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, 2016

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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 ☒

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 8, 2016, 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”). These forward-looking statements are not based on historical facts, but rather reflect our current expectations concerning future results and events. These forward-looking statements generally can be identified by the use of statements that include phrases such as “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plan”, “project”, “foresee”, “likely”, “will” or other words or phrases with similar meanings. Similarly, statements that describe our objectives, plans or goals are, or may be, forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be different from any future results, performance and anticipated achievements expressed or implied by these statements. We do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to those described in our Annual Report on Form 10-K for the year ended December 31, 2015, and those described from time to time in our future reports filed with the Securities and Exchange Commission (the “SEC”).

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, 2016**	**December 31, 2015**
Current assets:		
Cash and cash equivalents	$ 16,540	$ 19,443
Receivables:		
Trade	29,772	34,415
Barter	165	231
	29,937	34,646
Less allowance for doubtful accounts	788	1,431
Net receivables	29,149	33,215
Prepaid expenses and other current assets	6,907	5,318
Total current assets	52,596	57,976
Property and equipment, net of accumulated depreciation of $73,860 in 2016 and $71,590 in 2015	29,567	30,460
FCC broadcasting licenses	323,961	319,356
Goodwill	32,806	32,806
Other intangible assets, net of accumulated amortization of $1,068 in 2016 and $1,020 in 2015	1,480	1,528
Assets held for exchange	—	2,794
Deferred tax assets	1,697	1,758
Other assets	461	531
Total assets	$ 442,568	$ 447,209
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 14,543	$ 16,552
Accrued interest	7,290	7,194
Unearned revenue	986	796
Other liabilities	15	30
Current portion of 12.5% senior secured notes due 2017, net of unamortized discount of $1,651 in 2016 and net of deferred financing costs of $2,840 in 2016	270,509	—
Current portion of other long-term debt	4,769	306
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, 2016 and December 31, 2015 and $60,431 and $55,565 of dividends payable as of June 30, 2016 and December 31, 2015, respectively.	150,980	146,114
Total current liabilities	449,092	170,992
Other liabilities, less current portion	3,010	3,007
Derivative instruments	124	220
12.5% senior secured notes due 2017, net of unamortized discount of $2,609 in 2015 and net of deferred financing costs of $4,535 in 2015	—	267,856
Other long-term debt, less current portion	—	4,616
Deferred income taxes	103,426	99,066
Total liabilities	555,652	545,757
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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, respectively	—	—
Class B common stock, $0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	—	—
Additional paid-in capital	525,807	525,344
Accumulated other comprehensive loss, net	(124)	(220)
Accumulated deficit	(638,771)	(623,676)
Total stockholders' deficit	(113,084)	(98,548)
Total liabilities and stockholders' deficit	$ 442,568	$ 447,209

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

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

	Three-Months Ended June 30, 2016	Three-Months Ended June 30, 2015	Six-Months Ended June 30, 2016	Six-Months Ended June 30, 2015
Net revenue	$ 35,260	$ 38,100	$ 66,873	70,242
Operating expenses:				
Engineering and programming	7,586	7,940	15,748	15,604
Selling, general and administrative	12,978	16,341	28,433	31,603
Corporate expenses	2,549	2,424	5,542	4,572
Depreciation and amortization	1,165	1,183	2,415	2,470
Total operating expenses	24,278	27,888	52,138	54,249
(Gain) loss on the disposal of assets	—	(72)	(3)	(78)
Impairment charges and restructuring costs	(26)	(137)	(26)	(137)
Operating income	11,008	10,421	14,764	16,208
Other (expense) income:				
Interest expense, net	(10,053)	(9,995)	(20,089)	(19,928)
Dividends on Series B preferred stock classified as interest expense	(2,434)	(2,434)	(4,867)	(4,867)
Loss before income taxes	(1,479)	(2,008)	(10,192)	(8,587)
Income tax expense	2,300	1,577	4,903	3,613
Net loss	$ (3,779)	$ (3,585)	$ (15,095)	(12,200)
Basic and Diluted net loss per common share	$ (0.52)	$ (0.49)	$ (2.08)	(1.68)
Weighted average common shares outstanding:				
Basic and Diluted	7,267	7,267	7,267	7,267
Net loss	$ (3,779)	$ (3,585)	$ (15,095)	(12,200)
Other comprehensive income, net of taxes- unrealized gain on derivative instrument	51	49	96	81
Total comprehensive loss	$ (3,728)	$ (3,536)	$ (14,999)	(12,119)

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, 2016
(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, 2015	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,344	$ (220)	$ (623,676)	$ (98,548)
Net loss	—	—	—	—	—	—	—	—	(15,095)	(15,095)
Stock-based compensation	—	—	—	—	—	—	463	—	—	463
Unrealized gain on derivative instrument	—	—	—	—	—	—	—	96	—	96
Balance at June 30, 2016	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,807	$ (124)	$ (638,771)	$ (113,084)

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, 2016	Six-Months Ended June 30, 2015
Cash flows from operating activities:		
Net loss	$ (15,095)	$ (12,200)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Dividends on Series B preferred stock classified as interest expense	4,867	4,867
(Gain) loss on the disposal of assets	(3)	(78)
Impairment and restructuring charges	(26)	(137)
Stock-based compensation	463	—
Depreciation and amortization	2,415	2,470
Net barter (income) loss	172	(115)
Provision for trade doubtful accounts	(126)	(830)
Amortization of deferred financing costs	1,695	1,685
Amortization of original issued discount	958	839
Deferred income taxes	4,421	3,830
Unearned revenue-barter	84	38
Changes in operating assets and liabilities:		
Trade receivables	3,869	(657)
Prepaid expenses and other current assets	(1,332)	(974)
Other assets	70	95
Accounts payable and accrued expenses	(1,643)	(911)
Accrued interest	96	(6)
Other liabilities	14	143
Net cash provided by (used in) operating activities	899	(1,941)
Cash flows from investing activities:		
Purchases of property and equipment	(1,752)	(724)
Proceeds from the sale of property and equipment	—	79
Cash payment related to station exchange	(1,897)	—
Net cash used in investing activities	(3,649)	(645)
Cash flows from financing activities:		
Payments of other debt	(153)	(169)
Net cash used in financing activities	(153)	(169)
Net decrease in cash and cash equivalents	(2,903)	(2,755)
Cash and cash equivalents at beginning of period	19,443	23,991
Cash and cash equivalents at end of period	$ 16,540	$ 21,236
Supplemental cash flows information:		
Interest paid	$ 17,347	$ 17,422
Income tax paid	$ 105	$ 199
Noncash investing and financing activities:		
Nonmonetary asset exchange	$ 2,794	$ —
Unrealized gain on derivative instruments	$ 96	$ 81

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, 2016 and December 31, 2015 and for the three- and six-month periods ended June 30, 2016 and 2015 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, 2015, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. 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, 2016 through the financial statements issuance date. The results of operations for the six-months ended June 30, 2016 are not necessarily indicative of the results for the entire year ending December 31, 2016, or for any other future interim or annual periods.

Our consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of June 30, 2016, we had a working capital deficit due primarily to three events, the reclassification of our Series B Preferred Stock as a current liability, the reclassification of our 12.5% Senior Secured Notes as a current liability, and the final payment on our promissory note relating to the acquisition of the Miami studio building being reclassified 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 repurchase the Series B preferred stock and its accumulated unpaid dividends. If we are successful in repaying or refinancing our 12.5% Senior Secured 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 9, the 12.5% Senior Secured Notes have a maturity date of April 15, 2017. We have engaged financial advisors to assist us in developing a comprehensive refinancing strategy that considers all of the Company's obligations under its debt and capital structure. Additionally, we are participating in the Broadcast Incentive Auction and evaluating the potential monetization of our television spectrum and other assets to generate cash proceeds that would be used to repay our outstanding notes in accordance with the Indenture.

The inability of the Company to repay, refinance and/or restructure its short term obligations could result in significant liquidity requirements on the company. As there can be no assurance that we will be able to successfully implement our strategy, this condition raises substantial doubt about the Company's 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.

We believe we will have sufficient cash on hand to make the final payment on the promissory note relating to the acquisition of the Miami studio building.

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, Compensation – *Stock Compensation (Topic 718).* This new standard's objective is to simplify certain aspects of the accounting for share-based payment award transactions, including (i) income tax consequences, (ii) classification of awards as either equity or liabilities, and (iii) classification on the statement of cash flows. This update is effective on a prospective, retrospective, and modified retrospective basis for annual and interim periods beginning after December 15, 2016 with early adoption permitted. We are currently evaluating the impact, if any, that this new standard will have on our financial position and results of operations.

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 assets and liabilities for the rights and obligations created by those leases and disclose key information about the leasing agreements. 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. We are currently evaluating the impact, if any, that this new standard will have on our financial position and results of operations.

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, that this new standard will have on our financial position and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements- Going Concern.* This new standard defines management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The standard is effective for annual reporting periods ending after December 15, 2016 and interim periods thereafter. The Company has elected to early adopt the accounting standard during the first quarter of 2016.

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. We are currently evaluating the impact, if any, that this new standard will have on our financial position and results of operations.

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. Pursuant to a Stockholder Agreement dated October 5, 2004 among CBS Radio, Mr. Alarcón and the Company (the "Stockholder Agreement") the holder of the Series C preferred stock is entitled to certain rights, including first negotiation rights in connection with the sale of certain of the Company's radio station assets and certain preemptive rights in respect to the Company's equity issuances.

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. Additionally, the Series C preferred stock votes on an as-converted basis equivalent to 760,000 shares of Class A common stock.

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 has agreed to assign the rights under the registration rights agreement and Stockholder Agreement to AAA Trust. The parties are expected to close on the Stock Purchase Agreement on or before September 2, 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 10 $^{3}/_{4}$% Series B cumulative exchangeable redeemable preferred stock, par value $0.01 per share (the "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 can 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 authorizes up to 350,000 shares of our Class A common stock for issuance, subject to adjustment in certain circumstances. The Omnibus Plan provides 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 is 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, 2016 and March 31, 2016, and changes during the quarter ended June 30, 2016, 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, 2016	443	$ 5.42		
Granted	—	—		
Exercised	—	—		
Forfeited	(25)	6.48		
Outstanding at June 30, 2016	418	$ 5.36	$ 196,650	8.5
Exercisable at June 30, 2016	223	$ 7.38	$ 97,500	6.8

The following table summarizes information about our stock options outstanding and exercisable at June 30, 2016 (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 - 49.99	223	195	$ 5.36	8.5	223	$ 7.38
	223	195	5.36	8.5	223	7.38

As of June 30, 2016, there was $0.4 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 1.1 years.

(e) Accumulated Other Comprehensive Loss

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

For the three-months ended June 30, 2016 and 2015, we reclassified from other comprehensive loss to interest expense $0.1 million. During the three-months ended June 30, 2016 and 2015, we recognized in other comprehensive income, net of taxes- an unrealized gain on derivative instrument of approximately $51 thousand and $49 thousand, respectively.

For the six-months ended June 30, 2016 and 2015, we reclassified from other comprehensive loss to interest expense $0.1 million. During the six-months ended June 30, 2016 and 2015, we recognized in other comprehensive income, net of taxes- an unrealized gain on derivative instrument of approximately $96 thousand and $81 thousand, respectively.

3. Basic and Diluted Net Loss Per Common Share

Basic net loss per common share was computed by dividing net 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 loss per share for the three- and six-month periods ended June 30, 2016 and 2015 (in thousands):

	Three-Months Ended June 30,		**Six-Months Ended June 30,**	
	2016	**2015**	**2016**	**2015**
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	399	86	409	78

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, 2016	Three-Months Ended June 30, 2015	Six-Months Ended June 30, 2016	Six-Months Ended June 30, 2015
Net revenue:				
Radio	$ 31,429	$ 34,492	$ 59,954	63,719
Television	3,831	3,608	6,919	6,523
Consolidated	$ 35,260	$ 38,100	$ 66,873	70,242
Engineering and programming expenses:				
Radio	$ 6,112	$ 6,163	$ 12,144	11,562
Television	1,474	1,777	3,604	4,042
Consolidated	$ 7,586	$ 7,940	$ 15,748	15,604
Selling, general and administrative expenses:				
Radio	$ 11,327	$ 15,485	$ 24,803	29,133
Television	1,651	856	3,630	2,470
Consolidated	$ 12,978	$ 16,341	$ 28,433	31,603
Corporate expenses:	$ 2,549	$ 2,424	$ 5,542	4,572
Depreciation and amortization:				
Radio	$ 475	$ 424	$ 963	931
Television	584	663	1,247	1,347
Corporate	106	96	205	192
Consolidated	$ 1,165	$ 1,183	$ 2,415	2,470
(Gain) loss on the disposal of assets, net:				
Radio	$ —	$ (62)	$ (3)	(68)
Television	—	1	—	1
Corporate	—	(11)	—	(11)
Consolidated	$ —	$ (72)	$ (3)	(78)
Impairment charges and restructuring costs:				
Radio	$ —	$ —	$ —	—
Television	—	—	—	—
Corporate	(26)	(137)	(26)	(137)
Consolidated	$ (26)	$ (137)	$ (26)	(137)
Operating income (loss):				
Radio	$ 13,515	$ 12,482	$ 22,047	22,161
Television	122	311	(1,562)	(1,337)
Corporate	(2,629)	(2,372)	(5,721)	(4,616)
Consolidated	$ 11,008	$ 10,421	$ 14,764	16,208
Capital expenditures:				
Radio	$ 897	$ 277	$ 1,279	450
Television	215	98	309	182
Corporate	63	64	164	92
Consolidated	$ 1,175	$ 439	$ 1,752	724

	June 30, 2016	December 31, 2015
Total Assets:		
Radio	$ 382,511	$ 392,926
Television	56,890	51,388
Corporate	3,167	2,895
Consolidated	$ 442,568	$ 447,209

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 operating losses reported through Q2 2016, management has not changed its valuation allowance position as of June 30, 2016, from December 31, 2015.

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.

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 2012 through 2015. The tax years that remain subject to assessment of additional liabilities by state, local, and Puerto Rico tax authorities are 2010 through 2015.

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 in the preliminary stages; however, based on the company's history of audits with the state, we do not anticipate any material tax impact, and thus have not set up a reserve.

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, 2016 and December 31, 2015.

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.

Litigation- Brevan Howard and Others Complaint

On December 27, 2013, River Birch Master Fund, L.P., P River Birch Ltd. (together, "River Birch") and Visium Catalyst Credit Master Fund, Ltd. (collectively with River Birch, "Initial Plaintiffs") brought a claim against us in the Delaware Court of Chancery (the "Court") seeking a declaratory judgment that a "Voting Rights Triggering Event" had occurred (as of April 15, 2010) under our certificate of designations for the Series B preferred stock (the "Certificate of Designations") as a result of our non-payment of dividends. The claim alleged that as a result of such Voting Rights Triggering Event, the incurrence of indebtedness for the purpose of purchasing our Houston television station and the issuance of our 12.5% Senior Secured Notes due 2017 (the "Notes") under the Indenture governing the Notes, among other things, were prohibited incurrences of indebtedness under the Certificate of Designations.

The Initial Plaintiffs further claim that we violated the Certificate of Designations by failing to take any actions or explore any options that would have given us legally available funds with which to repurchase the outstanding Series B preferred stock on October 15, 2013. In connection with their claims, Initial Plaintiffs also sought an injunction requiring us to repurchase the Series B preferred stock and an award of contract damages.

On January 17, 2014, we filed a motion to dismiss the complaint. On March 3, 2014, the complaint was amended to remove River Birch and add Brevan Howard Credit Catalyst Master Fund Ltd., Brevan Howard Master Fund, ALJ Capital I, LP, ALJ Capital II, LP, LJR Capital, LP, and Cedarview Opportunities Master Fund, LP (collectively with Visium Catalyst Credit Master Fund, Ltd., "Plaintiffs") as additional plaintiffs. We filed an Opening Brief in support of our Motion to Dismiss on March 31, 2014. Plaintiffs filed an answering brief to our Motion to Dismiss on April 30, 2014. Our reply brief was filed on May 16, 2014, and a hearing was held on our Motion to Dismiss on June 10, 2014. Following the hearing, the parties agreed to stay all proceedings relating to Count I (which seeks a declaration that a Voting Rights Triggering Event was in effect at all times after April 15, 2010), Count II (which alleges that SBS breached the Certificate of Designations by incurring indebtedness in 2011 and 2012) and Count IV (which alleges that SBS breached the implied covenant of good faith and fair dealing by deferring certain dividends) of the amended complaint. The stay has since been lifted. On June 27, 2014, the Court denied our motion to dismiss Count III (which alleges that SBS breached the Certificate of Designations by failing to redeem all of the Series B Preferred Stock on October 15, 2013) of the amended complaint. A hearing on our motion to dismiss Counts I, II and IV of the amended complaint was held on February 10, 2015. On May 19, 2015, the Court of Chancery granted our motion to dismiss Counts I, II and IV of the amended complaint. An order dismissing those Counts with prejudice was entered on May 22, 2015.

On May 20, 2016, the parties stipulated to a voluntary dismissal with prejudice of Count III of the amended complaint, which stipulation was granted by the Court on May 25, 2016. This matter is now closed.

Local Tax Assessment

The company has 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 accompanying financial statements. 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.

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 senior secured notes are 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 cumulative exchangeable redeemable preferred stock and the promissory notes payable were based upon either: (a) unobservable market quotes from a major financial institution taking into consideration the most recent activity or (b) discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 3 classification.

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

Description	Fair Value Hierarchy	June 30, 2016 Carrying Amount	June 30, 2016 Fair Value	December 31, 2015 Carrying Amount	December 31, 2015 Fair Value
12.5% senior secured notes due 2017	Level 2	$ 275.0	270.5	$ 275.0	281.2
10 3/4% Series B cumulative exchangeable redeemable preferred stock	Level 3	151.0	65.0	146.1	60.1
Promissory note payable	Level 3	4.8	4.4	4.9	4.2

Fair Value of Derivative Instruments

The following table represents required quantitative disclosures regarding fair values of our derivative instruments (in thousands).

		Fair value measurements at June 30, 2016		
		Liabilities		
Description	June 30, 2016 carrying value and balance sheet location of derivative instruments	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative designated as a cash flow hedging instrument:				
Interest rate swap liability	$ 124	—	124	—

		Fair value measurements at December 31, 2015		
		Liabilities		
Description	December 31, 2015 carrying value and balance sheet location of derivative instruments	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative designated as a cash flow hedging instrument:				
Interest rate swap liability	$ 220	—	220	—

The interest rate swap fair value is derived from the present value of the difference in cash flows based on the forward-looking LIBOR yield curve rates, as compared to our fixed rate applied to the hedged amount through the term of the agreement, less adjustments for credit risk. There were no transfers between Levels during the three- and six-month periods ended June 30, 2016 and 2015, respectively.

	Three-Months Ended June 30,		Six-Months Ended June 30,	
Interest rate swaps	2016	2015	2016	2015
Gain recognized in other comprehensive loss (effective portion)	$ 51	49	96	81

8. Derivative Instrument and Hedging Activity

On January 4, 2007, in connection with a promissory note issued for the acquisition of a building, we entered into a ten-year interest rate swap agreement for the original notional principal amount of $7.7 million whereby we agreed to pay a fixed interest rate of 6.31%, as compared to interest at a floating rate equal to one-month LIBOR plus 125 basis points. The interest rate swap amortization schedule is identical to the promissory note amortization schedule, which has an effective date of January 4, 2007, monthly notional reductions and an expiration date of January 4, 2017.

Our interest rate swap is governed by a master netting arrangement, which is required to be disclosed as a balance sheet offsetting item as follows (in thousands):

	As of June 30, 2016					
				Gross amounts not offset in the balance sheet		
Description	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheet	Net amounts of liabilities presented in the balance sheet	Financial Instruments	Cash collateral received	Net amount
Interest rate swap	$ 124	—	124	124	—	—

Description	As of December 31, 2015					
				Gross amounts not offset in the balance sheet		
	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheet	Net amounts of liabilities presented in the balance sheet	Financial Instruments	Cash collateral received	Net amount
Interest rate swap	$ 220	—	220	220	—	—

9. 12.5% Senior Secured Notes due 2017

On February 7, 2012 we closed our offering of $275 million in aggregate principal amount of 12.5% senior secured notes due 2017 (the "Notes"), due April 15, 2017, 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 the senior credit facility term loan, and to pay the transaction costs related to the offering. The Notes mature in April of 2017. Cash from operating activities will not be sufficient to repay the Notes. We have engaged financial advisors to assist us in developing a comprehensive refinancing strategy that considers all of the Company's obligations under its debt and capital structure. Additionally, we are participating in the Broadcast Incentive Auction and evaluating the potential monetization of our television spectrum and other assets to generate cash proceeds that would be used to repay our outstanding notes in accordance with the Indenture. The inability of the Company to repay, refinance and/or restructure its short term obligations could result in significant liquidity requirements on the company. As there can be no assurance that we will be able to successfully implement our strategy, this condition raises substantial doubt about the Company's ability to continue as a going-concern.

Interest

The Notes accrue interest at a rate of 12.5% per year. Interest on the Notes is paid semi-annually on each April 15 and October 15 (the "Interest Payment Date"), commencing on April 15, 2012. After April 15, 2013, interest will accrue at a rate of 12.5% per annum on (i) the original amount of the Notes plus (ii) any Additional Interest (as defined below) payable but unpaid in any prior interest period, payable in cash on each Interest Payment Date. Further, beginning on the Interest Payment Date occurring on April 15, 2013, additional interest will be payable at a rate of 2.00% per annum (the "Additional Interest") on (i) the original 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, (x) on the applicable Interest Payment Date or (y) on the earliest of the maturity date of the Notes, any acceleration of the Notes and any redemption of the Notes; provided that no Additional Interest will be payable on any Interest Payment Date if, for the applicable fiscal period, either (a) we record positive consolidated station operating income for our television segment or (b) our secured leverage ratio on a consolidated basis is less than 4.75 to 1.00.

The measurement periods that determine if Additional Interest is applicable for the respective Interest Payment Dates are as follows:

(1) Six-months ended December 31, 2012 or as of December 31, 2012 for the Interest Payment Date of April 15, 2013
(2) Last twelve months ended June 30, 2013 or as of June 30, 2013 for the Interest Payment Date of October 15, 2013
(3) Last twelve months ended December 31, 2013 or as of December 31, 2013 for the Interest Payment Date of April 15, 2014
(4) Last twelve months ended June 30, 2014 or as of June 30, 2014 for the Interest Payment Date of October 15, 2014
(5) Last twelve months ended December 31, 2014 or as of December 31, 2014 for the Interest Payment Date of April 15, 2015
(6) Last twelve months ended June 30, 2015 or as of June 30, 2015 for the Interest Payment Date of October 15, 2015
(7) Last twelve months ended December 31, 2015 or as of December 31, 2015 for the Interest Payment Date of April 15, 2016
(8) Last twelve months ended June 30, 2016 or as of June 30, 2016 for the Interest Payment Date of October 15, 2016
(9) Last twelve months ended December 31, 2016 or as of December 31, 2016 for the Interest Payment Date of April 15, 2017

Additional Interest during any given interest period, shall not be deemed to "accrue". Rather, Additional Interest becomes payable on a given Interest Payment Date (April 15 or October 15) unless the condition in either clause (a) or (b) above has been met as of that Interest Payment Date or unless the Television Segment has been divested or the Notes redeemed prior to that Interest Payment Date.

Although for the Additional Interest applicable periods (1), (2), (3), (4), (5), (6), (7), and (8) our secured leverage ratio was greater than 4.75 to 1.00, we recorded positive consolidated station operating income for our television segment for those respective periods (as defined in the Indenture). Therefore, no Additional Interest was incurred and/or payable for those respective Interest Payment Dates.

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 10) 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.

The Indenture contains certain customary representations and warranties, affirmative covenants and events of default which could, subject to certain conditions, cause the Notes to become immediately due and payable, including, but not limited to, the failure to make premium, principal or interest payments; failure by us to accept and pay for Notes tendered when and as required by the change of control and asset sale provisions of the Indenture; failure to comply with certain covenants in the Indenture; failure to comply with certain agreements in the Indenture for a period of 60 days following notice by the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding; failure to pay any debt within any applicable grace period after the final maturity or acceleration of such debt by the holders thereof because of a default, if the total amount of such debt unpaid or accelerated exceeds $15 million; failure to pay final judgments entered by a court or courts of competent jurisdiction aggregating $15 million or more (excluding amounts covered by insurance), which judgments are not paid, discharged or stayed, for a period of 60 days; and certain events of bankruptcy or insolvency.

As of June 30, 2016, we were in compliance with all of our covenants under our Indenture.

10. 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 cumulative exchangeable redeemable 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.

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").

Following the occurrence, and during the continuation, of the Voting Rights Triggering Event, holders of the outstanding Series B preferred stock are entitled to elect two directors to newly created positions on our Board of Directors, and we have been 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. 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. 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, 2016, the aggregate cumulative unpaid dividends on the outstanding shares of the Series B preferred stock was approximately $60.4 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").

11. 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 have filed an application to participate in the FCC's Broadcast Incentive Auction with our Puerto Rico television stations to potentially generate cash proceeds that are expected to be created by the auction process.

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 100 affiliate radio stations serving over 53 of the top U.S. Hispanic markets, including all the top 30 Hispanic markets. AIRE Radio Networks currently covers 90% of the coveted U.S. Hispanic market. Our AIRE Radio Networks reach over 11.0 million listeners in an average week with our targeted networks. For the six-months ended June 30, 2016 and 2015, our radio revenue was generated primarily from the sale of local, national and network advertising, and our radio segment generated 90% and 91% of our consolidated net revenue, respectively.

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, 2016 and 2015, our television revenue was generated primarily from the sale of local advertising and paid programming and generated 10% and 9% 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 simultaneously streams our stations' content, includes hundreds of curated playlists and has tools that enable users to personalize their mobile streaming preferences. These enhancements to our mobile app broadened the audience reach of our audio entertainment 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, 2016 and 2015, local revenue comprised 67% and 62% 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, 2016 and 2015, national revenue comprised 13% and 12% 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, 2016 and 2015, network revenue comprised 7% and 9% 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, 2016 and 2015, these revenues combined comprised approximately 13% and 17% 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 on the air. 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, 2016 and 2015

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

	Three-Months Ended June 30, 2016	Three-Months Ended June 30, 2015
Net revenue:		
Radio	$ 31,429	34,492
Television	3,831	3,608
Consolidated	$ 35,260	38,100
Engineering and programming expenses:		
Radio	$ 6,112	6,163
Television	1,474	1,777
Consolidated	$ 7,586	7,940
Selling, general and administrative expenses:		
Radio	$ 11,327	15,485
Television	1,651	856
Consolidated	$ 12,978	16,341
Corporate expenses:	$ 2,549	2,424
Depreciation and amortization:		
Radio	$ 475	424
Television	584	663
Corporate	106	96
Consolidated	$ 1,165	1,183
(Gain) loss on the disposal of assets, net:		
Radio	$ —	(62)
Television	—	1
Corporate	—	(11)
Consolidated	$ —	(72)
Impairment charges and restructuring costs:		
Radio	$ —	—
Television	—	—
Corporate	(26)	(137)
Consolidated	$ (26)	(137)
Operating income (loss):		
Radio	$ 13,515	12,482
Television	122	311
Corporate	(2,629)	(2,372)
Consolidated	$ 11,008	10,421

The following summary table presents a comparison of our results of operations for the three-months ended June 30, 2016 and 2015 (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, 2016	Three-Months Ended June 30, 2015
Net revenue	$ 35,260	38,100
Engineering and programming expenses	7,586	7,940
Selling, general and administrative expenses	12,978	16,341
Corporate expenses	2,549	2,424
Depreciation and amortization	1,165	1,183
(Gain) loss on disposal of assets, net of disposal costs	—	(72)
Impairment charges and restructuring costs	(26)	(137)
Operating income	11,008	10,421
Interest expense, net	(10,053)	(9,995)
Dividends on Series B preferred stock classified as interest expense	(2,434)	(2,434)
Income tax expense	2,300	1,577
Net loss	$ (3,779)	(3,585)

Net Revenue

The decrease in our consolidated net revenues of $2.8 million or 7% was due to decreases in our radio segment offset by an increase in our television segments' net revenues. Our radio segment net revenues decreased $3.1 million or 9%, due to decreases in special events, network and national revenue, which were partially offset by an increase in local sales. Our local sales increased in our Los Angeles, New York, Puerto Rico, and San Francisco markets, while our national sales decreased in our Chicago, San Francisco, Miami and New York markets. Our special events revenue decreased in our New York, Miami, Los Angeles, and Puerto Rico markets due to a decrease in scheduled events. Our television segment net revenues increased $0.2 million or 6%, due to the increases in local, national, and barter sales.

Engineering and Programming Expenses

The decrease in our consolidated engineering and programming expenses of $0.4 million was primarily due to the decreases in both our radio and television segments' expenses. Our radio segment expenses decreased $0.1 million or 1%, mainly due to decreases in personnel compensation and benefits, and programming bonuses. The decrease in our television segment expenses of $0.3 million or 17% related to reductions of acquired and originally produced programming costs.

Selling, General and Administrative Expenses

The decrease in our consolidated selling, general and administrative expenses of $3.4 million or 21% was due to the decreases in our radio segment expenses offset by increases in our television segment expenses. Our radio segment expenses decreased $4.2 million or 27%, mainly due to decreases in special events, commissions, and facilities expenses. Our television segment expenses increased $0.8 million or 93%, primarily due to increases in bad debt and barter expenses.

Corporate Expenses

The increase in corporate expenses of $0.1 million or 5% was mostly due to an increase in compensation and benefits, and stock-based compensation offset by a decrease in professional fees.

Operating Income

The increase in operating income of $0.6 million or 6% was primarily due to the decrease in net revenues offset by the decrease in operating expenses.

Income Tax Expense

The increase in income tax expense of $0.7 million was primarily a result of the tax amortization on some of our indefinite-lived intangible assets.

Net Loss

The decrease in net loss was primarily due to the increased operating income offset by an increase in income tax expense.

Comparison Analysis of the Operating Results for the Six-Months Ended June 30, 2016 and 2015

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

	Six-Months Ended June 30, 2016	Six-Months Ended June 30, 2015
Net revenue:		
Radio	$ 59,954	63,719
Television	6,919	6,523
Consolidated	$ 66,873	70,242
Engineering and programming expenses:		
Radio	$ 12,144	11,562
Television	3,604	4,042
Consolidated	$ 15,748	15,604
Selling, general and administrative expenses:		
Radio	$ 24,803	29,133
Television	3,630	2,470
Consolidated	$ 28,433	31,603
Corporate expenses:	$ 5,542	4,572
Depreciation and amortization:		
Radio	$ 963	931
Television	1,247	1,347
Corporate	205	192
Consolidated	$ 2,415	2,470
(Gain) loss on the disposal of assets, net:		
Radio	$ (3)	(68)
Television	—	1
Corporate	—	(11)
Consolidated	$ (3)	(78)
Impairment charges and restructuring costs:		
Radio	$ —	—
Television	—	—
Corporate	(26)	(137)
Consolidated	$ (26)	(137)
Operating income (loss):		
Radio	$ 22,047	22,161
Television	(1,562)	(1,337)
Corporate	(5,721)	(4,616)
Consolidated	$ 14,764	16,208

The following summary table presents a comparison of our results of operations for the six-months ended June 30, 2016 and 2015 (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, 2016	Six-Months Ended June 30, 2015
Net revenue	$ 66,873	70,242
Engineering and programming expenses	15,748	15,604
Selling, general and administrative expenses	28,433	31,603
Corporate expenses	5,542	4,572
Depreciation and amortization	2,415	2,470
(Gain) loss on disposal of assets, net of disposal costs	(3)	(78)
Impairment charges and restructuring costs	(26)	(137)
Operating income	14,764	16,208
Interest expense, net	(20,089)	(19,928)
Dividends on Series B preferred stock classified as interest expense	(4,867)	(4,867)
Income tax expense	4,903	3,613
Net loss	$ (15,095)	(12,200)

Net Revenue

The decrease in our consolidated net revenues of $3.4 million or 5% was due to decreases in our radio segment offset by an increase in our television segments' net revenues. Our radio segment net revenues decreased $3.8 million or 6%, due to decreases in special events and network revenue, which were partially offset by an increase in local and national sales. Our local sales increased in our New York, Los Angeles, Miami and San Francisco markets, while our national sales increased in our Los Angeles, New York, and Puerto Rico markets. Our special events revenue decreased in our Puerto Rico, New York, Miami, and Los Angeles markets due to a decrease in scheduled events. Our television segment net revenues increased $0.4 million or 6%, due to the increases in local, national, and barter sales.

Engineering and Programming Expenses

The increase in our consolidated engineering and programming expenses of $0.1 million was primarily due to the increase in our radio segments' expenses. Our radio segment expenses increased $0.6 million or 5%, mainly due to an increase transmission facility related taxes and the acquisition of digital programming content. This increase was offset by a decrease in our television segment expenses of $0.4 million or 11% related to reductions of acquired and originally produced programming costs.

Selling, General and Administrative Expenses

The decrease in our consolidated selling, general and administrative expenses of $3.2 million or 10% was due to the decreases in our radio segment expenses offset by increases in our television segment expenses. Our radio segment expenses decreased $4.3 million or 15%, mainly due to decreases in special events, commissions, personnel compensation and benefits, and bonus expenses, which were offset by increases in professional fees. Our television segment expenses increased $1.2 million or 47%, primarily due to increases in bad debt, commissions, rating services, and barter expenses.

Corporate Expenses

The increase in corporate expenses of $1.0 million or 21% was mostly due to an increase in compensation and benefits, and stock-based compensation offset by a decrease in professional fees.

Operating Income

The decrease in operating income of $1.4 million or 9% was due to the decrease in net revenues and increase in corporate expenses offset by a decrease in operating expenses.

Income Tax Expense

The increase in income tax expense of $1.3 million was primarily a result of the tax amortization on some of our indefinite-lived intangible assets.

Net Loss

The increase in net loss was primarily due to the decreased operating income and increase in 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 consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of June 30, 2016, we had a working capital deficit due primarily to three events, the reclassification of our Series B Preferred Stock as a current liability, the reclassification of our 12.5% Senior Secured Notes as a current liability, and the final payment on our promissory note relating to the acquisition of the Miami studio building being reclassified 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 repurchase the Series B preferred stock and its accumulated unpaid dividends. If we are successful in repaying or refinancing our 12.5% Senior Secured 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.

The 12.5% Senior Secured Notes (the “Notes”) have a maturity date of April 15, 2017. We have engaged financial advisors to assist us in developing a comprehensive refinancing strategy that considers all of the Company’s obligations under its debt and capital structure. Additionally, we are participating in the Broadcast Incentive Auction and evaluating the potential monetization of our television spectrum and other assets to generate cash proceeds that would be used to repay our outstanding notes in accordance with the Indenture.

The inability of the Company to repay, refinance and/or restructure its short term obligations could result in significant liquidity requirements on the company. As there can be no assurance, at this time, that we will be able to successfully implement our strategy, the conditions or events raise substantial doubt about the Company’s 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.

We believe we will have sufficient cash on hand to make the final payment on the promissory note relating to the acquisition of the Miami studio building.

Our primary sources of liquidity are our current cash and cash equivalents and the cash expected to be 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. Our ability to raise funds by increasing our indebtedness is currently precluded by the occurrence and continuation of the Voting Rights Triggering Event. The occurrence and continuation of the Voting Rights Triggering Event, our Certificate of Designations and the Indenture governing the Notes place other restrictions on us with respect to the sale of assets, liens, investments, dividends, debt repayments, transactions with affiliates, and consolidations and mergers, among other things.

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, including, among other things, required semi-annual interest payments pursuant to the Notes and capital expenditures. Cash from operating activities will not be sufficient to repay the Notes at their maturity date or to redeem the Series B Preferred Stock.

Assumptions (none of which can be assured) 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;
- we will not use cash flows from operating activities to repurchase 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 evaluate strategic media acquisitions and/or dispositions and strive 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. We engage 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. We anticipate that any future acquisitions would be financed through funds generated from equity financing, operations, asset sales or a combination of these or other available and/or permitted sources. 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 due 2017

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 the senior credit facility term loan, and to pay the transaction costs related to the offering. The Notes mature in April of 2017. Cash from operating activities will not be sufficient to repay the Notes. We have engaged financial advisors to assist us in developing a comprehensive refinancing strategy that considers all of the Company's obligations under its debt and capital structure. Additionally, we are participating in the Broadcast Incentive Auction and evaluating the potential monetization of our television spectrum and other assets to generate cash proceeds that would be used to repay our outstanding notes in accordance with the Indenture. The inability of the Company to repay, refinance and/or restructure its short term obligations could result in significant liquidity requirements on the company. As there can be no assurance that we will be able to successfully implement our strategy, this condition raises substantial doubt about the Company's ability to continue as a going-concern.

Interest

The Notes accrue interest at a rate of 12.5% per year. Interest on the Notes is paid semi-annually on each April 15 and October 15 (the "Interest Payment Date"), commencing on April 15, 2012. After April 15, 2013, interest will accrue at a rate of 12.5% per annum on (i) the original amount of the Notes plus (ii) any Additional Interest (as defined below) payable but unpaid in any prior interest period, payable in cash on each Interest Payment Date. Further, beginning on the Interest Payment Date occurring on April 15, 2013, additional interest will be payable at a rate of 2.00% per annum (the "Additional Interest") on (i) the original 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, (x) on the applicable Interest Payment Date or (y) on the earliest of the maturity date of the Notes, any acceleration of the Notes and any redemption of the Notes; provided that no Additional Interest will be payable on any Interest Payment Date if, for the applicable fiscal period, either (a) we record positive consolidated station operating income for our television segment or (b) our secured leverage ratio on a consolidated basis is less than 4.75 to 1.00.

The measurement periods that determine if Additional Interest is applicable for the respective Interest Payment Dates are as follows:

(1) Six-months ended December 31, 2012 or as of December 31, 2012 for the Interest Payment Date of April 15, 2013
(2) Last twelve months ended June 30, 2013 or as of June 30, 2013 for the Interest Payment Date of October 15, 2013
(3) Last twelve months ended December 31, 2013 or as of December 31, 2013 for the Interest Payment Date of April 15, 2014
(4) Last twelve months ended June 30, 2014 or as of June 30, 2014 for the Interest Payment Date of October 15, 2014
(5) Last twelve months ended December 31, 2014 or as of December 31, 2014 for the Interest Payment Date of April 15, 2015
(6) Last twelve months ended June 30, 2015 or as of June 30, 2015 for the Interest Payment Date of October 15, 2015

(7) Last twelve months ended December 31, 2015 or as of December 31, 2015 for the Interest Payment Date of April 15, 2016
(8) Last twelve months ended June 30, 2016 or as of June 30, 2016 for the Interest Payment Date of October 15, 2016
(9) Last twelve months ended December 31, 2016 or as of December 31, 2016 for the Interest Payment Date of April 15, 2017

Additional Interest during any given interest period, shall not be deemed to "accrue". Rather, Additional Interest becomes payable on a given Interest Payment Date (April 15 or October 15) unless the condition in either clause (a) or (b) above has been met as of that Interest Payment Date or unless the Television Segment has been divested or the Notes redeemed prior to that Interest Payment Date.

Although for the Additional Interest applicable periods (1), (2), (3), (4), (5), (6), (7), and (8) our secured leverage ratio was greater than 4.75 to 1.00, we recorded positive consolidated station operating income for our television segment for those respective periods (as defined in the Indenture). Therefore, no Additional Interest was incurred and/or payable for those respective Interest Payment Dates.

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 10 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 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.

The Indenture contains certain customary representations and warranties, affirmative covenants and events of default which could, subject to certain conditions, cause the Notes to become immediately due and payable, including, but not limited to, the failure to make premium, principal or interest payments; failure by us to accept and pay for Notes tendered when and as required by the change of control and asset sale provisions of the Indenture; failure to comply with certain covenants in the Indenture; failure to comply with certain agreements in the Indenture for a period of 60 days following notice by the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding; failure to pay any debt within any applicable grace period after the final maturity or acceleration of such debt by the holders thereof because of a default, if the total amount of such debt unpaid or accelerated exceeds $15 million; failure to pay final judgments entered by a court or courts of competent jurisdiction aggregating $15 million or more (excluding amounts covered by insurance), which judgments are not paid, discharged or stayed, for a period of 60 days; and certain events of bankruptcy or insolvency.

As of June 30, 2016, we were in compliance with all of our covenants under our Indenture.

Summary of Capital Resources

The following summary table presents a comparison of our capital resources for the six-months ended June 30, 2016 and 2015, 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 unaudited condensed consolidated financial statements and notes.

	Six-Months Ended June 30, 2016	Six-Months Ended June 30, 2015	Change $
Capital expenditures:			
Radio	$ 1,279	450	829
Television	309	182	127
Corporate	164	92	72
Consolidated	$ 1,752	$ 724	1,028
Net cash flows provided by (used in) operating activities	$ 899	(1,941)	2,840
Net cash flows used in investing activities	(3,649)	(645)	(3,004)
Net cash flows used in financing activities	(153)	(169)	16
Net (decrease) increase in cash and cash equivalents	$ (2,903)	(2,755)	

Capital Expenditures

The increase in our capital expenditures was primarily due to on-going development of the LaMusica digital application.

Net Cash Flows (Used In) Provided by Operating Activities

Changes in our net cash flows from operating activities were primarily a result of increased receivable collections offset by payments issued towards reducing payables and accruals.

Net Cash Flows (Used in) Provided by Investing Activities

Changes in our net cash used in investing activities were primarily a result of the cash used to acquire spectrum related assets in Puerto Rico and the ongoing development of the LaMusica digital platform.

Net Cash Flows (Used in) Provided by Financing Activities

Changes in our net cash used in from financing activities were a result of having eliminated certain leases that were present in the prior year.

Recent Developments

Related Party Transaction – Stock Purchase Agreement

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 has agreed to assign the rights under the registration rights agreement and Stockholder Agreement to AAA Trust. The parties are expected to close on the Stock Purchase Agreement on or before September 2, 2016.

NASDAQ Listing

On January 28, 2016, we received a written deficiency notice (the "Notice") from the NASDAQ Stock Market ("NASDAQ") advising us that the market value of our Class A Common Stock for the previous 30 consecutive business days had been below the minimum $15,000,000 required for continued listing on the NASDAQ Global Market pursuant to NASDAQ Listing Rule 5450 (b)(3)(C) (the "Rule").

Pursuant to NASDAQ Listing Rule 5810(c)(3)(D) (the "Listing Rule"), we are provided an initial grace period of 180 calendar days, or until July 26, 2016, to regain compliance with the Rule. The Notice further provided that NASDAQ would provide written confirmation stating that SBS had achieved compliance with the rule if at any time before July 26, 2016, the market value of its publicly held shares closed at $15,000,000 or more for a minimum of 10 consecutive business days.

We did not regain compliance with the rule by July 26, 2016 and received a letter from NASDAQ stating that unless we request an appeal, our Class A Common Stock will be scheduled for delisting at the opening of business on August 5, 2016. On August 3, 2016, we filed a request for a hearing to appeal the delisting. The hearing has been scheduled for September 8, 2016. There is no assurance that our appeal will be successful.

Local Tax Assessment

The company has 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 accompanying financial statements. 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.

FCC Broadcast Incentive Auction

We have filed applications to participate in the FCC's television spectrum incentive auction with television stations in Miami, Houston, and Puerto Rico to potentially generate cash proceeds that are expected to be created by the auction process. There can be no assurance that the FCC's television spectrum incentive auction will be successfully completed and any potential cash proceeds will be subsequently realized.

Exchange of Stations in Puerto Rico

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 further discussed in note 11 of the Notes to the Unaudited Condensed Consolidated Financial Statements.

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

In March 2016, the FASB issued ASU No. 2016-09, Compensation – *Stock Compensation (Topic 718).* This new standard's objective is to simplify certain aspects of the accounting for share-based payment award transactions, including (i) income tax consequences, (ii) classification of awards as either equity or liabilities, and (iii) classification on the statement of cash flows. This update is effective on a prospective, retrospective, and modified retrospective basis for annual and interim periods beginning after December 15, 2016 with early adoption permitted. We are currently evaluating the impact, if any, that this new standard will have on our financial position and results of operations.

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 assets and liabilities for the rights and obligations created by those leases and disclose key information about the leasing agreements. 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. We are currently evaluating the impact, if any, that this new standard will have on our financial position and results of operations.

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, that this new standard will have on our financial position and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements- Going Concern.* This new standard defines management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The standard is effective for annual reporting periods ending after December 15, 2016 and interim periods thereafter. The Company has elected to early adopt the accounting standard during the first quarter of 2016.

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. We are currently evaluating the impact, if any, that this new standard will have on our financial position and results of operations.

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, 2015. There have been no material changes to our critical accounting policies during the six-months ended June 30, 2016.

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. In November 2015, management concluded that a control deficiency with respect to the precision of the review of the calculation of the provision for income taxes constituted a material weakness in internal control over financial reporting and that our disclosure controls and procedures were not and would not be deemed effective until such time that the deficiency was considered remediated.

Management has since implemented the following remedial measures to improve the precision of the review of the calculation of the provision for income taxes:

1. The Company has engaged an independent third party tax expert to perform a detailed review of the income tax provision.

2. The Company developed a detailed set of checklists to outline and more clearly identify the review procedures that need to be performed specifically by the company's management and by the third party tax expert as part of their independent and combined reviews. The checklists include procedures designed to verify the accuracy and completeness of data, to identify additional areas of potential tax and accounting issues, set minimum thresholds of items to review, assess qualifications and establish minimum review procedures that need to be performed.

The combination of engaging an independent third party tax expert and the creation of the checklists utilized in the review have strengthened the Company's documentation process and the overall communication among management, the independent income tax provision preparer, and the independent third party tax specialist assisting with the review, resulting in the improved precision of the review of the calculation and an improved evaluation of the tax provision.

Based on our assessment, management concluded that the material weakness related to the precision of the review of the calculation of the provision for income taxes has been remediated as of June 30, 2016, as the implemented remedial controls have been operating effectively for a sufficient period of time.

There has been no further change in our internal control over financial reporting during the quarter ended June 30, 2016 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*

Litigation - Brevan Howard and Others Complaint

On December 27, 2013, River Birch Master Fund, L.P., P River Birch Ltd. (together, "River Birch") and Visium Catalyst Credit Master Fund, Ltd. (collectively with River Birch, "Initial Plaintiffs") brought a claim against us in the Delaware Court of Chancery (the "Court") seeking a declaratory judgment that a "Voting Rights Triggering Event" had occurred (as of April 15, 2010) under our certificate of designations for the Series B preferred stock (the "Certificate of Designations") as a result of our non-payment of dividends. The claim alleged that as a result of such Voting Rights Triggering Event, the incurrence of indebtedness for the purpose of purchasing our Houston television station and the issuance of our 12.5% Senior Secured Notes due 2017 (the "Notes") under the Indenture governing the Notes, among other things, were prohibited incurrences of indebtedness under the Certificate of Designations.

The Initial Plaintiffs further claim that we violated the Certificate of Designations by failing to take any actions or explore any options that would have given us legally available funds with which to repurchase the outstanding Series B preferred stock on October 15, 2013. In connection with their claims, Initial Plaintiffs also sought an injunction requiring us to repurchase the Series B preferred stock and an award of contract damages.

On January 17, 2014, we filed a motion to dismiss the complaint. On March 3, 2014, the complaint was amended to remove River Birch and add Brevan Howard Credit Catalyst Master Fund Ltd., Brevan Howard Master Fund, ALJ Capital I, LP, ALJ Capital II, LP, LJR Capital, LP, and Cedarview Opportunities Master Fund, LP (collectively with Visium Catalyst Credit Master Fund, Ltd., "Plaintiffs") as additional plaintiffs. We filed an Opening Brief in support of our Motion to Dismiss on March 31, 2014. Plaintiffs filed an answering brief to our Motion to Dismiss on April 30, 2014. Our reply brief was filed on May 16, 2014, and a hearing was held on our Motion to Dismiss on June 10, 2014. Following the hearing, the parties agreed to stay all proceedings relating to Count I (which seeks a declaration that a Voting Rights Triggering Event was in effect at all times after April 15, 2010), Count II (which alleges that SBS breached the Certificate of Designations by incurring indebtedness in 2011 and 2012) and Count IV (which alleges that SBS breached the implied covenant of good faith and fair dealing by deferring certain dividends) of the amended complaint. The stay has since been lifted. On June 27, 2014, the Court denied our motion to dismiss Count III (which alleges that SBS breached the Certificate of Designations by failing to redeem all of the Series B Preferred Stock on October 15, 2013) of the amended complaint. A hearing on our motion to dismiss Counts I, II and IV of the amended complaint was held on February 10, 2015. On May 19, 2015, the Court of Chancery granted our motion to dismiss Counts I, II and IV of the amended complaint. An order dismissing those Counts with prejudice was entered on May 22, 2015.

On May 20, 2016, the parties stipulated to a voluntary dismissal with prejudice of Count III of the amended complaint, which stipulation was granted by the Court on May 25, 2016. This matter is now closed.

Item 1A. *Risk Factors*

Impeding Maturity of our Notes

Our Notes mature on April 15, 2017. We do not currently have sufficient cash on hand and we do not expect to generate sufficient cash from operations to repay the Notes at maturity. We have engaged financial advisors to assist us in developing a comprehensive refinancing strategy that considers all of the Company's obligations under its debt and capital structure. Additionally, we are participating in the Broadcast Incentive Auction and evaluating the potential monetization of our television spectrum and other assets to generate cash proceeds that would be used to repay our outstanding notes in accordance with the Indenture. There can be no assurance that we will be able to successfully implement our strategy. Our failure to do so could result in a default under the Notes and raise substantial doubt about our ability to continue as a going concern.

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
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 15, 2016

EXHIBIT INDEX

Exhibit Number	Exhibit Description
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31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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* Filed herewith
** Furnished herewith

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, Chief Executive Officer and President

Date: August 15, 2016

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 15, 2016

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, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Raúl Alarcón, Jr., 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 15, 2016

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, 2016, 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 15, 2016