the Intangible Property, collectively, the "**Property**").

B. Seller and Purchaser acknowledge that Seller (or affiliates of Seller) presently uses the Property, including the Improvements, in connection with its business operations, and, that Seller does not intend to relocate such business operations prior to the Closing Date (as hereinafter defined). Purchaser, therefore, agrees to lease the Real Property to Seller or an affiliate thereof, on and as of the Closing Date, upon and pursuant to the terms and conditions set forth in the Post-Closing Lease (as hereinafter defined). The Post-Closing Lease shall be executed and delivered by Purchaser, as landlord, and Seller or an affiliate thereof, as tenant, at the Closing. Purchaser's agreement to execute and deliver the Post-Closing Lease at the Closing is a material inducement to Seller's agreement to sell the Property to Purchaser.

C. Purchaser acknowledges that the Property is being sold on an "AS IS" "WHERE IS" and "WITH ALL FAULTS" basis on the terms and conditions hereinafter set forth.

NOW, THEREFORE, for $10.00 in hand paid and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Purchase and Sale. Upon the terms and conditions hereinafter set forth, Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, the Property.

2. Purchase Price. The purchase price (the "**Purchase Price**") for the Property shall be the sum of Fourteen Million Seven Hundred Thousand Dollars ($14,700,000).

3. Payment of Purchase Price. The Purchase Price shall be paid to Seller by Purchaser as follows:

3.1 Deposit. Within two (2) Business Days (as hereinafter defined) after the Effective Date, Purchaser shall deposit with Chicago Title Insurance Company ("**Escrowee**"), by wire transfer of immediately available federal funds to an account designated by Escrowee (the "**Escrow Account**"), the sum of Five Hundred Thousand and 00/100 Dollars ($500,000) (together with all interest thereon, but excluding the Independent Consideration (as hereinafter defined), the "**Deposit**"), which Deposit shall be held by Escrowee pursuant to the escrow agreement (the "**Escrow Agreement**") attached hereto as Exhibit M and hereby made a part hereof. If Purchaser shall fail to deposit the Deposit with Escrowee within two (2) Business Days after the Effective Date, then at Seller's election, this Agreement shall be null, void *ab initio* and of no force or effect.

3.2 Independent Consideration. A portion of the amount deposited by Purchaser pursuant to Section 3.1, in the amount of One Hundred Dollars ($100) (the "**Independent Consideration**") shall be earned by Seller upon execution and delivery of this Agreement by Seller and Purchaser. Seller and Purchaser hereby mutually acknowledge and agree that the Independent Consideration represents adequate bargained for consideration for Seller's execution and delivery of this Agreement and Purchaser's right to have inspected the Property pursuant to the terms of this Agreement. The Independent Consideration is in addition to and independent of any other consideration or payment provided for in this Agreement and is nonrefundable in all events. Upon the Closing (as hereinafter defined) or the termination of this Agreement, the Independent Consideration shall be paid to Seller.

3.3 Closing Payment. The Purchase Price, as adjusted by the application of the Deposit and by the prorations and credits specified herein, shall be paid by Purchaser, by wire transfer of immediately available federal funds to an account or accounts designated in writing by Seller on the Closing Date (the amount being paid under this Section 3.3 being herein called the "**Closing Payment**").

4. Title Matters; Due Diligence Review**;** Conditions Precedent.

4.1 Title Matters.

4.1.1 Title to the Property.

(a) As a condition to the Closing, Chicago Title Insurance Company (in its capacity as title insurer, the "**Title Company**") shall have committed to insure Purchaser as the fee owner of the Real Property in the amount of the Purchase Price by issuance of an ALTA owner's

title insurance policy in the standard form issued by the Title Company in the State of California, exclusive of any endorsement thereto (the "**Owner's Policy**"), subject only to the Permitted Exceptions (as hereinafter defined). It is understood that Purchaser may request extended coverage and a number of endorsements to the Owner's Policy. Purchaser shall satisfy itself prior to the expiration of the Due Diligence Period that the Title Company will be willing to issue such extended coverage and endorsements at Closing; however, the issuance of such extended coverage and endorsements shall not be conditions to Closing for Purchaser's benefit.

(b) Seller has delivered to Purchaser a commitment and/or preliminary title report for an owner's fee title insurance policy or policies with respect to the Real Property (the "**Title Commitment**") together with copies of each of the title exceptions noted therein prior to the Effective Date. Purchaser previously ordered, at its sole cost and expense, a survey of the Property prepared by a surveyor registered in the State of California, which shall certified by said surveyor to Purchaser and Seller as having been prepared in accordance with the minimum detail requirements of the ALTA land survey requirements (the "**Survey**"), and shall cause the Survey to be delivered to Seller's attorneys concurrently with the delivery thereof to Purchaser or Purchaser's attorneys. If any exceptions(s) to title to the Real Property should appear in the Title Commitment or the Survey other than the Permitted Exceptions (such exception(s) being herein called, collectively, the "**Unpermitted Exceptions**"), subject to which Purchaser is unwilling to accept title, and Purchaser shall provide Seller with written notice (the "**Title Objection Notice**") thereof no later than ten (10) days after receipt of the Title Commitment, Seller, in its sole and absolute discretion, may undertake to eliminate the same subject to the terms and conditions of this Section 4.1.1. Purchaser hereby waives any right Purchaser may have to advance, as objections to title or as grounds for Purchaser's refusal to close the transactions contemplated by this Agreement (the "**Transaction**"), any Unpermitted Exception of which Purchaser does not timely notify Seller in the Title Objection Notice unless (i) such Unpermitted Exception was first raised by the Title Company subsequent to the date of the Title Objection Notice, and (ii) Purchaser provides to Seller a Title Objection Notice within five (5) days after the Title Company notifies Purchaser of such Unpermitted Exception. Seller shall notify Purchaser, in writing, within six (6) days after receipt by Seller of the applicable Title Objection Notice, whether or not it will endeavor to eliminate all or any of such Unpermitted Exceptions ("**Seller's Title Response**"), and if Seller fails to deliver Seller's Title Response on or before such date, Seller shall be deemed to have delivered a Seller's Title Response electing not to endeavor to eliminate any such Unpermitted Exceptions. Seller, in its sole discretion, shall have the right, upon written notice to Purchaser prior to the Scheduled Closing Date, to adjourn the Scheduled Closing Date for up to ninety (90) days in order to eliminate or endeavor to eliminate any Unpermitted Exception which Seller has agreed to eliminate under this Agreement or which Seller has agreed to endeavor to eliminate pursuant to Seller's Title Response. Notwithstanding the foregoing or anything to the contrary set forth in this Agreement, Seller shall not under any circumstance be required or obligated to eliminate any Unpermitted Exception including, without limitation, to bring any action or proceeding, to make any payments or otherwise to incur any expense in order to eliminate any Unpermitted Exception or to arrange for title insurance insuring against enforcement of such Unpermitted Exception against, or collection of the same out of, the Real Property, notwithstanding that Seller may have attempted to do so, or may have adjourned the Scheduled Closing Date for such purpose; provided, however, Seller shall (x) satisfy any mortgage or deed of trust placed on the Real Property by Seller and (y) cause the removal (by bonding or otherwise) of other monetary liens encumbering the Real Property, provided that such monetary lien shall not be the result of any act or omission of Purchaser or any of Purchaser's Representatives or any of the tenants at the Real Property (collectively, "**Mandatory Objections**").

(c) Except as to Mandatory Objections (which Seller will be obligated to eliminate), if Seller elects in Seller's Title Response not, or is deemed to elect not, to eliminate all Unpermitted Exceptions noted in the Title Objection Notice, Purchaser shall have the right, as its sole remedy by delivery of written notice to Seller within five (5) Business Days following delivery or deemed delivery of Seller's Title Response, to either (i) terminate this Agreement by written notice delivered to Seller and Escrowee or (ii) accept title to the Real Property subject to such Unpermitted Exception(s) without a reduction in, abatement of, or credit against, the Purchase Price. Except as to Mandatory Objections (which Seller will be obligated to eliminate), if Seller shall fail to eliminate all Unpermitted Exceptions that Seller elected in Seller's Title Response to eliminate or endeavor to eliminate, then Seller shall notify Purchaser, in writing, of such failure on or before the Scheduled Closing Date (as the same may have been adjourned in accordance with Section 4.1.1(a)) and Purchaser shall have the right, as its sole remedy by delivery of written notice to Seller within three (3) Business Days following receipt of Seller's notice of such failure, to either (i) terminate this Agreement by written notice delivered to Seller and Escrowee or (ii) accept title to the Real Property subject to such Unpermitted Exception(s) without a reduction in, abatement of, or credit against, the Purchase Price. If Purchaser elects to terminate this Agreement pursuant to this Section 4.1.1(c), the Deposit shall promptly be paid to Purchaser, and no party hereto shall have any further obligation under this Agreement except under those obligations, liabilities and provisions that expressly survive the Closing or a termination of this Agreement (collectively, the "**Surviving Obligations**"). The failure of Purchaser to deliver timely any written notice of election to terminate this Agreement under this Section 4.1.1(c) shall be conclusively deemed to be an election under the applicable clause (ii) above. For avoidance of doubt, the parties acknowledge that in no event shall the foregoing provisions be deemed to waive Purchaser's rights under Section 4.2.3 of this Agreement.

(d) If there are any Unpermitted Exceptions noted in the Title Objection Notice or other liens or encumbrances that Seller is obligated or elects to eliminate under this Agreement, then Seller shall have the right (but not the obligation) to either (i) arrange, at Seller's cost and expense, for affirmative title insurance or special endorsements insuring against enforcement of such liens or encumbrances against, or collection of the same out of, the Real Property, or (ii) use any portion of the Purchase Price to pay and discharge the same, either by way of payment or by alternative manner reasonably satisfactory to the Title Company, and the same shall not be deemed to be Unpermitted Exceptions.

4.1.2 Permitted Exceptions to Title. The Real Property shall be sold and conveyed subject to the following exceptions to title (the "**Permitted Exceptions**"):

(a) any state of facts that an accurate survey may show;

(b) those matters specifically set forth on Exhibit B attached hereto;

(c) all laws, ordinances, rules and regulations of the United States, the State of California, or any agency, department, commission, bureau or instrumentality of any of the foregoing having jurisdiction over the Real Property (each, a "**Governmental Authority**"), as the same may now exist or may be hereafter modified, supplemented or promulgated;

(d) all presently existing and future liens of real estate taxes or assessments and water rates, water meter charges, water frontage charges and sewer taxes, rents and charges, if any, provided that such items are not yet due and payable and are apportioned as provided in this Agreement;

(e) any other matter or thing affecting title to the Real Property that Purchaser shall have agreed or be deemed to have agreed to waive as an Unpermitted Exception;

(f) rights of the tenants under a Lease either identified in the Lease Exhibit (as hereinafter defined) or entered into after the Effective Date in accordance with the terms of this Agreement;

(g) all violations of laws, ordinances, orders, requirements or regulations of any Governmental Authority applicable to the Real Property and existing on the Closing Date, whether or not noted in the records of or issued by any Governmental Authority;

(h) all utility easements of record which do not interfere with the present use of the Real Property;

(i) liens which are the responsibility of any tenant at the Real Property to cure, correct or remove;

(j) subject to Seller's obligation to deliver the Owner's Title Certificate (as hereinafter defined) pursuant to Section 5.1.13, the printed exceptions which appear in the standard form owner's policy of the title insurance issued by the Title Company in the State of California;

Under no circumstance will Mandatory Objections constitute Permitted Exceptions.

4.2 Due Diligence Reviews.

4.2.1 Except for title and survey matters (which shall be governed by the provisions of Section 4.1 above), Purchaser shall have until 5:00 p.m. (Pacific time) on the date which is fifteen (15) days after the Effective Date, TIME BEING OF THE ESSENCE (the period of time commencing upon the Effective Date and continuing through and including such time on such date being herein called the "**Due Diligence Period**") within which to perform and complete all of Purchaser's due diligence examinations, reviews and inspections of all matters pertaining to the purchase of the Property, including, without limitation, all leases and service contracts, and all physical, environmental and compliance matters and conditions respecting the Property (collectively, the "**Investigations**"), which Investigations shall at all times be subject to Purchaser's compliance with the provisions of this Section 4.2. Prior to Closing, Seller shall provide Purchaser with reasonable access to the Real Property upon reasonable advance notice. During the Due Diligence Period, Seller shall make available to Purchaser, at the offices of Seller and/or the property manager of the Property, access to such leases, service contracts, and other contracts and agreements with respect to the Property in Seller's possession as Purchaser shall reasonably request, all upon reasonable advance written notice; provided, however, in no event shall Seller be obligated to make available (1) any document or correspondence which would be subject to the attorney-client privilege; (2) any document or item which Seller is contractually or otherwise bound to keep confidential; (3) any documents pertaining to the marketing of the Property for sale to prospective purchasers; (4) any internal memoranda, reports or assessments relating to the Property; (5) appraisals of the Property whether prepared internally by Seller or Seller's affiliates or externally; or (6) any documents which Seller considers, in its good faith, confidential or proprietary. Any entry upon the Property and all Investigations shall be made or performed during Seller's normal business hours and at the sole risk and expense of Purchaser, and shall not interfere with the activities on or

about the Real Property of Seller, its tenants or their respective employees and invitees. Purchaser shall:

(a) promptly repair any damage to the Property resulting from any such Investigations and replace, refill and regrade any holes made in, or excavations of, any portion of the Property used for such Investigations so that the Property shall be in the same condition that it existed in prior to such Investigations;

(b) fully comply with all laws applicable to the Investigations and all other activities undertaken in connection therewith;

(c) permit Seller to have a representative present during all Investigations undertaken hereunder;

(d) take all commercially reasonable actions and implement all commercially reasonable protections necessary to ensure that the Investigations and the equipment, materials, and substances generated, used or brought onto the Real Property in connection with the Investigations, pose no threat to the safety or health of persons or the environment, and cause no damage to the Property or other property of Seller or other persons;

(e) maintain or cause to be maintained, at Purchaser's expense, a policy of commercial general liability insurance, with a broad form contractual liability endorsement and with a combined single limit of not less than $2,000,000 per occurrence and $4,000,000 in the aggregate for bodily injury and property damage, automobile liability coverage including owned and hired vehicles with a combined single limit of $2,000,000 per occurrence for bodily injury and property damage, insuring Purchaser and naming Seller as and additional insured, against any injuries or damages to persons or property that may result from or are related to (i) Purchaser's and/or any of the Purchaser's Representatives' (as hereinafter defined) entry upon the Real Property, (ii) any Investigations or other activities conducted thereon, and/or (iii) any and all other activities undertaken by Purchaser and/or any of the Purchaser's Representatives, all of which insurance shall be on an "occurrence form" and otherwise in such forms acceptable to Seller and with an insurance company acceptable to Seller and shall provide that no cancellation or reduction thereof shall be effective until at least thirty (30) days after receipt by Seller of written notice thereof, and deliver a copy of such insurance policy to Seller prior to the first entry on the Real Property;

(f) not permit the Investigations or any other activities undertaken by Purchaser or any of the Purchaser's Representatives to result in any liens, judgments or other encumbrances being filed or recorded against the Property, and Purchaser shall, at its sole cost and expense, immediately discharge of record any such liens or encumbrances that are so filed or recorded (including, without limitation, liens for services, labor or materials furnished); and

(g) indemnify, defend and hold harmless Seller and any agent, advisor, representative, affiliate, employee, director, officer, partner, member, beneficiary, investor, servant, shareholder, trustee or other person or entity (each, a "**Person**") acting on Seller's behalf or otherwise related to or affiliated with Seller (including Seller, collectively, the "**Seller Related Parties**") from and against any and all claims, demands, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) (collectively, "**Claims**"), suffered or incurred by any of the Seller Related Parties and arising out of or in connection with (i) entry upon the Real Property by Purchaser or any of the Purchaser's

Representatives, (ii) any Investigations or other activities conducted thereon by Purchaser or any of the Purchaser's Representatives, (iii) any liens or encumbrances filed or recorded against the Property as a consequence of the Investigations and/or (iv) any and all other activities undertaken by Purchaser or any of the Purchaser's Representatives with respect to the Property. The foregoing indemnity shall not include any Claims that result solely from the mere discovery, by Purchaser or any of the Purchaser's Representatives, of pre-existing conditions on the Property during Investigations conducted pursuant to, and in accordance with, the terms of this Agreement and which are not exacerbated by the activities of Purchaser or any of the Purchaser's Representatives.

Without limiting the foregoing, in no event shall Purchaser or any of the Purchaser's Representatives, without the prior written consent of Seller: (x) make any intrusive physical testing (environmental, structural or otherwise) at the Property (such as soil borings, water samplings or the like), (y) contact any of the tenants at the Property, and/or (z) contact any Governmental Authority with respect to matters concerning the Property, except with respect to obtaining a zoning compliance letter.

Purchaser's obligations under this Section 4.2.1 shall survive the Closing or a termination of this Agreement for a period of one (1) year.

4.2.2 Property Information and Confidentiality. All Information (as hereinafter defined) provided to or obtained by Purchaser, whether prior to or after the date hereof, shall be subject to the following terms and conditions:

(a) Any Information provided or to be provided with respect to the Property is solely for the convenience of Purchaser and was or will be obtained from a variety of sources. None of the Seller Related Parties has made any independent investigation or verification of such information and, except as expressly set forth in this Agreement, makes no (and expressly disclaims all) representations and warranties as to the truth, accuracy or completeness of the Information, or any other studies, documents, reports or other information provided to Purchaser hereunder and expressly disclaims any implied representations as to any matter disclosed or omitted. None of the Seller Related Parties shall be liable for any mistakes, omissions, misrepresentations or any failure to investigate the Property nor shall any of the Seller Related Parties be bound in any manner by any verbal or written statements, representations, appraisals, environmental assessment reports, or other information pertaining to the Property or the operation thereof, except as expressly set forth in this Agreement.

(b) Purchaser agrees that neither Purchaser nor any of the Purchaser's Representatives shall, at any time or in any manner, either directly or indirectly, divulge, disclose or communicate to any Person, the Information, or any other knowledge or information acquired by Purchaser or any of the Purchaser's Representatives from any of the Seller Related Parties or by Purchaser's own inspections and investigations, other than matters that were in the public domain at the time of receipt by such Person. Without Seller's prior written consent, Purchaser shall not disclose and Purchaser shall direct each of the Purchaser's Representatives not to disclose to any Person, any of the terms, conditions or other facts concerning a potential purchase of the Property by Purchaser, including, without limitation, the status of negotiations. Notwithstanding the foregoing, Purchaser may disclose such of the Information and its other reports, studies, documents and other matters generated by it and the terms of this Agreement (i) as required by law or court order (provided prior written notice of such disclosure shall be provided to Seller) and (ii) as Purchaser deems necessary or desirable to any of the Purchaser's Representatives in connection with

Purchaser's Investigations and the Transaction, provided that those to whom such Information is disclosed are informed of the confidential nature thereof and agree(s) to keep the same confidential in accordance with the terms and conditions hereof.

(c) Purchaser shall, and shall cause each of the Purchaser's Representatives to, use reasonable care to maintain in good condition all of the Information furnished or made available to such Person in accordance with this Section 4.2.2. If this Agreement is terminated, then Purchaser shall, and shall cause each of the Purchaser's Representatives to, promptly deliver to Seller all originals and copies of the Information in the possession of such Person that were delivered or provided by Seller or any Seller Related Parties, and to expunge and delete any of the Information maintained on any word processing or computer system or in any other electronic form to the extent practicable.

(d) As used in this Agreement, the term "**Information**" shall mean any of the following: (i) all information and documents in any way relating to the Property, the operation thereof or the sale thereof, including, without limitation, all leases and contracts furnished to, or otherwise made available (including, without limitation, in any electronic data room established by or on behalf of Seller) for review by, Purchaser or its directors, officers, employees, affiliates, partners, members, brokers, agents or other representatives, including, without limitation, attorneys, accountants, contractors, consultants, engineers and financial advisors (collectively, the "**Purchaser's Representatives**"), by any of the Seller Related Parties or any of their agents or representatives, including, without limitation, their contractors, engineers, attorneys, accountants, consultants, brokers or advisors, and (ii) all analyses, compilations, data, studies, reports or other information or documents prepared or obtained by Purchaser or any of the Purchaser's Representatives containing or based on, in whole or in part, the information or documents described in the preceding clause (i), the Investigations, or otherwise reflecting their review or investigation of the Property.

(e) Purchaser shall indemnify and hold harmless each of the Seller Related Parties from and against any and all Claims suffered or incurred by any of the Seller Related Parties and arising out of or in connection with a breach by Purchaser or any of the Purchaser's Representatives of the provisions of this Section 4.2.2.

(f) In addition to any other remedies available to Seller, Seller shall have the right to seek equitable relief, including, without limitation, injunctive relief and/or specific performance, against Purchaser or any of the Purchaser's Representatives in order to enforce the provisions of this Section 4.2.2.

(g) The provisions of this Section 4.2.2 shall survive a termination of this Agreement for a period of one (1) year.

4.2.3 Termination Right. Purchaser shall, prior to the expiration of the Due Diligence Period, have the right, for any reason or no reason, to terminate this Agreement, effective only upon delivery to Seller, at any time prior to the expiration of the Due Diligence Period, of a notice electing to terminate this Agreement (a "**Termination Notice**"). If Purchaser elects to waive said termination right, Purchaser shall deliver to Seller, at any time prior to the expiration of the Due Diligence Period, a notice electing to waive said termination right (a "**Waiver Notice**"). If Purchaser (i) delivers a Termination Notice as aforesaid prior to the expiration of the Due Diligence Period or (ii) fails to deliver a Waiver Notice prior to the expiration of the Due Diligence Period, TIME

BEING OF THE ESSENCE, then, provided that Purchaser shall not be in default under this Agreement, the Deposit shall be promptly returned to Purchaser, and this Agreement and the obligations of the parties hereunder shall terminate (and no party hereto shall have any further obligation under this Agreement except for the Surviving Obligations). If Purchaser shall deliver the Waiver Notice to Seller before the expiration of the Due Diligence Period, TIME BEING OF THE ESSENCE, then Purchaser shall be deemed to have agreed that the Property is acceptable to Purchaser and that it intends to proceed with the acquisition of the Property without a reduction in, or an abatement of or credit against, the Purchase Price and, thereafter, Purchaser shall have no further right to terminate this Agreement pursuant to this Section 4.2.3 and Escrowee shall immediately thereafter pay the Deposit to Seller.

4.3 Conditions Precedent to Obligations of Purchaser; No Financing Contingency. The obligation of Purchaser to consummate the Transaction shall be subject to the performance and observance, in all material respects, by Seller of all covenants, warranties and agreements of this Agreement to be performed or observed by Seller prior to or on the Closing Date and the fulfillment on or before the Closing Date of all other conditions precedent to Closing benefiting Purchaser specifically enumerated in this Agreement, any or all of which may be waived by Purchaser in its sole discretion. Notwithstanding anything to the contrary contained herein, Purchaser acknowledges and agrees that, while Purchaser may at its own risk attempt to obtain financing with regard to its acquisition of the Property, (i) Purchaser's obtaining, or ability to obtain, financing for its acquisition of the Property is in no way a condition to Purchaser's performance of its obligations under this Agreement, (ii) Purchaser's performance of its obligations under this Agreement is in no way dependent or conditioned upon the availability of any financing whether generally in the marketplace or specifically in favor of Purchaser, and (iii) in no event shall the Closing be delayed on account of Purchaser's obtaining, or ability to obtain, financing.

4.4 Conditions Precedent to Obligations of Seller. The obligation of Seller to consummate the Transaction shall be subject to the performance and observance, in all material respects, by Purchaser of all covenants, warranties and agreements of this Agreement to be performed or observed by Purchaser prior to or on the Closing Date and the fulfillment on or before the Closing Date of all other conditions precedent to Closing benefiting Seller specifically enumerated in this Agreement, any or all of which may be waived by Seller in its sole discretion.

5. Closing. The closing (the "**Closing**") of the Transaction shall occur at 1:00 p.m. (Pacific time) on or before May 31, 2017 (the "**Scheduled Closing Date**") (as the same may be extended as expressly provided herein), **TIME BEING OF THE ESSENCE** with respect to Purchaser's obligation to close on such date, at the offices of Escrowee through an escrow and pursuant to escrow instructions consistent with the terms of this Agreement and otherwise mutually satisfactory to Seller and Purchaser (the date on which the Closing shall occur being herein referred to as the "**Closing Date**"). It is contemplated that the Transaction shall be closed by means of a so called "New York Style Closing", with the concurrent delivery of the documents of title, the commitment to deliver the Owner's Policy and the payment of the Purchase Price. Notwithstanding the foregoing, there shall be no requirement that Seller and Purchaser physically meet for the Closing, and all documents and funds to be delivered at the Closing shall be delivered to Escrowee unless the parties hereto mutually agree otherwise. Seller and Purchaser also agree that disbursement of the Purchase Price, as adjusted by the prorations, shall not be conditioned upon the recording of any document, but rather, upon the satisfaction or waiver of all conditions precedent to the Closing and the irrevocable agreement by the Title Company to issue the Owner's Policy effective as of the Closing. The Closing shall constitute

approval by each party of all matters to which such party has a right of approval and a waiver of all conditions precedent.

5.1 Seller Deliveries. At or prior to the Closing, Seller shall deliver or cause to be delivered to Purchaser or to the Escrowee, as the case may be**,** the following items executed and acknowledged by Seller, as appropriate:

5.1.1 A deed (the "**Deed**") in the form attached hereto as Exhibit D.

5.1.2 An assignment and assumption of leases and contracts (the "**Assignment and Assumption of Leases and Contracts**"), in the form attached hereto as Exhibit E.

5.1.3 A bill of sale (the "**Bill of Sale**"), in the form attached hereto as Exhibit F.

5.1.4 A certification of non-foreign status in the form attached hereto as Exhibit G, and any required state certificate that is sufficient to exempt Seller from any state withholding requirement with respect to the Transaction.

5.1.5 All existing surveys, blueprints, drawings, plans and specifications for or with respect to the Real Property or any part thereof, to the extent the same are in Seller's possession.

5.1.6 All keys to the Improvements, to the extent the same are in Seller's possession.

5.1.7 All Leases in effect on the Closing Date, to the extent the same are in Seller's possession.

5.1.8 All Contracts that shall remain in effect after the Closing, to the extent the same are in Seller's possession (all items in Sections 5.1.5 through 5.1.8 may be either delivered at Closing or left at the management office at the Real Property, to the extent not previously delivered to Purchaser).

5.1.9 All applicable transfer tax forms, if any.

5.1.10 Such further instruments as may be reasonably required by the Title Company to record the Deed.

5.1.11 A notice to each of the tenants under the Leases in effect on the Closing Date (collectively, the "**Tenant Notices**") in the form attached hereto as Exhibit H, advising tenants under such Leases of the sale of the Real Property to Purchaser and directing them to make all payments to Purchaser or its designee, which Tenant Notices Purchaser shall, at Purchaser's sole cost and expense, either mail by certified mail return receipt requested or hand-deliver to each of the tenants under such Leases.

5.1.12 A notice to each of the vendors under the Contracts (collectively, the "**Vendor Notices**") in the form attached hereto as Exhibit I or such other form as may be prescribed by the applicable Contract, advising them of the sale of the Real Property to Purchaser and the assignment to and assumption by Purchaser of Seller's obligations in accordance with the Assignment and Assumption of Leases and Contracts and directing them to deliver to Purchaser or its

designee all future statements or invoices under the Contracts for obligations that were assumed by Purchaser, which Vendor Notices Purchaser shall, at Purchaser's sole cost and expense, mail by certified mail return receipt requested to each of the vendors under the Contracts.

5.1.13 An owner's title certificate (the "**Owner's Title Certificate**") in the form attached hereto as Exhibit J.

5.1.14 Evidence reasonably satisfactory to the Title Company respecting the due organization of Seller and the due authorization and execution by Seller of this Agreement and the documents required to be delivered by Seller hereunder.

5.1.15 A settlement statement consistent with the provisions of this Agreement prepared by Seller and reasonably approved by Purchaser (the "**Settlement Statement**").

5.1.16 the Post-Closing Lease executed by Seller or an affiliate thereof; provided, however, neither Seller, nor such affiliate, shall have any obligation to execute or deliver (or cause the execution and delivery of) the Post-Closing Lease in the event any of the Improvements are damaged or destroyed by fire or other casualty after the Effective Date but prior to the Closing Date.

5.2 Purchaser Deliveries. At or prior to the Closing, Purchaser shall deliver or cause to be delivered to Seller or to the Escrowee, as the case may be, the following items, executed and acknowledged by Purchaser, as appropriate:

5.2.1 The Closing Payment required to be paid in accordance with Section 3.3.

5.2.2 The Assignment and Assumption of Leases and Contracts.

5.2.3 All applicable transfer tax forms, if any.

5.2.4 The Post-Closing Lease.

5.2.5 The Settlement Statement.

5.2.6 Such further instruments as may be reasonably necessary to record the Deed.

5.2.7 Evidence reasonably satisfactory to Seller and the Title Company respecting the due organization of Purchaser and the due authorization and execution by Purchaser of this Agreement and the documents required to be delivered by Purchaser hereunder.

5.3 Closing Costs. Seller shall pay (i) all state and county transfer taxes, including transfer taxes of the State of California and of the County of Los Angeles, payable in connection with the Transaction, (ii) all city transfer taxes payable in connection with the Transaction, (iii) the title insurance premium for the Owner's Policy, (exclusive of the cost of any extended coverage, title endorsements and/or affirmative insurance required by Purchaser, including, without limitation, the additional cost to obtain an ALTA extended coverage under the Owner's Policy), and (iv) one-half (1/2) of the cost of Escrowee. Purchaser shall pay (a) the cost of any extended coverage, title endorsements and/or affirmative insurance required by Purchaser, including, without limitation, the additional cost to obtain an ALTA extended coverage under the Owner's Policy, (b) the cost of the Survey (or any update thereto), (c) all recording charges payable in connection with the recording of

the Deed, (d) one-half (1/2) of the cost of Escrowee, and (e) all fees, costs or expenses in connection with Purchaser's due diligence reviews hereunder. Any other closing costs shall be allocated in accordance with local custom. Except as expressly provided in the indemnities set forth in this Agreement, Seller and Purchaser shall pay their respective legal, consulting and other professional fees and expenses incurred in connection with this Agreement and the Transaction and their respective shares of prorations as hereinafter provided. The provisions of this Section 5.3 shall survive the Closing or a termination of this Agreement.

5.4 Prorations.

5.4.1 The following provisions shall govern the adjustments and prorations that shall be made at Closing and the allocation of income and expenses from the Property between Seller and Purchaser. Except as expressly provided in this Section 5.4.1, all items of operating revenue and operating expenses of the Property, with respect to the period on or prior to 11:59 p.m. local time at the Real Property on the Closing Date (the "**Cut-off Time**"), shall be for the account of Seller and all items of operating revenue and operating expenses of the Property with respect to the period from and after the Cut-off Time, shall be for the account of Purchaser. Without limitation on the foregoing the following shall be prorated as of the Cut-off Time:

(a) All real estate taxes, water charges, sewer rents, vault charges and assessments on the Real Property shall be prorated on the basis of the fiscal year for which assessed. In no event shall Seller be charged with or be responsible for any increase in the taxes on the Real Property resulting from the sale of the Real Property or from any improvements made or leases entered into on or after the Closing Date. If any assessments on the Real Property are payable in installments, then the installment for the current period shall be prorated (with Purchaser assuming the obligation to pay any installments due after the Closing Date).

(b) Subject to this Section 5.4.1(b), all fixed rent and regularly scheduled items of additional rent under the Leases, and other tenant charges if, as and when received. Seller shall provide a credit in an amount equal to all prepaid rentals for periods after the Closing Date and all refundable cash security deposits (to the extent the foregoing were made by tenants under the Leases and are not applied or forfeited prior to the Closing Date) to Purchaser on the Closing Date. Rents and other tenant charges which are delinquent as of the Closing Date shall not be prorated on the Closing Date. Purchaser shall include such delinquencies in its normal billing and shall diligently pursue the collection thereof in good faith after the Closing Date (but Purchaser shall not be required to litigate or declare a default under any of the Leases). To the extent Purchaser receives rents or other tenant charges on or after the Closing Date, such payments shall be applied first to the rents or other tenant charges for the month in which the Closing occurs, second to the rents or other tenant charges that shall then be due and payable to Purchaser, and third to any delinquent rents or other tenant charges owed to Seller, with Seller's share thereof being held by Purchaser in trust for Seller and promptly delivered to Seller by Purchaser. Purchaser may not waive any delinquent rents or other tenant charges nor modify any of the leases so as to reduce or otherwise affect amounts owed thereunder for any period in which Seller is entitled to receive a share of charges or amounts without first obtaining Seller's written consent, which consent may be given or withheld in Seller's sole and absolute discretion. Seller hereby reserves the right to pursue any remedy against any of the tenants owing delinquent rents and any other amounts to Seller (but shall not be entitled to terminate any of the leases or any tenant's right to possession), which right shall include the right to continue or commence legal actions or proceedings against any of the tenants. Delivery of the Assignment and Assumption of Leases and Contracts shall not constitute a waiver by Seller of such right, and such

right shall survive the Closing. Purchaser shall reasonably cooperate with Seller in any collection efforts hereunder (but shall not be required to litigate or declare a default under any of the leases). With respect to delinquent rents and any other amounts or other rights of any kind respecting tenants who are no longer tenants of the Real Property on the Closing Date or who vacate the Real Property following the Closing Date, Seller shall retain all rights relating thereto.

(c) Charges and payments under contracts or permitted renewals or replacements thereof assigned to Purchaser pursuant to the Assignment and Assumption of Leases and Contracts.

(d) Any prepaid items, including, without limitation, fees for licenses which are transferred to Purchaser at the Closing and annual permit and inspection fees.

(e) Deposits with telephone and other utility companies, and any other Persons who supply goods or services in connection with the Real Property if the same are assigned to Purchaser at the Closing, which shall be credited in their entirety to Seller.

(f) Personal property taxes, if any, on the basis of the fiscal year for which assessed.

5.4.2 If any of the items described in Section 5.4.1 hereof cannot be apportioned at the Closing because of the unavailability of information as to the amounts which are to be apportioned or otherwise, or are incorrectly apportioned at Closing or subsequent thereto, such items shall be apportioned or reapportioned, as the case may be, as soon as practicable after the Closing Date or the date such error is discovered, as applicable; provided that neither party shall have the right to request apportionment or reapportionment of any such item at any time following the six (6) month anniversary of the Closing Date (the "**Reproration Outside Date**"). If the Closing shall occur before a real estate or personal property tax rate or assessment is fixed for the tax year in which the Closing occurs, the apportionment of taxes at the Closing shall be upon the basis of the tax rate or assessment for the preceding fiscal year applied to the latest assessed valuation. Promptly after the new tax rate or assessment is fixed, the apportionment of taxes or assessments shall be recomputed and any discrepancy resulting from such recomputation and any errors or omissions in computing apportionments at Closing shall be promptly corrected and the proper party reimbursed, which obligations shall survive the Closing.

5.4.3 The provisions of this Section 5.4 shall survive the Closing until the Reproration Outside Date.

6. Condemnation or Destruction of Real Property. If, after the Effective Date but prior to the Closing Date, Seller becomes aware that either any portion of the Real Property is taken pursuant to eminent domain proceedings or condemnation or any of the Improvements are damaged or destroyed by fire or other casualty, then Seller shall promptly deliver, or cause to be delivered, to Purchaser, notice of any such eminent domain proceedings or casualty. Seller shall have no obligation to restore, repair or replace any portion of the Real Property or any such damage or destruction. Seller shall, at the Closing, assign to Purchaser all of Seller's interest in all awards or other proceeds for such taking by eminent domain or condemnation or the proceeds of any insurance collected by Seller for such damage or destruction (unless such damage or destruction shall have been repaired prior to the Closing and except to the extent any such awards, proceeds or insurance are attributable to lost rents or items applicable to any period prior to the Closing), less the amount of all costs incurred by

Seller in connection with the repair of such damage or destruction or collection costs of Seller respecting any awards or other proceeds for such taking by eminent domain or condemnation or any uncollected insurance proceeds which Seller may be entitled to receive from such damage or destruction, as applicable. In connection with any assignment of awards, proceeds or insurance hereunder, Seller shall credit Purchaser with an amount equal to the applicable deductible amount under Seller's insurance (but not more than the amount by which the cost, as of the Closing Date, to repair the damage is greater than the amount of insurance proceeds assigned to Purchaser); provided, however, if the amount of the damage or the value of the taking (in each case, as determined by an independent third party contractor or engineer selected by Seller and reasonably approved by Purchaser) or the amount of condemnation award shall exceed the sum of Two Million Dollars ($2,000,000), Purchaser shall have the right to terminate this Agreement by notice to Seller given within ten (10) days after notification to Purchaser of the estimated amount of the damages or the value of the taking. In any instance where this Agreement is terminated pursuant to this Section 6, the Deposit shall, provided such termination occurs prior to the expiration of the Due Diligence Period and that Purchaser is not otherwise in default of its obligations pursuant to this Agreement, be promptly returned to Purchaser, and this Agreement and the obligations of the parties hereunder shall terminate (and no party hereto shall have any further obligation under this Agreement except for the Surviving Obligations). The parties hereby waive the provisions of any statute which provides for a different outcome or treatment in the event of a casualty or a condemnation or eminent domain proceeding. The provisions of this Section 6 shall survive the Closing or a termination of this Agreement.

7. Representations, Warranties and Covenants.

7.1 Representations, Warranties and Covenants of Seller.

7.1.1 Representations and Warranties of Seller. Subject to the provisions of this Section 7.1.1, Seller hereby represents to Purchaser that:

(a) Leases. Seller has no knowledge of any space leases to which Seller is a party or is bound affecting any portion of the Real Property that may be binding upon Purchaser after the Closing, other than the Leases. As used in this Agreement, "**Leases**" shall be deemed to mean, collectively, (i) the leases relating to the Real Property described on Exhibit K attached hereto (the "**Lease Exhibit**"), (ii) the leases, licenses, and other occupancy agreements relating to the Real Property that are entered into by Seller after the Effective Date in accordance with this Agreement, if any, and (iii) the Permitted Exceptions. To the best of Seller's knowledge, as of the Effective Date (x) the leases described on the Lease Exhibit are in full force and effect and have not been amended except as set forth in the Lease Exhibit, (y) the Lease Exhibit is true and correct in all material respects, and (z) Seller has not delivered or received any written notice of a material default under any of the Leases, which default remains uncured in any material respect. To the best of Seller's knowledge, the Leases made available to Purchaser prior to the expiration of the Due Diligence Period are true, correct and complete in all material respects..

(b) Contracts. Seller has no knowledge of any maintenance, service and supply contracts, equipment leases or leasing commission agreements providing for payments for the procurement of tenants to which Seller is a party or is bound affecting any portion of the Property that will be binding upon Purchaser after the Closing, other than the Contracts. As used in this Agreement, "**Contracts**" shall be deemed to mean, collectively, (i) maintenance, service and supply contracts, and equipment leases described on Exhibit L attached hereto, (ii) service or equipment

leasing contracts entered into by Seller that are cancelable on thirty (30) days' notice or less without premium or penalty, (iii) leasing commissions described in the Leases, and (iv) contracts and agreements that are entered into by Seller after the Effective Date in accordance with the terms of this Agreement, if any. To the best of Seller's knowledge, Seller has not delivered or received any written notice of a material default under any of the Contracts, which default remains uncured in any material respect.

(c) Litigation. To the best of Seller's knowledge, there is no material pending or threatened in writing litigation or condemnation action against the Real Property or against Seller with respect to the Real Property as of the Effective Date, other than claims set forth on Exhibit C.

(d) No Insolvency. Seller is not a debtor in any state or federal insolvency, bankruptcy or receivership proceeding. Seller has not commenced a voluntary case for relief under any federal bankruptcy act, or made an assignment for the benefit of creditors under state law.

(e) Non-Foreign Person. Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code, as amended (the "**Code**").

(f) Violations. To the best of Seller's knowledge, Seller has not received written notice from any Governmental Authority asserting a material violation of any law or regulation applicable to the Property which has not been cured, in all material respects, to the extent required by applicable laws.

(g) Environmental Matters. To the best of Seller's knowledge, as of the Effective Date, Seller has not received written notice from any governmental authority of any material violation at the Real Property of laws relating to Hazardous Materials (as hereinafter defined) which violation occurred during Seller's ownership of the Real Property and remains uncured in any material respect. For purposes of this Agreement, the term "**Hazardous Materials**" shall mean (a) any toxic substance or hazardous waste, hazardous substance or related hazardous material; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of presently existing federal, state or local safety guidelines, whichever are more stringent; and (c) any substance, material or chemical which is defined as or included in the definition of "hazardous substances", "toxic substances", "hazardous materials", "hazardous wastes" or words of similar import under any federal, state or local statute, law, code, or ordinance or under the regulations adopted or guidelines promulgated pursuant thereto, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §9061 et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. §1801, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901, et seq.; and the Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251, et seq., provided, however, that the term "Hazardous Material" shall not include (x) motor oil and gasoline contained in or discharged from vehicles not used primarily for the transport of motor oil or gasoline, (y) mold or (z) materials which are stored or used in the ordinary course of operating the Real Property.

(h) Due Authority. This Agreement has been duly authorized, executed, and delivered by, and is binding upon, Seller, and each agreement, instrument and document herein provided to be executed by Seller on the Closing Date will be duly authorized, executed, and delivered by, and be binding upon, Seller, and enforceable against Seller in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws of general application affecting the rights and remedies of creditors. Seller is a corporation, duly organized and validly existing and in good standing under the laws of the State of New Jersey, and is, or on the Closing Date will be, duly authorized and qualified to do all things required of it under this Agreement.

Notwithstanding anything contained in this Agreement to the contrary, but subject to the terms of Sections 7.2.2 and 7.2.3, the representations and warranties of Seller set forth in Sections 7.1.1(a) and 7.1.1(b) exclude, and Seller is not providing any representation or warranty, as to any contracts, leases, licenses or agreements that are terminated prior to the Closing or that Purchaser has elected to terminate in accordance with this Agreement. The provisions of this paragraph shall survive the Closing.

Notwithstanding anything contained in this Agreement to the contrary, (i) if any of the representations or warranties of Seller contained in this Agreement or in any document or instrument delivered in connection herewith are false or inaccurate or if Seller is in breach or default of any of its obligations under this Agreement and if either (x) on or prior to the expiration of the Due Diligence Period Purchaser shall have had actual knowledge of the false or inaccurate representations or warranties or other breach or default, or (y) the accurate state of facts pertinent to such false or inaccurate representations or warranties or evidence of such other breach or default was contained in any of the Information furnished or made available to or otherwise obtained by Purchaser on or prior to the expiration of the Due Diligence Period, then Seller shall have no liability or obligation respecting such representations or warranties that are false or inaccurate or such other breach or default (and Purchaser shall have no cause of action or right to terminate this Agreement with respect thereto), and the representations and warranties of Seller shall be deemed modified to the extent necessary to eliminate such false and inaccurate information and to make such representations and warranties true and accurate in all respects; and (ii) if any of the representations or warranties of Seller that survive Closing contained in this Agreement or in any document or instrument delivered in connection herewith are false or inaccurate, or if Seller is in breach or default of any of its obligations under this Agreement that survive Closing, and if either (x) following the expiration of the Due Diligence Period but prior to Closing, Purchaser shall obtain knowledge of such false or inaccurate representations or warranties or such other breach or default, or (y) the accurate state of facts pertinent to such false or inaccurate representations or warranties or evidence of such other breach or default was contained in any of the Information furnished or made available to or otherwise obtained by Purchaser following the expiration of the Due Diligence Period and the Transaction closes, then Purchaser shall be deemed to have waived such breach or default, Seller shall have no liability or obligation respecting such false or inaccurate representations or warranties or such other breach or default, and Purchaser shall have no cause of action with respect thereto. The provisions of this paragraph shall survive the Closing.

References to the "knowledge", "best knowledge" and/or "actual knowledge" of Seller or words of similar import shall refer only to the current actual (as opposed to implied or constructive) knowledge of Doug Wiener, the Director of Real Estate and Facilities for the Property, and shall not be construed, by imputation or otherwise, to refer to the knowledge of Seller or any parent, subsidiary or affiliate of Seller or to any other officer, agent, manager, representative or

employee of Seller or to impose upon Doug Wiener any duty to investigate the matter to which such actual knowledge, or the absence thereof, pertains. Notwithstanding anything to the contrary contained in this Agreement, Doug Wiener shall have no personal liability hereunder.

The representations and warranties of Seller set forth in this Section 7.1.1 shall survive the Closing for a period of two hundred seventy (270) days. In furtherance thereof, Purchaser acknowledges and agrees that it shall have no right to make any claim against Seller on account of any breach of any representations or warranties set forth in this Section 7.1.1 unless an action on account thereof shall be filed in a court of competent jurisdiction prior to the expiration of the survival period set forth in this paragraph. To the fullest extent permitted by law, the foregoing shall constitute the express intent of the parties to shorten the period of limitations for bringing claims on account of Seller's breach of its representations and warranties contained in this Section 7.1.1 if a longer period would otherwise be permitted by applicable law.

7.1.2 GENERAL DISCLAIMER. EXCEPT AS SPECIFICALLY SET FORTH IN SECTIONS 7.1.1 AND 11.1.1 OF THIS AGREEMENT, THE SALE OF THE PROPERTY HEREUNDER IS AND WILL BE MADE ON AN "AS IS", "WHERE IS," AND "WITH ALL FAULTS" BASIS, WITHOUT REPRESENTATIONS AND WARRANTIES OF ANY KIND OR NATURE, EXPRESS, IMPLIED OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY CONCERNING TITLE TO THE PROPERTY, THE PHYSICAL CONDITION OF THE PROPERTY (INCLUDING, WITHOUT LIMITATION, THE CONDITION OF THE SOIL, AIR, WATER OR THE IMPROVEMENTS), THE ENVIRONMENTAL CONDITION OF THE PROPERTY (INCLUDING, WITHOUT LIMITATION, THE PRESENCE OR ABSENCE OF HAZARDOUS SUBSTANCES ON OR AFFECTING THE PROPERTY), THE COMPLIANCE OF THE PROPERTY WITH APPLICABLE LAWS AND REGULATIONS (INCLUDING, WITHOUT LIMITATION, ZONING AND BUILDING CODES OR THE STATUS OF DEVELOPMENT OR USE RIGHTS RESPECTING THE REAL PROPERTY), THE FINANCIAL CONDITION OF THE PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY RESPECTING ANY INCOME, EXPENSES, CHARGES, LIENS OR ENCUMBRANCES, RIGHTS OR CLAIMS ON, AFFECTING OR PERTAINING TO THE PROPERTY OR ANY PART THEREOF. PURCHASER ACKNOWLEDGES THAT, DURING THE DUE DILIGENCE PERIOD, PURCHASER WILL EXAMINE, REVIEW AND INSPECT ALL MATTERS WHICH IN PURCHASER'S JUDGMENT BEAR UPON THE PROPERTY AND ITS VALUE AND SUITABILITY FOR PURCHASER'S PURPOSES. PURCHASER IS A SOPHISTICATED PURCHASER WHO IS FAMILIAR WITH THE OWNERSHIP AND OPERATION OF REAL ESTATE PROJECTS SIMILAR TO THE PROPERTY AND THAT PURCHASER HAS OR WILL HAVE ADEQUATE OPPORTUNITY TO COMPLETE ALL PHYSICAL AND FINANCIAL EXAMINATIONS (INCLUDING, WITHOUT LIMITATION, ALL OF THE EXAMINATIONS, REVIEWS AND INVESTIGATIONS REFERRED TO IN SECTION 4) RELATING TO THE ACQUISITION OF THE PROPERTY HEREUNDER IT DEEMS NECESSARY, AND WILL ACQUIRE THE SAME SOLELY ON THE BASIS OF AND IN RELIANCE UPON SUCH EXAMINATIONS AND THE TITLE INSURANCE PROTECTION AFFORDED BY THE OWNER'S POLICY AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER (OTHER THAN AS EXPRESSLY PROVIDED IN SECTIONS 7.1.1 AND 11.1.1 OF THIS AGREEMENT). EXCEPT AS TO MATTERS SPECIFICALLY SET FORTH IN THIS AGREEMENT: (A) PURCHASER WILL ACQUIRE THE PROPERTY SOLELY ON THE BASIS OF ITS OWN PHYSICAL AND FINANCIAL EXAMINATIONS, REVIEWS AND INSPECTIONS AND THE TITLE INSURANCE PROTECTION AFFORDED BY THE OWNER'S

POLICY, AND (B) WITHOUT LIMITING THE FOREGOING (OTHER THAN AS EXPRESSLY PROVIDED IN SECTIONS 7.1.1 AND 11.1.1 OF THIS AGREEMENT), PURCHASER WAIVES ANY RIGHT IT OTHERWISE MAY HAVE AT LAW OR IN EQUITY, INCLUDING, WITHOUT LIMITATION, THE RIGHT TO SEEK DAMAGES FROM SELLER IN CONNECTION WITH THE ENVIRONMENTAL CONDITION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY RIGHT OF CONTRIBUTION UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE COMPENSATION AND LIABILITY ACT. THE PROVISIONS OF THIS SECTION 7.1.2 SHALL SURVIVE THE CLOSING.

7.2 Interim Covenants of Seller. Until the Closing Date or the sooner termination of this Agreement in accordance with the terms and conditions of this Agreement:

7.2.1 Seller shall maintain the Property in substantially the same manner as prior hereto pursuant to Seller's normal course of business (which maintenance obligations shall not include any obligation to make capital expenditures or expenditures not incurred in Seller's normal course of business), subject to reasonable wear and tear and further subject to destruction by casualty or other events beyond the control of Seller.

7.2.2 Subject to the terms set forth in this Section 7.2.2, Seller may modify, extend, renew or terminate or permit the expiration of contracts or enter into any new contracts without Purchaser's consent. After the expiration of the Due Diligence Period, Seller shall not during the term of this Agreement modify, extend, renew or terminate contracts (except as a result of a default by the other party thereunder) or enter into any additional contracts without Purchaser's consent, which consent shall not be unreasonably withheld or delayed; provided, however, Purchaser's consent shall not be required if such contracts are cancelable upon not more than thirty (30) days' notice without premium or penalty. Purchaser's failure to disapprove any request for consent by Seller under this Section 7.2.2 within five (5) days following Seller's request therefor shall be deemed to constitute Purchaser's consent thereto.

7.2.3 (a) Prior to the expiration of the Due Diligence Period, Seller shall be entitled to enter into any modifications or terminations of existing leases at its sole option, exercisable in Seller's sole and absolute discretion, and shall provide copies of same to Purchaser promptly after the execution thereof. After the expiration of the Due Diligence Period, Seller shall not, during the term of this Agreement, enter into any new leases or, unless required by the term of existing leases, material modifications or terminations of existing leases, without the prior written consent of Purchaser, which consent may be granted or withheld in Purchaser's sole discretion. Notwithstanding the foregoing or anything to the contrary set forth in this Agreement, Purchaser's failure to disapprove any request for consent by Seller under this Section 7.2.3(a) within five (5) days following Seller's request therefor shall be deemed to constitute Purchaser's consent thereto.

(b) Notwithstanding anything to the contrary contained in this Agreement: (i) Seller makes no representations and assumes no responsibility with respect to the continued occupancy of the Property or any part thereof by any of the tenants, (ii) the removal of any of the tenants whether by summary proceedings or otherwise prior to the Closing Date shall not give rise to any claim on the part of Purchaser, and (iii) Purchaser agrees that it shall not be grounds for Purchaser's refusal to close this Transaction that (x) any of the tenants is no longer in possession or paying rent, is a holdover tenant or is in default under its lease on the Closing Date, or (y) any Contract has been terminated or any vendor that is a party to any Contract is in default under its

Contract on the Closing Date and that Purchaser shall accept title without an abatement in or credit against the Purchase Price. The provisions of this Section 7.2.3(b) shall survive the Closing.

7.2.4 Seller shall use commercially reasonable efforts to keep in force and effect the insurance policies currently carried by Seller with respect to the Property or policies providing similar coverage through the Closing Date.

7.3 Representations, Warranties and Covenants of Purchaser.

7.3.1 Representations and Warranties of Purchaser. Purchaser hereby represents and warrants to Seller that:

(a) Due Authority. This Agreement has been duly authorized, executed, and delivered by, and is binding upon, Purchaser, and each agreement, instrument and document herein provided to be executed by Purchaser on the Closing Date will be duly authorized, executed, and delivered by, and be binding upon, Purchaser, and enforceable against Purchaser in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws of general application affecting the rights and remedies of creditors. Purchaser is a limited liability company, duly organized, validly existing, and in good standing under the laws of the State of Delaware and is duly authorized and qualified to do all things required of it under this Agreement.

(b) Litigation. To the best of Purchaser's knowledge, there is no material pending or threatened litigation action against Purchaser that could reasonably be expected to adversely impact Purchaser's ability to perform its obligations under this Agreement.

(c) No Insolvency. Purchaser is not and, as of the Closing Date, Purchaser will not be, a debtor in any state or federal insolvency, bankruptcy or receivership proceeding.

(d) OFAC, PATRIOT Act, and Anti-Money Laundering Compliance. The amounts payable by Purchaser to Seller hereunder are not and were not, directly or indirectly, derived from activities in contravention of federal, state, or international laws and regulations (including, without limitation, anti-money laundering laws and regulations). None of (A) Purchaser; (B) any Person controlling or controlled by Purchaser, directly or indirectly, including but not limited to any Person or Persons owning, in the aggregate, a fifty percent (50%) or greater direct or indirect ownership interest in Purchaser; (C) any Person, if Purchaser is a privately-held entity, having a beneficial interest in Purchaser; or (D) any Person for whom Purchaser is acting as agent or nominee in connection with the Transaction; is: (1) a country, territory, government, individual or entity subject to sanctions under any Executive Order issued by the President of the United States or any regulation administered by Office of Foreign Assets Control of the United States Department of the Treasury; (2) a Foreign Terrorist Organization designated by the United States Department of State, or (3) an individual or entity who the Purchaser knows, or reasonably should know, has engaged in or engages in terrorist activity, or has provided or provides material support for terrorist activities or terrorist organizations, as prohibited by U.S. law, including but not limited to the USA PATRIOT Act, P.L. 107-56.

(e) Survival. The representations and warranties of Purchaser set forth in Section 7.3.1 shall survive the Closing for a period of two hundred seventy (270) days.

8. Release.

8.1 RELEASE. EFFECTIVE AS OF THE CLOSING, PURCHASER SHALL BE DEEMED TO HAVE RELEASED EACH OF THE SELLER RELATED PARTIES FROM ALL CLAIMS WHICH PURCHASER OR ANY AGENT, REPRESENTATIVE, AFFILIATE, EMPLOYEE, DIRECTOR, OFFICER, PARTNER, MEMBER, SERVANT, SHAREHOLDER OR OTHER PERSON OR ENTITY ACTING ON BEHALF OF OR OTHERWISE RELATED TO OR AFFILIATED WITH PURCHASER HAS OR MAY HAVE ARISING FROM OR RELATED TO ANY MATTER OR THING RELATED TO OR IN CONNECTION WITH THE PROPERTY INCLUDING, WITHOUT LIMITATION, THE DOCUMENTS AND INFORMATION REFERRED TO HEREIN, THE LEASES AND THE TENANTS THEREUNDER, THE CONTRACTS, ANY CONSTRUCTION DEFECTS, ERRORS OR OMISSIONS IN THE DESIGN OR CONSTRUCTION OF ALL OR ANY PORTION OF THE PROPERTY AND ANY ENVIRONMENTAL CONDITIONS, AND PURCHASER SHALL NOT LOOK TO ANY OF THE SELLER RELATED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH OF ITS EXPRESSED TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION. THIS RELEASE SHALL NOT BE APPLICABLE TO ANY CLAIMS ARISING OUT OF (A) THE EXPRESS COVENANTS, REPRESENTATIONS, OR WARRANTIES SET FORTH IN THIS AGREEMENT THAT SHALL EXPRESSLY SURVIVE THE CLOSING, OR (B) SELLER'S FRAUD IN CONNECTION WITH THE TRANSACTION.

AS PART OF THE PROVISIONS OF THIS PARAGRAPH, BUT NOT AS A LIMITATION THEREON, PURCHASER HEREBY AGREES, REPRESENTS AND WARRANTS THAT THE MATTERS RELEASED HEREIN ARE NOT LIMITED TO MATTERS WHICH ARE KNOWN OR DISCLOSED, AND PURCHASER HEREBY WAIVES ANY AND ALL RIGHTS AND BENEFITS WHICH IT NOW HAS, OR IN THE FUTURE MAY HAVE CONFERRED UPON IT, BY VIRTUE OF THE PROVISIONS OF FEDERAL, STATE OR LOCAL LAW, RULES OR REGULATIONS, INCLUDING, WITHOUT LIMITATION SECTION 1542 OF THE CIVIL CODE OF THE STATE OF CALIFORNIA, WHICH PROVIDES AS FOLLOWS:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

IN THIS CONNECTION AND TO THE FULLEST EXTENT PERMITTED BY LAW, PURCHASER HEREBY AGREES, REPRESENTS AND WARRANTS THAT PURCHASER REALIZES AND ACKNOWLEDGES THAT FACTUAL MATTERS NOW UNKNOWN TO PURCHASER MAY HAVE GIVEN OR MAY HEREAFTER GIVE RISE TO CAUSES OF ACTION, CLAIMS, DEMANDS, DEBTS, CONTROVERSIES, DAMAGES, COSTS, LOSSES AND EXPENSES WHICH ARE PRESENTLY UNKNOWN, UNANTICIPATED AND UNSUSPECTED, AND PURCHASER FURTHER AGREES, REPRESENTS AND WARRANTS THAT THE WAIVERS AND RELEASES HEREIN HAVE BEEN NEGOTIATED AND AGREED UPON IN LIGHT OF THAT REALIZATION AND THAT

PURCHASER NEVERTHELESS HEREBY INTENDS TO RELEASE, DISCHARGE AND ACQUIT EACH OF THE SELLER RELATED PARTIES FROM ANY SUCH UNKNOWN CAUSES OF ACTION, CLAIMS, DEMANDS, DEBTS, CONTROVERSIES, DAMAGES, COSTS, LOSSES AND EXPENSES WHICH MIGHT IN ANY WAY BE INCLUDED IN THE WAIVERS AND MATTERS RELEASED AS SET FORTH IN THIS PARAGRAPH. THE PROVISIONS OF THIS PARAGRAPH ARE MATERIAL AND INCLUDED AS A MATERIAL PORTION OF THE CONSIDERATION GIVEN TO SELLER BY PURCHASER IN EXCHANGE FOR SELLER'S PERFORMANCE HEREUNDER.

PURCHASER'S INITIALS: _____ SELLER'S INITIALS: _____

8.2 Survival. The provisions of this Section 8 shall survive the Closing or a termination of this Agreement.

9. Remedies For Default and Disposition of the Deposit.

9.1 SELLER DEFAULTS. IF THE TRANSACTION SHALL NOT BE CLOSED BY REASON OF SELLER'S BREACH OR DEFAULT UNDER THIS AGREEMENT, AND SUCH BREACH OR DEFAULT IS NOT CURED BY SELLER WITHIN TEN (10) DAYS AFTER WRITTEN NOTICE OF SUCH BREACH OR DEFAULT FROM PURCHASER, THEN PURCHASER SHALL HAVE, SUBJECT TO THE EXPRESS TERMS OF THIS SECTION 9.1, AS ITS SOLE AND EXCLUSIVE REMEDIES (ALL OTHER RIGHTS AND/OR REMEDIES, WHETHER AVAILABLE AT LAW OR IN EQUITY, BEING IRREVOCABLY WAIVED) THE RIGHT TO EITHER (A) TERMINATE THIS AGREEMENT (IN WHICH EVENT THE DEPOSIT SHALL BE PAID TO PURCHASER, SELLER SHALL PAY TO PURCHASER AN AMOUNT EQUAL TO PURCHASER'S REIMBURSABLE DUE DILIGENCE EXPENSES (AS HEREINAFTER DEFINED) AND NEITHER PARTY HERETO SHALL HAVE ANY FURTHER OBLIGATION OR LIABILITY TO THE OTHER EXCEPT FOR THE SURVIVING OBLIGATIONS, PURCHASER HEREBY WAIVING ANY RIGHT OR CLAIM TO DAMAGES FOR SELLER'S BREACH OR DEFAULT, OR (B) IF SELLER SHALL WILLFULLY FAIL TO TRANSFER THE PROPERTY PURSUANT TO AND IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT, SPECIFICALLY ENFORCE SELLER'S OBLIGATION TO TRANSFER THE PROPERTY (IT BEING ACKNOWLEDGED THAT THE REMEDY OF SPECIFIC PERFORMANCE SHALL NOT BE APPLICABLE TO ANY OTHER COVENANT OR AGREEMENT OF SELLER CONTAINED HEREIN); PROVIDED THAT ANY ACTION BY PURCHASER FOR SPECIFIC PERFORMANCE MUST BE FILED, IF AT ALL, WITHIN THIRTY (30) DAYS OF SELLER'S BREACH OR DEFAULT, AND THE FAILURE TO FILE WITHIN SUCH PERIOD SHALL CONSTITUTE A WAIVER BY PURCHASER OF SUCH RIGHT AND REMEDY. IF PURCHASER SHALL NOT HAVE FILED AN ACTION FOR SPECIFIC PERFORMANCE WITHIN THE AFOREMENTIONED TIME PERIOD OR SO NOTIFIED SELLER OF ITS ELECTION TO TERMINATE THIS AGREEMENT, PURCHASER SHALL BE DEEMED FOR ALL PURPOSES OF THIS AGREEMENT TO HAVE ELECTED TO TERMINATE THIS AGREEMENT IN ACCORDANCE WITH CLAUSE (A) ABOVE. IF SPECIFIC PERFORMANCE IS UNAVAILABLE BECAUSE SELLER HAS SOLD THE PROPERTY TO A BONA FIDE PURCHASER FOR VALUE FOR A PURCHASE PRICE IN EXCESS OF THE PURCHASE PRICE, PURCHASER SHALL HAVE THE RIGHT TO SUE SELLER FOR "BENEFIT OF THE BARGAIN" DAMAGES (I.E. THE DIFFERENCE

BETWEEN THE PURCHASE PRICE PAID BY SUCH BONA FIDE PURCHASER AND THE PURCHASE PRICE); PROVIDED, HOWEVER, THAT AS A CONDITION PRECEDENT TO PURCHASER EXERCISING ANY RIGHT IT MAY HAVE TO BRING SUCH A DAMAGE ACTION AS A RESULT OF SELLER'S SALE OF THE PROPERTY TO A BONA FIDE PURCHASER FOR VALUE, PURCHASER MUST COMMENCE SUCH AN ACTION WITHIN THIRTY (30) DAYS AFTER THE OCCURRENCE OF SUCH BREACH OR DEFAULT AND PURCHASER AGREES THAT FAILURE TO TIMELY COMMENCE SUCH ACTION FOR "BENEFIT OF THE BARGAIN" DAMAGES WITHIN SUCH THIRTY (30) DAY PERIOD SHALL BE DEEMED A WAIVER OF SUCH RIGHT TO COMMENCE SUCH ACTION. AS USED HEREIN, "PURCHASER'S REIMBURSABLE DUE DILIGENCE EXPENSES" SHALL MEAN AND REFER TO THIRD-PARTY OUT-OF-POCKET EXPENSES ACTUALLY INCURRED BY PURCHASER IN CONNECTION WITH (1) THE NEGOTIATION AND PREPARATION OF THIS AGREEMENT, INCLUDING ATTORNEYS' FEES, (2) PURCHASER'S INVESTIGATIONS UNDER THIS AGREEMENT PRIOR TO THE TERMINATION OF THIS AGREEMENT, OR (3) PURCHASER'S FINANCING OF THE TRANSACTION; PROVIDED, HOWEVER, (I) IN NO EVENT SHALL SELLER BE OBLIGATED UNDER THIS AGREEMENT TO REIMBURSE PURCHASER FOR PURCHASER'S REIMBURSABLE DUE DILIGENCE EXPENSES (IN THE AGGREGATE) IN EXCESS OF TWENTY-FIVE THOUSAND DOLLARS ($25,000.00) AND (II) SELLER'S OBLIGATION HEREUNDER TO REIMBURSE PURCHASER FOR PURCHASER'S REIMBURSABLE DUE DILIGENCE EXPENSES SHALL RELATE ONLY TO PURCHASER'S REIMBURSABLE DUE DILIGENCE EXPENSES WITH RESPECT TO WHICH PURCHASER DELIVERS TO SELLER A THIRD-PARTY INVOICE (WITH REASONABLE SUPPORTING INFORMATION AND DOCUMENTATION AND EVIDENCE OF PAYMENT) WITHIN THIRTY (30) DAYS AFTER THE DATE ON WHICH PURCHASER GIVES SELLER WRITTEN NOTICE OF PURCHASER'S TERMINATION OF THIS AGREEMENT. NOTWITHSTANDING THE FOREGOING OR ANYTHING TO THE CONTRARY IN THIS AGREEMENT, EXCEPT IN CONNECTION WITH AN ACTION FOR SPECIFIC PERFORMANCE PURSUANT TO THIS SECTION 9.1, PURCHASER HEREBY WAIVES ANY RIGHT TO FILE ANY LIS PENDENS, NOTICE OF PENDENCY OF ACTION OR OTHER SIMILAR NOTICE OR FORM OF ATTACHMENT AGAINST THE PROPERTY.

9.2 PURCHASER DEFAULTS. IF THE TRANSACTION SHALL NOT BE CLOSED BY REASON OF PURCHASER'S BREACH OR DEFAULT UNDER THIS AGREEMENT, AND SUCH BREACH OR DEFAULT IS NOT CURED BY PURCHASER WITHIN TEN (10) DAYS AFTER WRITTEN NOTICE OF SUCH BREACH OR DEFAULT FROM SELLER (WHICH NOTICE AND CURE PERIOD SHALL NOT APPLY TO A DEFAULT BY PURCHASER ON THE SCHEDULED CLOSING DATE AND SHALL, IN NO EVENT, EXTEND THE SCHEDULED CLOSING DATE), THEN THIS AGREEMENT SHALL TERMINATE AND THE RETENTION OF THE DEPOSIT SHALL BE SELLER'S SOLE AND EXCLUSIVE REMEDY UNDER THIS AGREEMENT, SUBJECT TO THE SURVIVING OBLIGATIONS; PROVIDED, HOWEVER, NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED TO LIMIT SELLER'S RIGHTS OR DAMAGES UNDER ANY INDEMNITIES GIVEN BY PURCHASER TO SELLER UNDER THIS AGREEMENT OR LIMIT SELLER'S RIGHTS OR REMEDIES IF PURCHASER FILES OR CAUSES TO BE FILED ANY LIS PENDENS, NOTICE OF PENDENCY OF ACTION, OR OTHER SIMILAR NOTICE OR FORM OF ATTACHMENT AGAINST THE PROPERTY IN ANY INSTANCE OTHER THAN AS EXPRESSLY PROVIDED

IN SECTION 9.1 OR LIMIT SELLER'S RIGHTS UNDER THE PROVISIONS OF SECTION 4.2.2(F) OF THIS AGREEMENT. IN CONNECTION WITH THE FOREGOING, PURCHASER EXPRESSLY AGREES THAT THE PROVISIONS OF THIS SECTION 9.2 ARE REASONABLE UNDER THE CIRCUMSTANCES AND THE PARTIES RECOGNIZE THAT SELLER WILL INCUR EXPENSE IN CONNECTION WITH THE TRANSACTION AND THAT THE PROPERTY WILL BE REMOVED FROM THE MARKET; FURTHER, THAT IT IS EXTREMELY DIFFICULT AND IMPRACTICABLE TO ASCERTAIN THE EXTENT OF DETRIMENT TO SELLER CAUSED BY THE BREACH OR DEFAULT BY PURCHASER UNDER THIS AGREEMENT AND THE FAILURE OF THE CONSUMMATION OF THE TRANSACTION OR THE AMOUNT OF COMPENSATION SELLER SHOULD RECEIVE AS A RESULT OF PURCHASER'S BREACH OR DEFAULT.

IN PLACING THEIR INITIALS AT THE PLACES PROVIDED, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY WAS REPRESENTED BY COUNSEL WHO EXPLAINED THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION AT THE TIME THIS AGREEMENT WAS MADE. THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677. UPON BREACH OR DEFAULT BY PURCHASER, THIS AGREEMENT SHALL BE TERMINATED AND NEITHER PARTY SHALL HAVE ANY FURTHER RIGHTS OR OBLIGATIONS HEREUNDER, EACH TO THE OTHER, EXCEPT FOR THE RIGHT OF SELLER TO COLLECT SUCH LIQUIDATED DAMAGES FROM PURCHASER. FURTHERMORE, EXCEPT FOR PURCHASER'S RIGHT TO SPECIFICALLY ENFORCE THIS AGREEMENT PURSUANT TO SECTION 9.1, PURCHASER SHALL HAVE NO RIGHT TO SEEK DECLARATORY AND/OR INJUNCTIVE RELIEF AND/OR EQUITABLE RELIEF, OR TO RECORD A NOTICE OF THIS AGREEMENT OR ANY RIGHTS PURCHASER MAY HAVE HEREUNDER, OR TO RECORD OR FILE A NOTICE OF PENDENCY OF ANY ACTION OR PROCEEDINGS TO ENFORCE THIS AGREEMENT.

PURCHASER'S INITIALS: _____ SELLER'S INITIALS: _____

9.3 Disposition of Deposit. If the Transaction shall close, then the Deposit shall be applied as a partial payment of the Purchase Price.

9.4 Survival. The provisions of this Section 9 shall survive a termination of this Agreement.

10. Intentionally Omitted.

11. Miscellaneous.

11.1 Brokers.

11.1.1 Except as provided in Section 11.1.2 below, Seller represents and warrants to Purchaser, and Purchaser represents and warrants to Seller, that no broker or finder has been engaged by it, respectively, in connection with the Transaction. In the event of a claim for broker's or finder's

fee or commissions in connection with the sale contemplated by this Agreement, then Seller shall indemnify, defend and hold harmless Purchaser from the same if it shall be based upon any statement or agreement alleged to have been made by Seller, and Purchaser shall indemnify, defend and hold harmless Seller from the same if it shall be based upon any statement or agreement alleged to have been made by Purchaser.

11.1.2 If and only if the Transaction closes, Seller has agreed to pay a brokerage commission to Newmark Grubb Knight Frank ("**Broker**") pursuant to a separate written agreement with Broker, subject in all respects to the terms and conditions of such separate written agreement. Section 11.1.1 hereof is not intended to apply to leasing commissions incurred in accordance with this Agreement.

11.2 Limitation of Liability.

11.2.1 Notwithstanding anything to the contrary contained in this Agreement or any documents executed in connection herewith, if the Closing of the Transaction shall have occurred, (i) the aggregate liability of Seller arising pursuant to or in connection with the representations, warranties, indemnifications, covenants or other obligations (whether express or implied) of Seller under this Agreement or any document or certificate executed or delivered in connection herewith shall not exceed Two Hundred Nine-Five Thousand Dollars ($295,000.00) (the "**Liability Ceiling**") and (ii) in no event shall Seller have any liability to Purchaser unless and until the aggregate liability of Seller arising pursuant to or in connection with the representations, warranties, indemnifications, covenants or other obligations (whether express or implied) of Seller under this Agreement or any document or certificate executed or delivered in connection herewith shall exceed Twenty-Five Thousand Dollars ($25,000) (the "**Liability Floor**"). If Seller's aggregate liability to Purchaser shall exceed the Liability Floor, then Seller shall be liable for the entire amount thereof up to but not exceeding the Liability Ceiling.

11.2.2 None of the Seller Related Parties shall have any personal liability, directly or indirectly, under or in connection with this Agreement or any agreement made or entered into under or pursuant to the provisions of this Agreement, or any amendment or amendments to any of the foregoing made at any time or times, heretofore or hereafter, and Purchaser and its successors and assigns and, without limitation, all other Persons, shall look solely to Seller's assets for the payment of any claim or for any performance, and Purchaser, on behalf of itself and its successors and assigns, hereby waives any and all such personal liability.

11.3 Exhibits; Entire Agreement; Modification. All exhibits attached and referred to in this Agreement are hereby incorporated herein as if fully set forth in (and shall be deemed to be a part of) this Agreement. This Agreement contains the entire agreement between the parties respecting the matters herein set forth and supersedes any and all prior agreements between the parties hereto respecting such matters. This Agreement may not be modified or amended except by written agreement signed by both parties.

11.4 Business Days. Whenever any action must be taken (including the giving of notice or the delivery of documents) under this Agreement during a certain period of time (or by a particular date) that ends (or occurs) on a non-Business Day, then such period (or date) shall be extended until the next succeeding Business Day. As used herein, the term "**Business Day**" shall be deemed to mean any day, other than a Saturday or Sunday, on which commercial banks in the State of California are not required or are authorized to be closed for business.

11.5 Interpretation. Section headings shall not be used in construing this Agreement. Each party acknowledges that such party and its counsel, after negotiation and consultation, have reviewed and revised this Agreement. As such, the terms of this Agreement shall be fairly construed and the usual rule of construction, to wit, that ambiguities in this Agreement should be resolved against the drafting party, shall not be employed in the interpretation of this Agreement or any amendments, modifications or exhibits hereto or thereto. Whenever the words "including", "include" or "includes" are used in this Agreement, they shall be interpreted in a non-exclusive manner. Except as otherwise indicated, all Exhibit and Section references in this Agreement shall be deemed to refer to the Exhibits and Sections in this Agreement.

11.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to principles of conflicts of law except as specifically provided in any exhibit hereto which provides that the law of another jurisdiction shall govern that exhibit, in which event the law of the specified jurisdiction shall govern that exhibit.

11.7 Construction. Each party hereto acknowledges that it has participated in the drafting of this Agreement, and any applicable rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in connection with the construction or interpretation hereof. Each party has been represented by independent counsel in connection with this Agreement.

11.8 Successors and Assigns. Purchaser may not assign or transfer its rights or obligations under this Agreement without the prior written consent of Seller, which consent may be given or withheld in the sole and absolute discretion of Seller; provided that, in the event of such an assignment or transfer, the transferee shall assume in writing all of the transferor's obligations hereunder (but Purchaser or any subsequent transferor shall not be released from its obligations hereunder). Notwithstanding and without limiting the foregoing, no consent given by Seller to any transfer or assignment of Purchaser's rights or obligations hereunder shall be deemed to constitute a consent to any other transfer or assignment of Purchaser's rights or obligations hereunder and no transfer or assignment in violation of the provisions hereof shall be valid or enforceable. Subject to the foregoing, this Agreement and the terms and provisions hereof shall inure to the benefit of and be binding upon the successors and assigns of the parties. Notwithstanding the foregoing, Purchaser shall have the right at the Closing, without Seller's prior written consent but with no less than ten (10) Business Days prior written notice to Seller, to assign its rights and obligations under this Agreement to a wholly owned affiliate of Purchaser (each, a "**Permitted Assignee**"), provided that (v) such assignment shall be made without payment or consideration other than nominal consideration, (w) the Permitted Assignee shall assume in writing all of Purchaser's obligations hereunder pursuant to an assignment and assumption agreement in form and content acceptable to Seller in the exercise of Seller's reasonable judgment, (x) Seller shall receive an original of such assignment and assumption agreement signed by Purchaser and the Permitted Assignee, (y) Purchaser shall remain liable jointly and severally with Permitted Assignee for all obligations and indemnifications hereunder notwithstanding such assignment, and (z) such assignment shall not require the consent of any third party or delay the consummation of the Transaction.

11.9 Notices. All notices, requests or other communications which may be or are required to be given, served or sent by either party hereto to the other shall be deemed to have been properly given if in writing and (a) delivered in person or by e-mail in a PDF attachment (with, except in connection with the delivery of a Termination Notice or Waiver Notice, a confirmation copy

delivered in person or by overnight delivery contemporaneously therewith), (b) by overnight delivery with any reputable overnight courier service, or (c) by deposit in any post office or mail depository regularly maintained by the United States Postal Office and sent by registered or certified mail, postage paid, return receipt requested, and shall be effective upon receipt (whether refused or accepted) and, in each case, addressed as follows:

To Seller: Spanish Broadcasting System Inc.
7007 NW 77th Avenue
Miami, FL 33166
Attention: Rich Lara
Telephone: (305) 441-6901
Email: rlara@sbscorporate.com

With a Copy To: Stroock & Stroock & Lavan LLP
200 S. Biscayne Boulevard, Suite 3100
Miami, FL 33131
Attention: James Sammataro, Esq.
Telephone: (305) 789-9388
Email: jsammataro@stroock.com

To Purchaser: Harbor Associates, LLC
200 Pine Avenue, Suite 630
Long Beach, CA 90802
Attention: Paul Miszkowicz
Telephone: (562) 436-4222
Email: paul@harborassociates.com

With a Copy To: Sklar Kirsh LLP
1880 Century Park East, Suite 300
Los Angeles, CA 90067
Attention: Andrew Kirsh, Esq.
Telephone: (310) 845-6416
Email: akirsh@sklarkirsh.com

To Escrowee: Chicago Title Insurance Company
711 Third Avenue – 5th Floor
New York, NY 10017
Attention: Vincent R. De Fina
Telephone: (2120 880-1271
Email: VinDeFina@ctt.com

11.10 Third Parties. Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement upon any other Person other than the parties hereto and their respective permitted successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third Persons to any party to this Agreement, nor shall any provision give any third parties any right of subrogation or action over or against any party to this Agreement. This Agreement is not intended to and does not create any third party beneficiary rights whatsoever.

11.11 Legal Costs. The parties hereto agree that they shall pay directly any and all legal costs which they have incurred on their own behalf in the preparation of this Agreement, all deeds and other agreements pertaining to the Transaction, and that such legal costs shall not be part of the closing costs.

11.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document. Executed copies hereof may be delivered by facsimile or by email in a PDF attachment, and upon receipt, shall be deemed originals and binding upon the parties hereto. Without limiting or otherwise affecting the validity of executed copies hereof that have been delivered by facsimile or by email in a PDF attachment, the parties shall use diligent efforts to deliver originals as promptly as possible after execution.

11.13 Effectiveness. In no event shall any draft of this Agreement create any obligation or liability, it being understood that this Agreement shall be effective and binding only when a counterpart hereof has been executed and delivered by each party hereto. Seller shall have the right to discontinue negotiations and withdraw any draft of this Agreement at any time prior to the full execution and delivery of this Agreement by each party hereto. Purchaser assumes the risk of all costs and expenses incurred by Purchaser in any negotiations or due diligence investigations undertaken by Purchaser with respect to the Property.

11.14 No Implied Waivers. No failure or delay of either party in the exercise of any right or remedy given to such party hereunder or the waiver by any party of any condition hereunder for its benefit (unless the time specified in this Agreement for exercise of such right or remedy has expired) shall constitute a waiver of any other or further right or remedy nor shall any single or partial exercise of any right or remedy preclude other or further exercise thereof or any other right or remedy. No waiver by either party of any breach hereunder or failure or refusal by the other party to comply with its obligations shall be deemed a waiver of any other or subsequent breach, failure or refusal to so comply.

11.15 Discharge of Seller's Obligations. Except as otherwise expressly provided in this Agreement, Purchaser's acceptance of the Deed shall be deemed a discharge of all of the obligations of Seller hereunder and all of Seller's representations, warranties, covenants and agreements in this Agreement shall merge in the documents and agreements executed at the Closing and shall not survive the Closing, except and to the extent that, pursuant to the express provisions of this Agreement, any of such representations, warranties, covenants or agreements are to survive the Closing.

11.16 No Recordation. Neither this Agreement nor any memorandum thereof shall be recorded and any attempted recordation hereof shall be void and shall constitute a default hereunder.

11.17 Unenforceability. If all or any portion of any provision of this Agreement shall be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision hereof, and such provision shall be limited and construed as if such invalid, illegal or unenforceable provision or portion thereof were not contained herein unless doing so would materially and adversely affect a party or the benefits that such party is entitled to receive under this Agreement.

11.18 **Waiver of Trial by Jury. TO THE FULLEST EXTENT PERMITTED BY LAW, SELLER AND PURCHASER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER ARISING IN TORT OR CONTRACT) BROUGHT BY EITHER AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT**.

11.19 Disclosure. Notwithstanding any terms or conditions in this Agreement to the contrary, any Person may disclose to any and all Persons, without limitation of any kind, the tax treatment and structure of the Transaction and all materials of any kind (including, without limitation, opinions or other tax analyses) that are provided relating to such tax treatment and tax structure. For the avoidance of doubt, this authorization is not intended to permit disclosure of the names of, or other identifying information regarding, the participants in the Transaction, or of any information or the portion of any materials not relevant to the tax treatment or structure of the Transaction.

11.20 Designation of Reporting Person. In order to assure compliance with the requirements of Section 6045 of the Code and any related reporting requirements of the Code, the parties hereto agree as follows:

11.20.1 The Title Company (for purposes of this Section, the "**Reporting Person**"), by its execution hereof, hereby assumes all responsibilities for information reporting required under Section 6045(e) of the Code.

11.20.2 Seller and Purchaser each hereby agree:

(a) to provide to the Reporting Person all information and certifications regarding such party, as reasonably requested by the Reporting Person or otherwise required to be provided by a party to the Transaction under Section 6045 of the Code; and

(b) to provide to the Reporting Person such party's taxpayer identification number and a statement (on Internal Revenue Service Form W-9 or an acceptable substitute form, or on any other form the applicable current or future Code sections and regulations might require and/or any form requested by the Reporting Person), signed under penalties of perjury, stating that the taxpayer identification number supplied by such party to the Reporting Person is correct.

(c) Each party hereto agrees to retain this Agreement for not less than four years from the end of the calendar year in which Closing occurred, and to produce it to the Internal Revenue Service upon a valid request therefor.

(d) The addresses for Seller and Purchaser are as set forth in Section 11.9 hereof, and the real estate subject to the transfer provided for in this Agreement is described in Exhibit A.

11.21 Tax Reduction Proceedings. If Seller has heretofore filed, or shall hereafter file, applications for the reduction of the assessed valuation of the Property and/or instituted certiorari proceedings to review such assessed valuations for any tax year, Purchaser acknowledges and agrees that Seller shall have sole control of such proceedings, including, without limitation, the right to withdraw, compromise and/or settle the same or cause the same to be brought on for trial and to take,

conduct, withdraw and/or settle appeals, and Purchaser hereby consents to such actions as Seller may take therein. Any refund or the savings or refund for any year or years prior to the tax year in which the Closing herein occurs shall belong solely to Seller. Any tax savings or refund for the tax year in which the Closing occurs shall be prorated between Seller and Purchaser after deduction of attorneys' fees and other expenses related to the proceeding and all sums payable to tenants under the Leases. Purchaser and Seller agree that all sums payable to tenants under the Leases on account of such tax savings or refund shall be promptly paid to such tenants following receipt of such tax savings or refund. Purchaser shall execute all consents, receipts, instruments and documents which may reasonably be requested in order to facilitate settling such proceeding and collecting the amount of any refund or tax savings. Purchaser shall assume the retainer of the attorney, if any, representing Seller in any tax proceeding pending for the tax year in which the Closing occurs and the subsequent tax year, if applicable.

11.22 Press Releases. Any press release or other public disclosure regarding this Agreement or the Transaction shall not be made without Seller's prior reasonable written consent.

11.23 California Required Natural Hazard Disclosure. Seller has commissioned Title Company to prepare the natural hazard disclosure statement in the form required by California Civil Code Section 1103. Purchaser acknowledges that the Transaction is not subject to that Civil Code Section, but that nevertheless the form promulgated therein serves to satisfy other statutory disclosure requirements of the Government Code and Public Resources Code. Seller does not warrant or represent either the accuracy or completeness of the information on that form, and Purchaser shall use same merely as a guideline in its overall investigation of the Property.

11.24 Post-Closing Lease.

11.24.1 Seller and Purchaser shall endeavor to agree, prior to the expiration of the Due Diligence Period, upon the form of a lease pursuant to which Seller or an affiliate thereof shall lease the Property from Purchaser following the Closing Date (the "**Post-Closing Lease**"), upon the following terms:

(a) a lease term of one (1) year from the Closing, provided that the tenant thereunder may terminate the Post-Closing Lease in its sole discretion at any time prior thereto upon thirty (30) day notice;

(b) monthly base rent of Seventy Thousand Dollars ($70,000) during the term of the Post-Closing Lease;

(c) during the term of the Post-Closing Lease, the tenant thereunder shall be responsible for all routine operating expenses and day-to-day maintenance expenses payable with respect to the property demised thereunder, provided, however, in no event shall Seller be obligated to pay for any capital expenditures, expenses or improvements of any kind made to or on the Property following the Closing; and

(d) during the term of the Post-Closing Lease, the tenant thereunder shall on a monthly basis reimburse Purchaser for (i) the insurance premiums paid by Purchaser in order to maintain the insurance required under the Post-Closing Lease in an amount not to exceed Eight Thousand Dollars ($8,000) per month, and (ii) real estate taxes assessed against the

property demised thereunder with respect to the term of the Post-Closing Lease in an amount not to exceed Four Thousand Dollars ($4,000) per month.

11.24.2 If Purchaser and Seller agree, in each party's sole discretion, upon the form of the Post-Closing Lease prior to the expiration of the Due Diligence Period, the parties shall execute an amendment to this Agreement memorializing the form of the Post-Closing Lease and deleting this Section 11.24 from this Agreement (the "**Post-Closing Lease Amendment**"). Notwithstanding anything to the contrary in this Agreement, Seller or Purchaser shall, in their sole discretion, have the right to terminate this Agreement at any time prior to the execution of the Post-Closing Lease Amendment, for any reason or no reason whatsoever, effective upon delivery of a notice to the other party electing to terminate this Agreement (a "**Post-Closing Lease Termination Notice**"). If (i) either party delivers a Post-Closing Lease Termination Notice prior to the expiration of the Due Diligence Period or (ii) the parties fail to execute the Post-Closing Lease Amendment prior to the expiration of the Due Diligence Period, for any reason whatsoever, TIME BEING OF THE ESSENCE, then, provided that Purchaser shall not be in default under this Agreement, the Deposit shall be promptly returned to Purchaser, and this Agreement and the obligations of the parties hereunder shall terminate (and no party hereto shall have any further obligation under this Agreement except for the Surviving Obligations). Purchaser shall deliver to Seller an initial draft of the Post-Closing Lease no later than two (2) days following the Effective Date.

11.25 Survival. The provisions of this Section 11 shall survive the Closing or a termination of this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

SELLER:

SPANISH BROADCASTING SYSTEM, INC., a New Jersey corporation

By: _____
Name:
Title:

PURCHASER:

HARBOR ASSOCIATES, LLC, a Delaware limited liability company

By: _____
Name:
Title:

JOINDER AS TO SECTION 11.20 ONLY:

CHICAGO TITLE INSURANCE COMPANY

By: _____
Name
Title

EXHIBIT A

(LAND)

THE LAND REFERRED TO HEREIN IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 1 AND 2 IN BLOCK 2 OF TRACT NO. 7260, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 78 PAGES 64 AND 65 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 4315-014-059

EXHIBIT B

(ADDITIONAL EXCEPTIONS TO TITLE)

1. An easement and rights incidental thereto as set forth in a Deed recorded in book 4651 page 356 of Official Records.

2. An easement and rights incidental thereto as set forth in a Deed recorded in book 4680 page 41 of Official Records.

3. A Subsurface Community Oil and Gas Lease as set forth in a document recorded May 21, 1959 as Instrument No. 2814, of Official Records.

4. A Covenant and Agreement to Hold Property as One Parcel recorded March 11, 1980 as Instrument No. 80-247646, of Official Records.

5. A Waiver of Damages, Indemnification Agreement and Right of Ingress and Egress-Covenant to Run with the Land recorded May 6, 1980 as Instrument No. 80-456650, of Official Records.

6. An Indemnification Agreement recorded May 8, 1980 as Instrument No. 80-467105, of Official Records.

7. A Covenant and Agreement to Provide Parking Attendant recorded May 8, 1980 as Instrument No. 80-467106, of Official Records.

8. An Irrevocable Offer to Dedicate recorded May 9, 1980 as Instrument No. 80-471519, of Official Records and a Resolution recorded May 5, 1982 as Instrument No. 82-465422, of Official Records.

9. A Warranty, Indemnification and Hold-Harmless Agreement recorded November 1, 1994 as Instrument No. 94-1974124, of Official Records.

10. A Memorandum of Lease recorded March 18, 1997 as Instrument No. 97-402471, of Official Records.

11. The Post-Closing Lease.

EXHIBIT C

(LITIGATION)

None.

EXHIBIT D

(DEED)

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

_____
_____
_____
_____

MAIL TAX STATEMENTS TO:

_____
_____
_____
_____

_____

(Above Space For Recorder's Use Only)

The undersigned Grantor declares:
Documentary transfer tax is
$ _____CITY TAX
$ _____

( ) computed on full value of property conveyed, or
( ) computed on full value, less value of liens and encumbrances remaining at time of sale,
( ) Unincorporated area (x) City of Los Angeles

GRANT DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, SPANISH BROADCASTING SYSTEM, INC., a New Jersey corporation ("Grantor"), hereby GRANTS to HARBOR ASSOCIATES, LLC, a Delaware limited liability company, the following described real property (the "Property") located in County of Los Angeles, State of California.

See Exhibit "A" attached hereto and
incorporated herein by this reference

THIS GRANT DEED is made subject to all exceptions of record with respect to the Property, all interests of tenants in possession of the Property, all zoning ordinances and regulations and any other laws, ordinances, or governmental regulations restricting or regulating the use, occupancy, or enjoyment of the Property, and all matters which a survey of the Property would disclose.

[*Signature page follows*]

DATED effective as of: May ___, 2017.

SPANISH BROADCASTING SYSTEM, INC.,
a New Jersey corporation

By: _____
Name:
Title:

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of _____)
County of _____)

On May ___, 2017, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 1 AND 2 IN BLOCK 2 OF TRACT NO. 7260, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 78 PAGES 64 AND 65 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 4315-014-059

EXHIBIT E

ASSIGNMENT AND ASSUMPTION OF LEASES AND CONTRACTS

THIS ASSIGNMENT AND ASSUMPTION OF LEASES AND CONTRACTS (this "**Assignment**") is executed as of the ____ day of May, 2017 by and between **SPANISH BROADCASTING SYSTEM, INC.**, a New Jersey corporation ("**Assignor**"), having an address c/o Spanish Broadcasting System, Inc., 7007 NW 77th Avenue, Miami, FL 33166 and **HARBOR ASSOCIATES, LLC**, a Delaware limited liability company, ("**Assignee**"), having an address having an address at 200 Pine Avenue, Suite 630, Long Beach, CA 90802. All capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in that certain Contract of Purchase and Sale dated as of May __, 2017, between Assignor and Assignee.

WHEREAS, Assignee is this day purchasing from Assignor and Assignor is conveying to Assignee the Property;

WHEREAS, the Property is encumbered by those certain tenants (the "**Tenants**") occupying space under the leases listed and described on Exhibit A annexed hereto (collectively, the "**Leases**");

WHEREAS, in connection with its ownership and management of the Property, Assignor has entered into those certain maintenance, service and supply contracts, and equipment leases listed and described on Exhibit B annexed hereto (collectively, the "**Contracts**"); and

WHEREAS, Assignor desires to transfer and assign to Assignee, and Assignee desires to assume as provided herein, all of Assignor's right, title and interest in and to the Leases and the Contracts.

NOW, THEREFORE, in consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignor hereby transfers and assigns to Assignee all right, title and interest of Assignor in and to the Leases and the Contracts.

2. Assignee hereby affirmatively and unconditionally assumes (i) all of Assignor's obligations and liabilities under the Leases and the Contracts arising from and after the date hereof, and (ii) all Purchaser Leasing Costs.

3. This Assignment shall constitute a direction and full authority to any person or entity that is a party to any of the Contracts to perform its obligation under the Contracts for the benefit of Assignee without further proof to any such party of the assignment to Assignee of the Contracts.

4. This Assignment is made without warranty, representation, or guaranty by, or recourse against Assignor of any kind whatsoever. Assignee shall be liable for and Assignee hereby indemnifies and holds harmless Assignor and any agent, advisor, representative, affiliate, employee, director, partner, member, beneficiary, investor, servant, shareholder, trustee or other person or entity acting on Assignor's behalf or otherwise related to or affiliated with Assignor (collectively, "**Assignor Related Parties**") against all claims, losses, damages, liabilities, costs, expenses (including reasonable attorneys' fees and disbursements) and charges Assignor or any of the

Assignor Related Parties may incur or suffer as a result of or which arises (directly or indirectly) out of the assumption by Assignee of the obligations or liabilities assumed by Assignee hereunder.

5. This Assignment may be executed in any number of counterparts, each of which may be executed by any one or more of the parties hereto, but all of which shall constitute one and the same instrument, and shall be binding and effective when all parties hereto have executed and delivered at least one counterpart.

6. The terms and provisions of this Assignment shall be binding upon and inure to the benefit of the respective parties hereto, and their respective successors and assigns.

[Remainder of Page Intentionally Omitted]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed as of the day and year first written above.

ASSIGNOR:

SPANISH BROADCASTING SYSTEM, INC., a New Jersey corporation

By: _____
Name:
Title:

ASSIGNEE:

HARBOR ASSOCIATES, LLC, a Delaware limited liability company

By: _____
Name:
Title:

EXHIBIT A

(List of Leases)

1. Communications Site Lease Agreement dated June 17, 1996, by and between Pacific Bell mobile Services, a California corporation ("Pacific Bell"), and Seller, as amended by that certain First Amendment to lease dated January 9, 1997, by and between Pacific Bell and Seller, and as further amended by that certain Second Amendment to Communications Site Lease Agreement dated August 12, 2015, by and between T-Mobile West LLC, a Delaware limited liability company (as successor-in-interest to Pacific Bell), and Seller.

2. Communications Site Lease Agreement (Building) dated August 2, 2000, by and between Nextel of California, Inc., a Delaware corporation ("Nextel"), and Seller, as amended by that certain Use of Electrical Services Letter Agreement dated March 24, 2003, by and between Nextel and Seller, as further amended by that certain Amendment No. 1 to Site Agreement dated July 26, 2007, by and between Nextel and Seller, and as further amended by that certain Utility Letter Agreement dated June 4, 2015, by and between Sprint PCS Assets L.L.C., a Delaware limited liability company (as successor-in-interest to Nextel), and Seller.

EXHIBIT B

(List of Maintenance, Service and Supply Contracts,
and Equipment Leases)

1. Platinum Maintenance Agreement by and between Thyssenkrupp Elevator Corporation and Seller.

EXHIBIT F

BILL OF SALE AND GENERAL ASSIGNMENT

THIS BILL OF SALE AND GENERAL ASSIGNMENT (this "**Assignment**") is executed as of the ____ day of May, 2017 by **SPANISH BROADCASTING SYSTEM, INC.**, a New Jersey corporation ("**Assignor**"), a having an address c/o Spanish Broadcasting System, Inc., 7007 NW 77th Avenue, Miami, FL 33166, in favor of **HARBOR ASSOCIATES, LLC**, a Delaware limited liability company ("**Assignee**"), having an address having an address at 200 Pine Avenue, Suite 630, Long Beach, CA 90802. All capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in that certain Contract of Purchase and Sale dated as of May __, 2017, between Assignor and Assignee.

WHEREAS, Assignee is this day purchasing from Assignor and Assignor is conveying to Assignee the Property.

WHEREAS, Assignor desires to assign, transfer, setover and deliver to Assignee all of Assignor's rights, if any, in and to the Personal Property and the Intangible Property (collectively, the "**Assigned Properties**") to the extent assignable.

NOW, THEREFORE, in consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignor hereby assigns, transfers, sets over and delivers to Assignee, its successors and assigns, all of Assignor's right, title and interest, if any, in and to the Assigned Properties.

2. This Assignment is made without warranty, representation, or guaranty by, or recourse against Assignor of any kind whatsoever.

3. This Assignment may be executed in any number of counterparts, each of which may be executed by any one or more of the parties hereto, but all of which shall constitute one and the same instrument, and shall be binding and effective when all parties hereto have executed and delivered at least one counterpart.

4. The terms and provisions of this Assignment shall be binding upon and inure to the benefit of the respective parties hereto, and their respective successors and assigns.

[Remainder of Page Intentionally Omitted]

IN WITNESS WHEREOF, Assignor has caused this Assignment to be duly executed as of the day and year first written above.

ASSIGNOR:

SPANISH BROADCASTING SYSTEM, INC., New Jersey corporation

By: _____
Name:
Title:

EXHIBIT G

CERTIFICATION OF NON-FOREIGN STATUS UNDER TREASURY REGULATIONS SECTION 1.1445-2(B)

(NON-DISREGARDED ENTITY GRANTOR/TRANSFEROR)

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. For U.S. tax purposes (including Section 1445), the owner of a disregarded entity (which has legal title to a U.S. real property interest under local law) will be the transferor of the property and not the disregarded entity. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by Spanish Broadcasting System, Inc., a New Jersey corporation ("**Seller**"), the undersigned hereby certifies the following on behalf of Seller:

1. Seller is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

2. Seller is not a disregarded entity as defined in § 1.1445-2(b)(2)(iii);

3. Seller's U.S. employer identification number is _____; and

4. Seller's office address is c/o Spanish Broadcasting System, Inc., 7007 NW 77th Avenue, Miami, FL 33166.

Seller understands that this certification may be disclosed to the Internal Revenue Service by transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of Seller.

Dated: May __, 2017

SPANISH BROADCASTING SYSTEM, INC., a New Jersey corporation

By: _____
Name:
Title:

EXHIBIT H

(FORM OF TENANT NOTICE)

SPANISH BROADCASTING SYSTEM, INC.
7007 NW 77th Avenue
Miami, FL 33166

May _, 2017

By Certified Mail -
Return Receipt Requested

_____
_____
_____
_____

Re: Lease (the "**Lease**") dated _____ between Spanish Broadcasting System, Inc. ("**Landlord**") and _____ encumbering certain real property located at 10281 Pico Boulevard, Los Angeles, California 90064 (the "**Property**")

Ladies and Gentlemen:

Please be advised that (1) Landlord has conveyed all of its right, title and interest in and to the Property, including its interest as landlord under the Lease, to HARBOR ASSOCIATES, LLC, a Delaware limited liability company ("**Purchaser**"), and (2) Purchaser has assumed Landlord's obligations under the Lease.

Accordingly, effective as of the date hereof, you are hereby notified and directed to deliver all future rent and additional rent payments due under the Lease, and any notices, inquiries or requests relating thereto, to Purchaser at:

_____
_____

[Remainder of Page Intentionally Left Blank]

In addition, all security deposits held by Landlord, if any, together with any interest earned thereon, have been transferred to Purchaser.

Very truly yours,

SPANISH BROADCASTING SYSTEM, INC.,
a New Jersey corporation

By: _____
Name:
Title:

EXHIBIT I

(FORM OF VENDOR NOTICE)

SPANISH BROADCASTING SYSTEM, INC.
7007 NW 77th Avenue
Miami, FL 33166

May _, 2017

By Certified Mail -
Return Receipt Requested

_____
_____
_____
_____

Re: Sale of 10281 Pico Boulevard, Los Angeles, California 90064 (the "**Property**")

Dear Vendor:

This is to notify you that the Property has been sold to HARBOR ASSOCIATES, LLC, a Delaware limited liability company ("**Purchaser**"). Purchaser has assumed all of the obligations of the undersigned under maintenance, service and supply contracts and equipment leases arising from and after the date hereof. All invoices and notices to Purchaser should be sent to Purchaser in the manner provided in the applicable contract or agreement to the following address:

Attention:
Facsimile:

For your records, the Purchaser's address is:

Attention:
Facsimile:

[Remainder of Page Intentionally Left Blank]

Thanks you for your consideration in this matter.

Very truly yours,

SPANISH BROADCASTING SYSTEM, INC.,
a New Jersey corporation

By: _____
Name:
Title:

EXHIBIT J

OWNER'S TITLE CERTIFICATE

The undersigned hereby certifies to the Title Company (as hereinafter defined), to the best of its knowledge, as follows:

1. _____ ("**Representative**"), in his/her capacity as _____ of **SPANISH BROADCASTING SYSTEM, INC.**, a New Jersey corporation ("**Owner**"), is authorized to make this Certificate for and on behalf of Owner and makes this Certificate solely in such capacity (and not personally).

2. Owner is the owner of the following described real property (the "**Property**"):

See Exhibit A attached hereto.

3. Owner is the only party in possession of the Property and no other party has possession, or has a right of possession under any tenancy, lease or other agreement, written or oral, other than the tenants listed on **Exhibit B** attached hereto.

4. Between the most recent effective date of that certain Commitment No. _____ (the "**Title Commitment**"), underwritten by Chicago Title Insurance Company (the "**Title Company**") and the date of recording of the documents creating the interest being insured under said title commitment but in no event later than five (5) business days from the date hereof, Owner has not taken and will not take any action to encumber or otherwise adversely affect title to the Property.

5. Other than those made in the ordinary course of Owner's operation and maintenance of the Property and except as set forth on **Exhibit C**, no additions, alterations or improvements contracted for by Owner or for which Owner is expressly obligated to pay or reimburse tenant(s) under its lease(s) with such tenant(s) are now in progress or have been made to the Property within the past ninety (90) days that have not been paid for by Owner.

6. No proceeding in bankruptcy has been instituted against Owner within the last 10 years, nor has Owner ever made a general assignment for the benefit of creditors.

To the extent the Title Company shall have knowledge as of the date hereof that any of the statements contained herein is false or inaccurate then the undersigned shall have no liability with respect to that statement. Without limitation of the foregoing, the Title Company shall be deemed to have knowledge of any matters of record in the official records of Los Angeles County, California.

This Certificate is being delivered solely for the purpose of inducing Title Company to issue its title insurance policy insuring title to the Property, and Owner avers the foregoing statements are true and correct to the best of its knowledge and belief. No third party shall have any right to rely upon or be a third party beneficiary with respect to the subject matter of this Certificate. As used herein, the words "to the best of its knowledge" or words of similar import, shall mean the present actual knowledge, without taking into account any constructive or imputed knowledge, of Representative. Notwithstanding anything to the contrary contained herein, Representative shall not

have any personal liability in connection with this Certificate or any of the representations, warranties or certifications made herein.

Dated as of May __, 2017.

[SIGNATURE ON FOLLOWING PAGE]

SPANISH BROADCASTING SYSTEM, INC.,
a New Jersey corporation

By: _____
Name:
Title:

EXHIBIT A

(Property Description)

THE LAND REFERRED TO HEREIN IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 1 AND 2 IN BLOCK 2 OF TRACT NO. 7260, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 78 PAGES 64 AND 65 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 4315-014-059

EXHIBIT B

(Tenants)

1. Pacific Bell Mobile Services
2. Nextel of California, Inc.

EXHIBIT C

(Unpaid Work)

EXHIBIT K

(LEASE EXHIBIT)

1. Communications Site Lease Agreement dated June 17, 1996, by and between Pacific Bell Mobile Services, a California corporation ("Pacific Bell"), and Seller, as amended by that certain First Amendment to Lease dated January 9, 1997, by and between Pacific Bell and Seller, and as further amended by that certain Second Amendment to Communications Site Lease Agreement dated August 12, 2015, by and between T-Mobile West LLC, a Delaware limited liability company (as successor-in-interest to Pacific Bell), and Seller.

2. Communications Site Lease Agreement (Building) dated August 2, 2000, by and between Nextel of California, Inc., a Delaware corporation ("Nextel"), and Seller, as amended by that certain Use of Electrical Services Letter Agreement dated March 24, 2003, by and between Nextel and Seller, as further amended by that certain Amendment No. 1 to Site Agreement dated July 26, 2007, by and between Nextel and Seller, and as further amended by that certain Utility Letter Agreement dated June 4, 2015, by and between Sprint PCS Assets L.L.C., a Delaware limited liability company (as successor-in-interest to Nextel), and Seller.

EXHIBIT L

(MAINTENANCE, SERVICE AND SUPPLY CONTRACTS, AND EQUIPMENT LEASES)

1. Platinum Maintenance Agreement by and between Thyssenkrupp Elevator Corporation and Seller.

EXHIBIT M

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "**Agreement**"), dated as of the ___ day of May**,** 2017, is among **CHICAGO TITLE INSURANCE COMPANY**, having an address at 711 Third Avenue, 5th Floor, New York, NY 10017 ("**Escrowee**"), **SPANISH BROADCASTING SYSTEM, INC.**, having an address at c/o Spanish Broadcasting System, Inc., 7007 NW 77th Avenue, Miami, FL 33166 ("**Seller**"), and **HARBOR ASSOCIATES, LLC**, having an address at 200 Pine Avenue, Suite 630, Long Beach, CA 90802 ("**Purchaser**").

W I T N E S S E T H

WHEREAS, Seller and Purchaser entered into that certain Contract of Purchase and Sale dated as of the date hereof, for the purchase and sale of the property located at 10281 Pico Boulevard, Los Angeles, California 90064 (the "**Property**"), as more particularly described therein (hereinafter referred to as the "**Contract**");

WHEREAS, the Contract provides for the terms and conditions applicable to the sale and purchase of the Property and the performance obligations and rights of Seller and Purchaser; and

WHEREAS, Seller and Purchaser agree, pursuant to the Contract, that Escrowee shall hold, in escrow the Deposit in accordance with the terms and conditions of the Contract and this Agreement. All capitalized terms used but not defined herein shall have the meaning set forth in the Contract.

NOW, THEREFORE, the parties hereto agree as follows:

1. Appointment of Agent.

1.1 Purchaser and Seller hereby appoint Escrowee to act as their escrow agent on the terms and conditions hereinafter set forth, and Escrowee accepts such appointment.

1.2 Escrowee agrees to hold the Deposit on behalf of the parties to the Contract, and to apply, disburse and deliver the Deposit as provided in the Contract and this Agreement. In the event of any conflict between the terms and conditions of the Contract and the terms or conditions of this Agreement, as to the obligations of Escrowee, the terms and conditions of this Agreement shall govern and control.

2. Disposition of the Deposit.

2.1 Escrowee shall hold the Deposit in an interest bearing savings account which rate of interest need not be maximized. Escrowee shall not commingle the Deposit with any other funds.

2.2 Escrowee shall pay the Deposit to Seller or otherwise in accordance with the terms of the Contract. If prior to the expiration of the Due Diligence Period, either party makes a demand upon Escrowee for delivery of the Deposit, Escrowee shall give notice to the other party of such demand. If a notice of objection to the proposed payment is not received from the other party

within seven (7) Business Days after the giving of notice by Escrowee, Escrowee is hereby authorized to deliver the Deposit to the party who made the demand. If Escrowee receives a notice of objection within said period, then Escrowee shall continue to hold the Deposit and thereafter pay it to the party entitled when Escrowee receives (a) notice from the objecting party withdrawing the objection, or (b) a notice signed by both parties directing disposition of the Deposit, or (c) a judgment or order of a court of competent jurisdiction.

2.3 Nothing in this Section 2 shall have any effect whatsoever upon Escrowee's rights, duties, and obligations under Section 3.

3. Concerning Escrowee.

3.1 Escrowee shall be protected in relying upon the accuracy, acting in reliance upon the contents, and assuming the genuineness of any notice, demand, certificate, signature, instrument or other document which is given to Escrowee without verifying the truth or accuracy of any such notice, demand, certificate, signature, instrument or other document;

3.2 Escrowee shall not be bound in any way by any other contract or understanding between Seller and Purchaser, whether or not Escrowee has knowledge thereof or consents thereto unless such consent is given in writing;

3.3 Escrowee's sole duties and responsibilities shall be to hold and disburse the Deposit in accordance with this Agreement and the Contract; provided, however, that Escrowee shall have no responsibility for the clearing or collection of the check representing the Deposit;

3.4 Upon the disbursement of the Deposit in accordance with this Agreement, Escrowee shall be relieved and released from any liability under this Agreement;

3.5 Escrowee may resign at any time upon at least ten (10) Business Days prior written notice to Seller and Purchaser hereto. If, prior to the effective date of such resignation, Seller and Purchaser hereto shall have approved, in writing, a successor escrow agent, then upon the resignation of Escrowee, Escrowee shall deliver the Deposit to such successor escrow agent. From and after such resignation and the delivery of the Deposit to such successor escrow agent, Escrowee shall be fully relieved of all of its duties, responsibilities and obligations under this Agreement, all of which duties, responsibilities and obligations shall be performed by the appointed successor escrow agent. If for any reason Seller and Purchaser shall not approve a successor escrow agent within such period, Escrowee may bring any appropriate action or proceeding for leave to deposit the Deposit with a court of competent jurisdiction, pending the approval of a successor escrow agent, and upon such deposit Escrowee shall be fully relieved of all of its duties, responsibilities and obligations under this Agreement;

3.6 Seller and Purchaser hereby agree to, jointly and severally, indemnify, defend and hold harmless Escrowee from and against any liabilities, damages, losses, costs or expenses incurred by, or claims or charges made against, Escrowee (including reasonable attorneys' fees and disbursements) by reason of Escrowee performing its obligations pursuant to, and in accordance with, the terms of this Agreement, but in no event shall Escrowee be indemnified for its negligence, willful misconduct or breach of the terms of this Agreement;

3.7 In the event that a dispute shall arise in connection with this Agreement or the Contract, or as to the rights of Seller and Purchaser in and to, or the disposition of, the Deposit, Escrowee shall have the right to (w) hold and retain all or any part of the Deposit until such dispute is settled or finally determined by litigation, arbitration or otherwise, or (x) deposit the Deposit in an appropriate court of law, following which Escrowee shall thereby and thereafter be relieved and released from any liability or obligation under this Agreement, or (y) institute an action in interpleader or other similar action permitted by stakeholders in the State of California, or (z) interplead Seller or Purchaser in any action or proceeding which may be brought to determine the rights of Seller and Purchaser to all or any part of the Deposit; and

3.8 Escrowee shall not have any liability or obligation for loss of all or any portion of the Deposit by reason of the insolvency or failure of the institution of depository with whom the escrow account is maintained.

4. Termination.

This Agreement shall automatically terminate upon the delivery or disbursement by Escrowee of the Deposit in accordance with the terms of the Contract and terms of this Agreement, as applicable.

5. Notices.

All notices, requests or other communications which may be or are required to be given, served or sent by either party hereto to the other shall be deemed to have been properly given if in writing and (a) delivered in person or by e-mail in a PDF attachment (with a confirmation copy delivered in person or by overnight delivery contemporaneously therewith), (b) by overnight delivery with any reputable overnight courier service, or (c) by deposit in any post office or mail depository regularly maintained by the United States Postal Office and sent by registered or certified mail, postage paid, return receipt requested, and shall be effective upon receipt (whether refused or accepted) and, in each case, addressed as follows:

If to Seller: Spanish Broadcasting System Inc.
7007 NW 77th Avenue
Miami, FL 33166
Attention: Rich Lara
Telephone: (305) 441-6901
Email: rlara@sbscorporate.com

With a copy to: Stroock & Stroock & Lavan LLP
200 S. Biscayne Boulevard, Suite 3100
Miami, FL 33131
Attention: James Sammataro, Esq.
Telephone: (305) 789-9388
Email: jsammataro@stroock.com

If to Purchaser: Harbor Associates, LLC
200 Pine Avenue, Suite 630
Long Beach, CA 90802
Attention: Paul Miszkowicz
Telephone: (562) 436-4222
Email: paul@harborassociates.com

With a copy to: Sklar Kirsh LLP
1880 Century Park East, Suite 300
Los Angeles, CA 90067
Attention: Andrew Kirsh, Esq.
Telephone: (310) 845-6416
Email: akirsh@sklarkirsh.com

To Escrowee: Chicago Title Insurance Company
711 Third Avenue – 5th Floor
New York, NY 10017
Attention: Vincent R. De Fina
Telephone: (2120 880-1271
Email: VinDeFina@ctt.com

6. Governing Law/Waiver of Trial by Jury.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES OF SUCH STATE. THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

7. Successors.

This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the parties hereto; provided, however, that except as expressly provided herein as to the Escrowee, this Agreement may not be assigned by any party without the prior written consent of the other parties.

8. Entire Agreement.

This Agreement, together with the Contract, contains the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

9. Amendments.

Except as expressly provided in this Agreement, no amendment, modification, termination, cancellation, rescission or supersession to this Agreement shall be effective unless it shall be in writing and signed by each of the parties hereto.

10. Counterparts and/or Facsimile Signatures.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document. Executed copies hereof may be delivered by facsimile, PDF or email, and upon receipt, shall be deemed originals and binding upon the parties hereto.

11. Severability.

If any provision of the Agreement or the application of any such provision to any person or circumstance shall be held invalid, illegal, or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof. Each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed and delivered this Escrow Agreement as of the date and year first above written.

CHICAGO TITLE INSURANCE COMPANY

By: _____
Name:
Title:

SPANISH BROADCASTING SYSTEM INC., a New Jersey corporation

By: _____
Name:
Title:

HARBOR ASSOCIATES, LLC, a Delaware limited liability company

By: _____
Name:
Title:

EXHIBIT N-1

(EXCLUDED PERSONAL PROPERTY)

- All signage and logos located on the exterior of the Real Property;
- Any satellite dish located in, on or otherwise affixed to the Real Property; and
- All radio, internet and television systems and equipment located in, on or otherwise affixed to the Real Property.

Including, without, limitation, the following:

Penthouse Roof

3) Belar AM direction loop receive antennae.
1) 6-foot open-grid microwave dish antenna.
1) 4-foot open-grid microwave dish antenna.
2) High-gain directional FM receive antennae.

Penthouse

1) 1/3 height, equipment rack, wall-mounted. Contains Microwave Tx, EAS rec'rs. GPS clock.

Fourth Floor

Master Control Room:

10) 7-foot (19" wide) equipment racks. Attached cable ladder on rear. All equipment mounted within.
1) Custom solid-state relay cabinet, wall-mounted.

KLAX-1 Studio:

1) 7-foot (19" wide) equipment rack.
1) Integrated equipment cabinet system with audio mixing console.
4) 3-foot (19" wide) under-counter racks. Misc. broadcast equipment.
1) 28-inch (19" wide) above-counter rack. Misc. broadcast equipment.
4) Truss-mounted HD robotic television cameras.
8) Various length, truss-mounted TV lighting fixtures.

KLAX-2 Studio:

1) Integrated equipment cabinet system with audio mixing console.
3) 3-foot (19" wide) under-counter racks. Misc. broadcast equipment.
2) 28-inch (19" wide) above-counter racks. Misc. broadcast equipment.

KXOL-1 Studio:

1) Integrated equipment cabinet system with audio mixing console.
2) 3-foot (19” wide) under-counter racks. Misc. broadcast equipment.
1) 28-inch (19” wide) above-counter rack. Misc. broadcast equipment.
2) Ceiling suspended studio monitor loudspeakers.

KXOL-2 Studio:

1) Integrated equipment cabinet system with audio mixing console.
3) 3-foot (19” wide) under-counter racks. Misc. broadcast equipment.
1) 28-inch (19” wide) above-counter racks. Misc. broadcast equipment.

MEGA-TV Control:

2) 6-foot (19” wide) equipment racks. Misc. broadcast equipment.
1) Truss-mounted HD robotic television cameras.
4) Various length, truss-mounted TV lighting fixtures.
1) 8 x 10’ green screen and backdrop hangers.

PHONE PBX Room:

1) 7-foot (19” wide) open-frame equipment rack. Contains 3 Mitel SX-200 PBX units.
1) 4-foot wall-mounted cable ladder.
2) Wall-mounted Music On Hold modules.

Third Floor

File Server Room:

1) 7-foot (19” wide) open-frame equipment rack. File servers, routers, switches.
1) 4-foot wall-mounted cable ladder.

Second Floor

File Server Room:

1) 7-foot (19” wide) equipment rack. File servers, routers, switches.

EXHIBIT N-2

(EXCLUDED INTANGIBLE PROPERTY)

[To be attached by Seller prior to the expiration of the Due Diligence Period]

Exhibit 31.1

CERTIFICATION

I, Raúl Alarcón, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spanish Broadcasting System, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ RAÚL ALARCÓN
Name: Raúl Alarcón
Title: Chairman of the Board of Directors, President and Chief Executive Officer

Date: August 14, 2017

Exhibit 31.2

CERTIFICATION

I, Joseph A. García, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spanish Broadcasting System, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ JOSEPH A. GARCÍA

Name: Joseph A. García

Title: Chief Financial Officer, Chief Administrative Officer, Senior Executive Vice President and Secretary

Date: August 14, 2017

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Spanish Broadcasting System, Inc. (the "Company") for the quarterly period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raúl Alarcón, Chairman of the Board of Directors, President and Chief Executive Officer of the Company, certify, as of the dates hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

/s/ RAÚL ALARCÓN

Name: Raúl Alarcón
Title: Chairman of the Board of Directors,
President and Chief Executive Officer

Date: August 14, 2017

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Spanish Broadcasting System, Inc. (the "Company") for the quarterly period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph A. García, Chief Financial Officer, Executive Vice President and Secretary of the Company, certify, as of the dates hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

/s/ JOSEPH A. GARCÍA

Name: Joseph A. García

Title: Chief Financial Officer, Chief Administrative Officer, Senior Executive Vice President and Secretary

Date: August 14, 2017