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

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013

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 or incorporation of organization)	**(I.R.S. Employer Identification No.)**

7007 NW 77th Avenue
Miami, Florida 33166
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (305) 441-6901
Former name, former address and former fiscal year, if changed since last report: None
Securities registered pursuant to Section 12(b) of the Act: None

Title of Each Class	Name of Each Exchange on Which Registered
Class A common stock, par value $0.0001 per share	**The NASDAQ Capital Market**

Securities registered pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act Yes ☐ No ☒

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated 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	☐
Nonaccelerated filer	☐	Smaller reporting company	☒

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

As of June 30, 2013, the last business day of the registrant's most recently completed second fiscal quarter, the registrant had 4,166,991 shares of Class A common stock, par value $0.0001 per share ("Class A common stock"), and 2,340,353 shares of Class B common stock, par value $0.0001 per share ("Class B common stock"), outstanding. As of June 30, 2013, the aggregate market value of the Class A common stock held by nonaffiliates of the registrant was approximately $14.5 million and the aggregate market value of the Class B common stock held by nonaffiliates of the registrant was approximately $1,225. We calculated the aggregate market value based upon the closing price of our Class A common stock reported on the NASDAQ Capital Market on June 28, 2012 of $3.50 per share, and we have assumed that our shares of Class B common stock would trade at the same price per share as our shares of Class A common stock. (For purposes of this paragraph, directors and executive officers have been deemed affiliates.)

As of March 21, 2014, 4,166,991 shares of Class A common stock, 2,340,353 shares of Class B common stock and 380,000 shares of Series C convertible preferred stock, $0.01 par value per share ("Series C preferred stock"), which are convertible into 760,000 shares of Class A common stock, were outstanding.

Documents Incorporated by Reference:

Certain information required by Part III of this Annual Report on Form 10-K is incorporated by reference from the registrant's definitive proxy statement (the "Proxy Statement") to be filed pursuant to Regulation 14A with respect to the registrant's 2014 annual meeting of stockholders. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

Table of Contents

Special Note Regarding Forward-Looking Statements

CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

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

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

“Forward-looking” statements, as such term is defined by the Securities Exchange Commission (the “Commission”) in its rules, regulations and releases, represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, growth and acquisition strategies, investments and future operational plans, such as those disclosed under the caption “Risk Factors” appearing in Item 1A of Part I of this Report. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “forecast,” “seek,” “plan,” “predict,” “project,” “could,” “estimate,” “might,” or “continue” or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements.

These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors, including uncertainty related to acquisitions, governmental regulation and any other factors discussed in our filings with the Commission and we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances. *See Item 1A. Risk Factors.*

PART I

Item 1. Business

Our Company

All references to "we", "us", "our", "SBS", "our company" or "the Company" in this report mean Spanish Broadcasting System, Inc., a Delaware corporation formed in 1994, and all entities owned or controlled by Spanish Broadcasting System, Inc. and, if prior to 1994, mean our predecessor parent company Spanish Broadcasting System, Inc., a New Jersey corporation, and its subsidiaries. Our executive offices are located at 7007 N.W. 77th Avenue, Miami Florida 33166, our telephone number is (305) 441-6901, and our corporate website is www.spanishbroadcasting.com.

We are a leading Spanish-language media and entertainment company with radio or television stations in the top seven U.S. Hispanic markets, including Puerto Rico, ranked by purchasing power. Our radio stations serve markets representing approximately 40% of the U.S. Hispanic population, and our television operations serve markets representing over 3.5 million Hispanic households. We produce and distribute Spanish-language content, including radio programs, television shows, music and live entertainment through our 20 radio stations and our television group, MegaTV, which produces over 50 hours of original programming per week. MegaTV broadcasts via our owned and operated stations in South Florida and Houston and through distribution agreements with other stations, including nationally on a subscriber basis. We also own 21 bilingual websites, including www.lamusica.com, Mega.tv and various station websites. 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.

We operate the top Spanish-language radio station in the United States based on the average number of listeners per quarter-hour, which is WSKQ-FM, one of our New York stations. WSKQ-FM delivered the highest listenership among all Spanish-language radio stations in the United States, according to the 2013 Hispanic Fact Pack. Our other radio stations are located in Los Angeles, New York, Puerto Rico, Miami, Chicago and San Francisco.

U.S. Hispanic population rank (1)	Our radio market	2012 Hispanic population in market (in millions) (1)(2)	2012 Total population in market (in millions) (1)(2)	Percentage of total market population that is Hispanic (1)(2)	Percentage of total U.S. Hispanic population (1)(2)	Number of radio stations we operate in the market
1	Los Angeles	7.9	17.6	45%	14%	2
2	New York	4.7	21.1	22	9	2
3	Puerto Rico	3.7	3.7	99	7	11
5	Miami	2.1	4.4	48	4	3
6	Chicago	2.0	9.8	21	4	1
8	San Francisco	1.6	7.0	24	3	1
Total		22.0	63.6	35%	40%	20

(1) Based on the Ipsos U.S. Diversity Market Report 2012.

(2) Estimates for Puerto Rico taken from 2012 Population Estimates, United States Census Bureau, Population Division, December 2012.

Our Strategy

We focus on maximizing the revenue and profitability of our broadcast portfolio by strengthening the performance of our existing broadcast stations. We evaluate strategic media acquisitions and/or dispositions and strive to expand our media content through distribution and affiliations in order to achieve a significant presence with clusters of stations in the top U.S. Hispanic markets. We generally consider acquisitions and the expansion of the number of broadcast stations in markets where we can maximize our revenue through aggressive sales and programming efforts directed at U.S. Hispanic and general market advertisers. The potential acquisitions and expansion may include broadcast stations which do not currently target the U.S. Hispanic market, but which we believe can successfully be reformatted and programmed. We also focus on long-term growth by investing in on-air talent, advertising and, from time to time, programming research. Additionally, from time to time, we explore investment opportunities in related media outlets targeting the U.S. Hispanic market.

Our operating strategy focuses on maximizing our broadcast stations' appeal to our targeted audiences and advertisers in order to increase revenue and cash flow, while simultaneously controlling operating expenses. To achieve these goals, we focus on a number of key factors.

Develop Market Leading Station Clusters in High Growth Hispanic Markets. We believe Hispanic media will gain revenue share as a result of the growing U.S. Hispanic population and purchasing power. Given our knowledge of, and experience with, the U.S. Hispanic marketplace and our established position in the top seven U.S. Hispanic markets, including Puerto Rico, ranked by purchasing power, we will continue to focus on reaching, and maximizing revenue in, high growth Hispanic markets. We believe that operating multiple stations in the same markets enables us to achieve operating efficiencies and cost savings. We pursue a strategy of creating broadcast station clusters that reach a critical mass of our target audience and marketing resources necessary to aggressively pursue incremental advertising revenue.

Leverage Our Proprietary Content Across Our Media Platforms. We will continue to monetize our content across multiple platforms, including radio, broadcast and pay television and live events, as well as emerging media alternatives. We use our media platforms and relationships with Hispanic celebrities and talent to produce unique programming and content for our television and radio stations. Concerts and special promotional appearances form an important part of our marketing strategy and provide us with significant local market exposure. We also develop content from these events and create opportunities to sell, market and distribute that content through our websites and other media, providing our advertising partners with attractive advertising solutions. In addition, the events allow us to promote our brands to increase our radio audience and advertising revenue. As the media landscape evolves, we are developing our key broadcast programs, on-air personalities and brands for consumption as downloadable video and interactive content.

Maintain Cost Discipline. We employ a regimented managerial approach to operating our media outlets. We emphasize control of our operating costs through detailed budgeting, continuous review of staffing levels and expenses and vendor analysis. During the recent economic downturn, we were highly focused on reducing our costs and believe we have significantly streamlined our cost structure to provide a foundation for growth.

Grow Our Television Business. Television is the largest Hispanic media market in the United States, with approximately 72.7% of the total 2012 U.S. Hispanic advertising spending. In 2012, the U.S. Hispanic television industry generated $5.8 billion of revenue, according to the 2013 Hispanic Fact Pack. Our radio stations and experience in the Hispanic media and radio market in the United States and Puerto Rico give us a powerful platform, knowledge base and set of relationships on which to build our growing television business. We utilize our market knowledge to create distinctive television programs tailored to our target audiences' preferences. We believe that MegaTV will capitalize on these insights as the reach of our television programming continues to grow. Additionally, our television business offers attractive cross-promotional opportunities with our radio stations.

Maintain Strong Community Involvement. We have been, and will continue to be, actively involved in the local communities that we serve. Our broadcast stations participate in numerous community programs, fundraisers and activities benefiting the local community and Hispanics abroad. Examples of our community involvement include free public service announcements, free events designed to promote family values within the local Hispanic communities, extensive coverage of world events that have an impact on the U.S. Hispanic population as well as charitable contributions to organizations that benefit the local Hispanic communities in which we operate. Our community involvement also allows us to keep abreast of shifting audience preferences, to further tailor our content and to enhance broadcast station loyalty.

Hispanic Market Opportunity

The U.S. Hispanic population is the largest ethnic minority group and is projected to be the fastest growing segment of the population, according to the Ipsos U.S. Diversity Markets Report 2012. We believe that we are well positioned to benefit from the projected growth in population and purchasing power of the U.S. Hispanic population and the expected shift of advertising dollars to Hispanic media. We believe that targeting the Hispanic market is attractive for the following reasons:

- *Hispanic Population Growth*. Between 2000 and 2012, the U.S. Hispanic population increased by 45.8%, compared to 6.1% for the non-Hispanic population. In 2012, Hispanics comprised 16.5% of the U.S. population and approximately one out of every six individuals living in the United States was of Hispanic origin. The U.S. Hispanic population grew at more than seven times the rate of the general population from 2000 to 2012 and is projected to grow to 30% of the U.S. population by 2050, according to the U.S. Census Bureau.

- *Growth in Hispanic Purchasing Power*. The U.S. Hispanic population accounted for over $1.2 trillion of total purchasing power in 2013, which is estimated to grow to $1.6 trillion by 2018, according to the Selig Center for Economic Growth, *The Multicultural Economy*, 2013. U.S. Hispanic purchasing power increased by 18.4% since 2010 and accounted for 9.6% of all U.S. purchasing power in 2013. By 2018, Hispanics will account for 10.6% of total U.S. buying power.

- *Spanish-Language Advertising Spending*. Advertisers spent an estimated $7.9 billion on Spanish-language media advertising in 2012, according to the 2013 Hispanic Fact Pack. This amount has almost quadrupled since 2000 when Hispanic advertising expenditures totaled $2.1 billion according to Hispanic Business Magazine, December 2001. As advertisers increasingly recognize the purchasing power of the U.S. Hispanic population, especially in markets with high Hispanic concentration, we believe that Spanish-language advertising will continue to increase.
- *Re-balancing of Advertising Spending Towards Hispanic Media*. While U.S. Hispanic purchasing power represented 9.6% of the total U.S. purchasing power in 2013, approximately 5.7% of advertising spending is directed toward U.S. Hispanic media. As advertisers seek to tap the large and growing Hispanic market, we believe they will allocate additional advertising dollars to the Hispanic market. We believe we are well positioned to capitalize on the growing Hispanic advertising market given our attractive position in the top seven U.S. Hispanic markets, including Puerto Rico, ranked by purchasing power.

The above market opportunity information is based on data provided by the Ipsos U.S. Diversity Markets Report 2012, the 2013 Hispanic Fact Pack, the Selig Center for Economic Growth, *The Multicultural Economy*, 2012 and the Kantar Media Report March 2013.

Our Strengths

***Strong Presence in Largest U.S. Hispanic Markets*.** We operate in the top seven U.S. Hispanic markets ranked by purchasing power, estimated to represent approximately 35% of U.S. Hispanic purchasing power in 2012 (for Puerto Rico, based on GDP purchasing power parity data): Los Angeles, New York, Puerto Rico, Miami, San Francisco, Chicago and Houston. We operate three of the top six Spanish-language radio stations across the United States. Our New York station (WSKQ-FM) ranks first among Spanish-language radio stations. The Los Angeles and New York markets, where we consistently have a top-three-rated Spanish-language radio station, have the largest and second largest U.S. Hispanic populations, respectively. New York and Los Angeles are also the largest and second largest overall radio markets in the United States measured by advertising revenue. In addition, MegaTV serves markets representing over 3.5 million Hispanic households.

***Strong Portfolio of Branded Media Franchises*.** Because of our history with Hispanic-focused media, we believe that we have been able to develop strong relationships with the Hispanic audiences in our markets and create strong brand loyalty. Our listeners enjoy music from popular and emerging artists as well as updated local information on weather, news and general entertainment. As an example of the power of our brand, our New York station (WSKQ-FM) delivered the highest listenership among all Spanish-language radio stations in the United States, according to the 2013 Hispanic Fact Pact. Our live concerts and events provide our advertisers additional opportunities to reach their target audiences as well as allow us to cross-promote our brands and diversify our revenue base.

***Diversification across Media Platforms, Geography and Customers*.** Our programming reaches audiences across U.S. Hispanic communities and across various media distribution platforms. We sell our advertising time both nationally and locally and generate substantially all of our revenue from the sale of advertising time to a broad and geographically diverse customer base. The diversification of our stations across several local markets helps to mitigate any revenue decline in a specific geographic area. Additionally, in 2013, no single advertiser generated more than 5% of our consolidated revenue. Our customer base includes advertisers in the automotive, retail, telecommunications and healthcare industries, among others. In addition to advertising revenue, we also generate subscription and retransmission fee revenue from MegaTV.

***Attractive Business Model*.** Our strong margins and low levels of capital expenditures enable us to generate high levels of cash flows from operating activities. We also benefit from an attractive cost structure that provides significant operating leverage while allowing us ongoing operating flexibility.

***Experienced Management Team*.** Led by Raúl Alarcón, our Chairman, Chief Executive Officer and President, our senior management team has, on average, over 20 years of experience in the broadcasting sector. Importantly, the Alarcón family has been involved in Spanish-language radio broadcasting since the 1950s, when the late Mr. Pablo Raúl Alarcón, Sr., our former Chairman Emeritus, established his first radio station in Camagüey, Cuba. We believe that our experienced management team gives us a unique understanding of the various Hispanic ethnic and cultural subgroups and allows us to effectively tailor our broadcast programming, websites and concerts accordingly.

Recent Developments

Litigation- Lehman and T. Rowe Price Complaint

On February 14, 2013, Lehman Brothers Holdings Inc. ("LBHI") brought a claim against us in the Delaware Court of Chancery (the "Court") seeking, among other things, a declaratory judgment that as a result of non-payment of dividends, a Voting Rights Triggering Event had occurred pursuant to the certificate of designations for the Series B preferred stock (the "Certificate of Designations") no later than July 15, 2010. LBHI alleged that as a result, we were prohibited from incurring indebtedness but did so for the purposes of purchasing assets relating to our Houston television station and the issuance of our 12.5% Senior Secured Notes due 2017 (the "Notes"). LBHI also sought an award of unspecified contract damages.

We filed a motion to dismiss the LBHI complaint on March 11, 2013. On April 25, 2013, LBHI filed an opposition to our motion to dismiss and a motion for partial summary judgment. We filed a reply in further support of our motion to dismiss and in opposition to LBHI's motion for partial summary judgment on May 10, 2013. A hearing on the parties' motions was held on May 20, 2013, at which the Court requested further briefing on cross-motions for summary judgment.

Additionally, on June 17, 2013, T. Rowe Price High Yield Fund, Inc., T. Rowe Price Institutional High Yield Fund, T. Rowe Price Funds SICAV-Global High Yield Bond Fund and T. Rowe Price Small-Cap Value Fund, Inc. (collectively "T. Rowe Price" and with LBHI, the "Plaintiffs") brought a claim against us making allegations substantially similar to those made by LBHI previously, except with an additional claim for breach of the implied covenant of good faith and fair dealing.

On July 3, 2013, the Court granted the Plaintiffs' motion to consolidate their lawsuits; and on October 3, 2013, LBHI moved to amend its original complaint by adding a claim for breach of the implied covenant of good faith and fair dealing. We moved for judgment on the pleadings as to both T. Rowe Price's and LBHI's good faith and fair dealing claims. In addition, we and the Plaintiffs submitted cross-motions for summary judgment on October 31, 2013.

On February 25, 2014, Vice Chancellor Glasscock rendered the opinion of the Court granting our motions for summary judgment and judgment on the pleadings, and denying the Plaintiffs' motion for summary judgment. Accordingly, the Plaintiffs' claims were dismissed.

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 Court seeking a declaratory judgment that a Voting Rights Triggering Event had occurred (as of April 15, 2010) under our Certificate of Designations as a result of our non-payment of dividends. The claim states 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 Notes under the Indenture governing the Notes 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 seek 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 as additional plaintiffs. We deny the allegations contained in the complaint and, to the contrary, assert that we have been and continue to be in full and complete compliance with all of our obligations under the Certificate of Designations, as fully disclosed in our public filings dating back to 2009. Accordingly, we believe that the complaint's allegations are frivolous and wholly without merit and intend to contest such allegations vigorously.

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

<u>Voting Rights Triggering Event</u>

Pursuant to the Certificate of Designations, each holder of shares of our Series B preferred stock had the right, on October 15, 2013, 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.

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 will be entitled to elect two directors to newly created positions on our Board of Directors, and we will be 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 right to elect the two new directors may be exercised initially either at a special meeting of the holders of Series B preferred stock or at any annual meeting of the stockholders held for the purpose of electing directors. On March 11, 2014, we received a request from LBHI, stating that it held more than 10% of the Series B preferred stock, and requesting that we call a special meeting of the Series B preferred stockholders, for the purpose of electing two directors.

The Voting Rights Triggering Event shall continue until (i) all dividends in arrears shall have been paid in full and (ii) all other failures, breaches or defaults giving rise to such Voting Rights Triggering Event are remedied or waived by the holders of at least a majority of the shares of the then outstanding Series B preferred stock. We do not currently have sufficient funds legally available to be able to satisfy the conditions for terminating the Voting Rights Triggering Event. The indenture governing our Notes currently prohibits us from paying dividends or from repurchasing the Series B preferred stock. See Item 1A. Risk Factors of this Form 10-K for a further discussion of our Series B preferred stock, including the consequences of the occurrence of the Voting Rights Triggering Event.

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 3/4% 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.

On March 29, 2013 and April 4, 2012, the Board of Directors declared a dividend for the dividend due April 15, 2013 and April 15, 2012, respectively, to the holders of our Series B preferred stock of record as of April 1, 2013 and April 1, 2012, respectively. The dividends of $26.875 per share were paid in cash on April 15, 2013 and April 16, 2012. Additionally, dividends were paid as part of the repurchase of 1,800 shares of Series B preferred stock on October 15, 2013.

Redemption Date Accounting Treatment on the Preferred Stock

Under current accounting principles, prior to October 15, 2013, the Series B preferred stock was considered conditionally redeemable because the Series B preferred stock holders had to request the Series B preferred stock to be repurchased on October 15, 2013. As a result of the request that was made by almost all of the holders of the Series B preferred stock on October 15, 2013 that the stock be repurchased, we assessed that, under applicable accounting principles, the contingent event 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”). Even though 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. The liability recognized is initially recorded at fair value and the resulting adjustment is recorded in equity so that no gain or loss is recognized on reclassification.

On October 15, 2013, we determined the fair value of the Series B preferred stock outstanding balance of $127.1 million, which included the outstanding shares and accumulated unpaid dividends, to be $39.5 million. Therefore, we recorded an $87.6 million adjustment to reduce the carrying value of the Series B preferred stock and accrued and unpaid dividends to fair value at the redemption date, with an offset to accumulated deficit.

Subsequent Accounting Treatment of the Preferred Stock

In accordance with ASC 480, the Series B preferred stock was re-measured subsequently from the initial measurement date as the amount of cash that would be paid under the conditions specified in the contract, as if the settlement occurred at December 31, 2013, because the final settlement amount to be paid on the Series B preferred stock was uncertain due to its continual accruing quarterly dividends and its uncertain settlement date. The resulting change in that amount from the previous reporting date (i.e. initial measurement date) was recognized as interest expense. Therefore, we recorded an $87.6 million adjustment to increase the Series B preferred stock liability to the contract settlement value as of December 31, 2013 and recorded $2.0 million as dividends on Series B preferred stock classified as interest expense for the accrued dividends from the redemption date to December 31, 2013.

Going forward, the Series B preferred stock will be measured at subsequent reporting dates at the amount of cash that would be paid under the conditions specified in the contract, as if the settlement occurred at the reporting date, recognizing the resulting change in that amount from the previous reporting date as interest expense. Therefore, the 10 ¾% accruing quarterly dividends will be recorded as interest expense (i.e. "Dividends on Series B preferred stock classified as interest expense") as required by ASC 480.

Operating Segments

We report two operating segments: radio and television.

See Item 8. Financial Statements and Supplementary Data below.

Radio Overview

We operate radio stations in some of the top Hispanic markets in the United States, including Puerto Rico. We own and/or operate radio stations in Los Angeles, New York, Puerto Rico, Chicago, Miami and San Francisco. The following table sets forth certain statistical and demographic information relating to our radio markets:

U.S. Hispanic population rank (1)	Our radio market	2012 Hispanic population in market (in millions) (1)(2)	2012 Total population in market (in millions) (1)(2)	Percentage of total market population that is Hispanic (1)(2)	Percentage of total U.S. Hispanic population (1)(2)	Number of radio stations we operate in the market	2013 radio market gross revenues (in millions) (3)	U.S. market radio revenue rank (3)
1	Los Angeles	7.9	17.6	45%	14%	2	$ 770.9	1
2	New York	4.7	21.1	22	9	2	624.2	2
3	Puerto Rico	3.7	3.7	99	7	11	74.8	36
5	Miami	2.1	4.4	48	4	3	239.4	11
6	Chicago	2.0	9.8	21	4	1	493.3	3
8	San Francisco	1.6	7.0	24	3	1	280.1	7
Total		22.0	63.6	35%	40%	20	$ 2,482.7	

(1) Based on Ipsos U.S. Diversity Market Report 2012.
(2) Estimates for Puerto Rico taken from 2012 Population Estimates, United States Census Bureau, Population Division, December 2012.
(3) BIA/Kelsey's Investing in Radio Market Report 2013

Radio Station Portfolio

The following is a general description of each of our markets. The market revenue information is based on data provided by BIA/Kelsey's Investing in Radio Market Report 2013, and covers only over-the-air estimated gross revenues.

Los Angeles. The Los Angeles market is the largest U.S. radio market in terms of advertising revenue, which was projected to be approximately $770.9 million in 2013. The Los Angeles market experienced an annual radio revenue increase of 1.4% between 2011 and 2012 and is expected to increase at an annual rate of 2.3% between 2012 and 2017.

New York. The New York market is the second largest U.S. radio market in terms of advertising revenue, which was projected to be approximately $624.2 million in 2013. The New York market experienced an annual decrease of 0.6% in annual radio revenue between 2011 and 2012 and is expected to increase at an annual rate of 2.8% between 2012 and 2017.

Puerto Rico. The Puerto Rico market is the thirty-sixth largest U.S. radio market in terms of advertising revenue, which was projected to be approximately $74.8 million in 2013. The Puerto Rico market experienced an annual radio revenue increase of 1.9% between 2011 and 2012 and is expected to increase at an annual rate of 0.8% between 2012 and 2017.

Miami. The Miami market is the eleventh largest U.S. radio market in terms of advertising revenue, which was projected to be approximately $239.4 million in 2013. The Miami market experienced an annual radio revenue increase of 3.6% between 2011 and 2012 and is expected to increase at an annual rate of 2.0% between 2012 and 2017.

Chicago. The Chicago market is the third largest U.S. radio market in terms of advertising revenue, which was projected to be approximately $493.3 million in 2013. The Chicago market experienced an annual radio revenue decrease of 0.5% between 2011 and 2012 and is expected to increase at an annual rate of 2.1% between 2012 and 2017.

San Francisco. The San Francisco market is the seventh largest U.S. radio market in terms of advertising revenue, which was projected to be approximately $280.1 million in 2013. The San Francisco market experienced an annual radio revenue decrease of 2.0% between 2011 and 2012 and is expected to increase at an annual rate of 2.0% between 2012 and 2017.

Radio Station Programming

We format the programming of each of our radio stations to target a substantial share of the U.S. Hispanic audience in its respective market. The U.S. Hispanic population is diverse, consisting of numerous identifiable groups from many different countries of origin and each with its own musical and cultural heritage. The music, culture, customs and Spanish dialects vary from one radio market to another. We strive to become very familiar with the musical tastes and preferences of each of the various Hispanic ethnic groups and customize our programming to match the local preferences of our target demographic audience in each market we serve. By employing listener study groups and surveys, we can respond immediately, if necessary, to any changing preferences of listeners and/or trends by refining our programming to reflect the results of our research and testing. Each of our programming formats is described below.

- ***Spanish Tropical***. The Spanish Tropical format primarily consists of salsa, merengue, bachata and Latin Rhythmic music. Salsa is dance music combining Latin Caribbean rhythms with jazz originating from Puerto Rico, Cuba and the Dominican Republic, which is popular with the Hispanics whom we target in New York, Miami and Puerto Rico. Merengue music is up-tempo dance music originating in the Dominican Republic. Bachata is a softer tempo dance music also originating in the Dominican Republic. Latin Rhythmic is a modern dance genre that has evolved into a mix of Spanish- and English-language dance hall, traditional reggae, Latin pop and Spanish hip-hop.
- ***Regional Mexican***. The Regional Mexican format consists of various types of music played in different regions of Mexico such as ranchera, norteña, banda and cumbia. Ranchera music, originating from Jalisco, Mexico, is a traditional folkloric sound commonly referred to as mariachi music. Mariachi music features acoustical instruments and is considered the music indigenous to Mexicans who live in country towns. Norteña means northern, and is representative of Northern Mexico. Featuring an accordion, norteña has a polka sound with a distinct Mexican flavor. Banda is a regional format from the state of Sinalóa, Mexico and is popular in California. Banda resembles up-tempo marching band music with synthesizers.
- ***Spanish Adult Contemporary***. The Spanish Adult Contemporary format includes soft romantic ballads and Spanish pop music as well as international hits from Puerto Rico, Mexico, Latin America and Spain.
- ***Top 40***. The Top 40 format consists of the most popular current Latin and English chart hits.
- ***Latin Rhythmic***. The Latin Rhythmic format consists of Tropi-Pop, which is a mix of upbeat pop and tropical music.

The following table lists the programming formats of our radio stations and the target demographic group of each station:

Market	FM Station	Format	Target buying demographic group by age
Los Angeles	KLAX	Regional Mexican	18 – 49
	KXOL	Latin Rhythmic	18 – 34
New York	WSKQ	Spanish Tropical	18 – 49
	WPAT	Spanish Adult Contemporary	25 – 54
Puerto Rico	WMEG	Top 40	18 – 34
	WEGM	Top 40	18 – 34
	WRXD	Spanish Tropical	25 – 54
	WIOA	Spanish Adult Contemporary	18 – 49
	WIOB	Spanish Adult Contemporary	18 – 49
	WIOC	Spanish Adult Contemporary	18 – 49
	WZNT	Spanish Tropical	18 – 49
	WZMT	Spanish Tropical	18 – 49
	WZET	Spanish Tropical	18 – 49
	WODA	Latin Rhythmic	18 – 34
	WNOD	Latin Rhythmic	18 – 34
Chicago	WLEY	Regional Mexican	18 – 49
Miami	WXDJ	Spanish Tropical	18 – 49
	WCMQ	Spanish Adult Contemporary	25 – 54
	WRMA	Top 40	18 – 34
San Francisco	KRZZ	Regional Mexican	18 – 49

Our radio programming capabilities benefit from the integration and synergies of production of programming across the Company. For example, successful programming in one market can be syndicated to another market.

Special Events and On-Line Properties

As part of our media operating business, we also operate SBS Entertainment and SBS Interactive. SBS Entertainment is a premier producer of unique entertainment, concerts and special events. 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 with popular artists, which are promoted by our radio and television stations. SBS Interactive manages LaMusica.com, Mega.tv, various radio station websites, and La Musica Mobile App. All of the digital properties offer bilingual (Spanish-English) content related to Latin music, entertainment, news and culture. LaMusica.com and our network of station websites generate revenue primarily from advertising and sponsorship. In addition, the majority of our station websites simultaneously stream our stations' content, which has broadened our audience reach. We are developing brand specific digital content strategies for each of our key broadcast programs, on-air personalities and brands, and intend to generate revenue from such strategies. We also leverage many of our special events produced by SBS Entertainment, to produce music based digital content for live streaming and/or taped, on-demand streaming, which can also be developed to generate revenue.

We believe that SBS Entertainment and SBS Interactive, together with our broadcast portfolio, enables our audience to enjoy targeted and culturally relevant entertainment, which include, but are not limited to concert specials, artist interviews, music editorial content, music reviews, and local entertainment calendars, among others. At the same time, our online properties enable our advertisers to reach their targeted Hispanic consumers through an additional, targeted and dynamic medium.

Television Overview and Programming

On March 1, 2006, we launched MegaTV, our general entertainment Spanish-language television operation. We created a unique television format which focuses on entertainment, events and variety with high-quality production. Our programming is formatted to capture shares of the Hispanic audience by focusing on our core strengths as an "entertainment" company, thus offering a new alternative compared to the traditional Latino channels. The following table sets forth demographic and statistical information with respect to our television markets, excluding cable and satellite providers, such as DirecTV, DirecTV Puerto Rico, AT&T U-Verse and Verizon Fios:

TV market revenue rank (1)	Our TV Designed Market Area (DMA)	2012 Hispanic population in market (millions) (2)	2012 total population in television market (millions) (1)	Hispanic percentage of total population in TV market (1)	2013 market TV over-the air estimated gross revenues (millions) (1)
7	Miami-Ft. Lauderdale	2.17	4.46	48.6	$ 491.6
8	Houston	2.35	6.55	35.9	513.2
15	Orlando-Daytona Beach-Melbourne	0.75	3.81	19.7	309.6
69	Fresno	1.10	2.00	54.3	71.5
	Total in our markets	6.37	16.82	37.9%	$1,385.9

(1) BIA/Kelsey's Investing in Television 2013, 4th edition.
(2) Calculated by multiplying the fourth column by the fifth column.

Television Station Portfolio

The following is a general description of each of our markets. The market revenue information is based on data provided by BIA/Kelsey's Investing in Television 2013, 4th edition.

Miami. In 2012, the Miami-Ft. Lauderdale market was the seventh largest U.S. television market in terms of advertising revenue and for 2013 was projected to be approximately $491.6 million. The Miami-Ft. Lauderdale market experienced an annual television revenue increase of 8.5% between 2011 and 2012. Television revenue in the Miami-Ft. Lauderdale market is expected to increase at an annual rate of 1.3% between 2012 and 2017.

Houston. In 2012, the Houston market was the eighth largest U.S. television market in terms of advertising revenue and for 2013 was projected to be approximately $513.2 million. The Houston market experienced an annual television revenue increase of

5.0% between 2011 and 2012. Television revenue in the Houston market is expected to increase at an annual rate of 3.1% between 2012 and 2017.

Orlando. In 2012, the Orlando-Daytona Beach-Melbourne market was the fifteenth largest U.S. television market in terms of advertising revenue and for 2013 was projected to be approximately $309.6 million. The Orlando-Daytona Beach-Melbourne market experienced an annual television revenue increase of 37.2% between 2011 and 2012. Television revenue in this market is expected to increase at an annual rate of 0.5% between 2012 and 2017.

Fresno. In 2012, the Fresno-Visalia market was the sixty-ninth largest U.S. television market in terms of advertising revenue and for 2013 was projected to be approximately $71.5 million. The Fresno-Visalia market experienced an annual television revenue increase of 11.0% between 2011 and 2012. Television revenue in the Fresno-Visalia market is expected to increase at an annual rate of 1.6% between 2012 and 2017.

The following table lists the distribution outlets of our MegaTV programming:

Market	Station ID	Channel	Programming type
Houston, Texas	KTBU	55	Owned & Operated
Miami, Florida	WSBS	22	Owned & Operated
Orlando, Florida	WFTV	9	Affiliation Agreement
Fresno, California	KSDI	33	Affiliation Agreement
DirecTV	Satellite	405	Distribution Agreement
DirecTV-Puerto Rico	Satellite	169	Distribution Agreement
AT&T U-Verse-Nationwide	ADS/Cable	3,008	Distribution Agreement
Verizon Fios	ADS/Cable	See Footnote (1)	Distribution Agreement

(1) MegaTV is distributed by Verizon Fios in Dallas/Fort Worth, TX (on channel 25), in Tampa, FL (on channel 466), in New York, New Jersey and Greenwich, CT (on channel 466) and in Los Angeles, CA (on channel 473).

Television Strategy

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. On the forefront of digital platforms, we were the first Spanish-language programmer to broadcast in 100% native High Definition (HD) in the United States and one of the first Spanish-language programmers in the United States to launch content on Video On Demand, known as VOD.

As part of our strategy, we have incorporated certain of our radio on-air personalities into our television programming, as well as including interactive elements to complement our Internet websites. We produce over 50 hours of original programming per week. Our television revenue is generated primarily from the sale of local advertising and paid programming. Advertising rates depend primarily on our ability to attract an audience in the demographic groups targeted by our advertisers, the number of stations in the market we compete with for the same audience, and the supply of and demand for television advertising time, as well as other qualitative factors. We also generate revenue from the sale of integrated sponsorships and program syndication.

Our television growth strategy is focused on selectively expanding our MegaTV operations into U.S. Hispanic markets where we do not currently have television programming distribution outlets. We continue to target fast-growing and high-density U.S. Hispanic markets, where we can maximize our revenue through aggressive and selective sales and programming efforts directed at U.S. Hispanic and general market advertisers in order to be profitable in terms of station operating income.

Our Miami facility for our media broadcast programming and production is nearly 70,000 square feet and houses the bulk of MegaTV's national and local market operations. With over 14,000 square feet of high definition (HD) TV-Studio production space, the building was remodeled to handle the majority of MegaTV's diverse original HD programming, while also accommodating outside production clients with its wide range of production capabilities, which can include anything from news to late-night variety shows with live band and studio audience. MegaTV's long-term technical design criteria for this facility placed an emphasis on streamlined production workflows and digital media management. Key technical features of this facility include:

- integrated HD/standard definition (SD) file-based content capabilities throughout our studio, post production and master control areas;
- three HD studio production spaces that can be operated independently or combined;
- two fully equipped HD control rooms with server, editing and mastering capabilities;

- 14 HD/SD post production editing suites that include advanced technology in networked solutions;
- satellite downlink antenna farm and extensive fiber connectivity for content contribution and distribution; and
- multi-path, redundant HD server-based master control system responsible for our distribution feeds.

The Miami facility also includes office space for production and back-office personnel, as well as dressing rooms, make-up rooms and green rooms for our on-air talent and studio guests.

We also have 3,500 square feet of HD TV-Studio production space in Puerto Rico with a fully equipped HD control room and two edit suites.

Advertising Revenue

The vast majority of our revenue is derived from cash advertising sales. Advertising revenue has historically been classified into two categories – "national" and "local." "National" generally refers to advertising that is solicited by a representative firm for national advertisers. A subset category of national advertising revenue is network advertising revenue, which is advertising purchased by our other strategic alliance agreements. Our national sales representative for our radio stations is McGavren Guild Media, LLC. "Local" refers to advertising purchased by advertisers and agencies in the local market served by a particular station.

Current trends in the media advertising market have changed the long-established model for categorizing advertising revenue. We have expanded the conventional model by offering "integrated sponsorship" opportunities, which are highly sought after and command a higher investment from agencies, in order to maximize our advertisers' opportunities. We expect that our primary source of revenue from our broadcast stations will be generated from the sale of national, local and integrated sponsorship advertising. In addition, we are anticipating that our television, radio and internet offerings will generate more advertising opportunities by offering multi-media packages.

We believe that the broadcasting industry is one of the most efficient and cost-effective means for advertisers to reach targeted demographic groups. Advertising rates charged by a station are based primarily on the station's ability to attract an audience in a given market and on the attractiveness to advertisers of the station's audience demographics, as well as the demand on available advertising inventory. Rates also vary depending upon a program's popularity among the listeners/viewers an advertiser is seeking to attract and the availability of alternative media in the market. Radio advertising rates generally are highest during the morning drive-time hours, which are the peak hours for radio audience listening. Television advertising rates are higher during prime time evening viewing periods. A broadcaster that has multiple stations in a market appeals to national advertisers because these advertisers can reach more listeners and viewers, thus enabling the broadcaster to attract a greater share of the advertising revenue in a given market. In light of these factors, we seek to grow our revenue by taking advantage of our presence in major Hispanic markets as new and existing advertisers recognize the increasing desirability of targeting the growing U.S. Hispanic population.

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. We also determine the number of advertisements broadcast hourly that can 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.

We have short- and long-term contracts with our advertisers, although it is customary in the radio and television industry that the majority of advertising contracts are short-term and generally run for less than three months. This affords broadcasters the opportunity to modify advertising rates as dictated by changes in viewer ratings, changes in competitive dynamics and changes in the business climate within a particular market. In each of our broadcasting markets, we employ sales personnel to obtain local advertising revenue. Our local sales force is responsible for maintaining relationships with key local advertisers and agencies and identifying new advertisers. We pay commissions to our local sales staff upon receipt of payment for their respective billings which assists in our collection efforts.

Seasonality

Seasonal broadcasting revenue fluctuations are common in the broadcasting industry and are primarily due to fluctuations in advertising expenditures by local and national advertisers. Our net broadcasting revenues vary throughout the year. Historically, our first calendar quarter (January through March) has generally produced the lowest net broadcasting revenue for the year because of routine post-holiday decreases in advertising expenditures.

Competition

The success of our broadcast stations depends significantly upon their audience ratings and their share of the overall advertising revenue within their markets. The radio and television broadcasting industries are highly competitive businesses. Each of our radio stations compete with both Spanish-language and English-language radio stations in their market, as well as other media, such as newspapers, broadcast television, cable television, the Internet, magazines, outdoor advertising, satellite radio, transit advertising and direct mail marketing. Our television operations compete for viewers and revenue with both Spanish-language and English-language television stations in our local markets, as well as nationally broadcast television operations, cable television, the Internet and other video media.

Several of the broadcast stations with which we compete are subsidiaries of larger national or regional companies that may have substantially greater financial resources than we do. Factors which are material to our competitive position include:

- management experience;
- talent and popularity of on-air personalities and television show hosts and actors;
- audience ratings and our broadcast stations' rank in their markets;
- sales talent and experience;
- signal strength and frequency; and
- audience demographics, including the nature of the Spanish-language market targeted by a particular station.

Although the broadcast industry is highly competitive, some barriers to entry do exist. These barriers can be mitigated to some extent by changing existing broadcast station formats and programming and upgrading power, among other actions. The operation of a broadcast station requires a license or other authorization from the Federal Communications Commission (the "FCC"). The number of AM radio stations that can operate in a given market is limited by the availability of AM radio spectrum in the market. The number of FM radio stations and television stations that can operate in a given market is limited by the availability of those frequencies allotted by the FCC to communities in such market. In addition, the FCC's multiple ownership rules regulate the number of stations that may be owned and controlled by a single entity in a given market. For a discussion of FCC regulation, see "Federal Regulation of Radio and Television Broadcasting" below.

The radio industry is also subject to competition from new media technologies that are being developed or introduced, such as the delivery of audio programming by satellite, cable television systems and Internet-based music streaming services. Some radio broadcast stations, including ours, are utilizing digital technology on their existing terrestrial frequencies to deliver audio programming. The FCC also has begun granting licenses for a new "low power" radio or "microbroadcasting" service to provide low-cost neighborhood service on frequencies which would not interfere with existing stations.

The FCC has selected In-Band On-Channel ™, also known as IBOC or "HD Radio ®," as the exclusive technology for introduction of terrestrial digital operations by AM and FM radio stations. HD Radio ® technology permits a station to transmit radio programming in both analog and digital formats, and eventually in digital only formats, using the bandwidth that the radio station is currently licensed to use. HD Radio ® technology is used to (1) improve sound quality, (2) provide spectrum for enhanced data services and multiple program streams and (3) allow radio stations to time broker unused digital bandwidth to third parties, thereby providing new business opportunities for radio broadcasters. Final digital radio rules, including the imposition of new public interest requirements and appropriate limits to the amount of subscription requirements, remain under consideration by the FCC. We currently utilize HD Radio ® digital technology on some of our stations and will evaluate additional installations over the next few years. This digital technology, which is not required by the FCC, offers the possibility of multiple audio channels in our assigned frequencies.

The delivery of information through the presently minimally regulated Internet has also created a new form of competition for both radio and television. Internet broadcasts have no geographic limitations and can provide listeners with programming from around the country and the world. We expect that improvements from higher bandwidths, faster download speeds and wider programming selection may make Internet radio a more significant competitor in the future. The radio broadcasting industry historically has grown despite the introduction of new technologies for the delivery of entertainment and information, such as television broadcasting, cable television, audio tapes, compact discs and portable digital music players.

Recent developments by many companies, including internet service providers, are expanding the variety and quality of broadcast content on the internet. Internet companies have developed business relationships with companies that have traditionally provided syndicated programming, network television and other content. As a result, additional programming is becoming available through nontraditional methods, which can directly impact the number of TV viewers and thus indirectly impact station rankings, popularity and revenue possibilities from our stations. Like radio, the television broadcasting industry has grown, notwithstanding the increasing popularity of entertainment and media content delivered through cell phones and other portable wireless devices. We cannot assure you, however, that the development or introduction of any new media technology will not have an adverse effect on the radio and television broadcasting industries.

We cannot predict what other matters may be considered in the future by the FCC, nor can we assess in advance what impact, if any, the implementation of any of these proposals or changes may have on our business. See "Federal Regulation of Radio and Television Broadcasting" below.

Trademarks, Copyrights and Licenses

In the course of our business, we use various trademarks, copyrights, trade names, domain names and service marks, including logos, with our products and services in our programming, advertising and promotions. Trademarks and copyrights are of material importance to our business and are protected by registration or otherwise in the United States, including Puerto Rico. We believe our trademarks, copyrights, trade names, domain names and service marks are important to our business, and we intend to continue to protect and promote them where appropriate and to protect the registration of new trademarks and copyrights, including through legal action. We do not hold or depend upon any material government license, franchise or concession, except that we hold and depend upon the broadcast licenses granted by the FCC and hold certain trademarks granted by the United States Patent and Trademark Office.

Environmental Matters

As the owner, lessee or operator of various real properties and facilities, we are subject to various federal, state and local environmental laws and regulations. Historically, compliance with these laws and regulations has not had a material adverse effect on our business. We cannot assure you; however, that compliance with existing or new environmental laws and regulations will not require us to make significant expenditures of funds.

Employees

As of December 31, 2013, we had 464 full-time employees and 139 part-time employees. None of our employees are represented by a labor organization or are covered by a collective bargaining agreement. We consider our relations with our employees to be satisfactory.

Our business depends upon the efforts, abilities and expertise of our executive officers and other key employees, including on-air talent, as well as our ability to hire and retain qualified personnel. The loss of any of our executive officers and key employees, particularly Raúl Alarcón, Chairman of our Board of Directors, Chief Executive Officer and President, could have a material adverse effect on our business.

Legal Proceedings

From time to time, we are involved in various routine legal and administrative proceedings and litigation incidental to the conduct of our business, such as contractual matters and employee-related matters. In recent years, we have been subject to administrative proceedings and lawsuits, including class action lawsuits, alleging violations of federal and state law regarding workplace, wage-hour and employment discrimination matters, and a number of these lawsuits have resulted in the payment of substantial damages. In the opinion of management, such litigation is not likely to have a material adverse effect on our business, operating results or financial condition. In 2013, a number of the holders of our Series B preferred stock brought actions against us relating to whether and when a Voting Rights Triggering Event had occurred. See Business - Recent Developments and Item. 3 Legal Proceedings for a discussion of such litigation.

Antitrust

We have completed, and in the future may complete, strategic acquisitions and divestitures in order to achieve a significant presence with clusters of stations in the top U.S. Hispanic markets. As a result of the industry consolidation resulting from the passage of the Telecommunications Act of 1996, the Federal Trade Commission (the "FTC") and the Department of Justice (the "DOJ"), the federal agencies responsible for enforcing the federal antitrust laws, have reviewed certain proposed acquisitions of broadcast stations and station networks. The DOJ can be particularly aggressive when the proposed buyer already owns one or more broadcast stations in the market of the station it is seeking to buy and, following a proposed acquisition, would garner a substantial portion of the advertising revenues in a market. The DOJ has challenged a number of broadcasting transactions. Some of those challenges ultimately resulted in consent decrees requiring, among other things, divestitures of certain stations. Additionally, the FTC has initiated a rule-making process that proposes numerous changes to the information to be provided both as part of the premerger notification and in response to a request for additional information. As part of its scrutiny of station acquisitions, the DOJ has stated publicly that it believes that commencement of operations under time brokerage agreements, local marketing agreements and other similar agreements customarily entered into in connection with station transfers prior to the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), could violate the HSR Act. In connection with acquisitions, subject to the waiting period under the HSR Act, so long as the DOJ policy on the issue remains unchanged, we would not expect to commence operation of any affected station under a time brokerage agreement, local marketing agreement or similar agreement until the waiting period has expired or been terminated.

Federal Regulation of Radio and Television Broadcasting

General

The radio and television broadcasting industry is subject to extensive and changing regulation by the FCC with regard to programming, technical operations, employment, ownership and other business practices. The FCC regulates broadcast stations pursuant to the Communications Act. The Communications Act permits the operation of broadcast stations only in accordance with a license issued by the FCC upon a finding that the grant of a license would serve the public interest, convenience and necessity. The Communications Act provides for the FCC to exercise its licensing authority to provide a fair, efficient and equitable distribution of broadcast service throughout the United States. Among other things, the FCC:

- assigns frequency bands for radio and television broadcasting;
- determines the particular frequencies, locations and operating power of radio and television broadcast stations;
- issues, renews, revokes and modifies radio and television broadcast station licenses;
- establishes technical requirements for certain transmitting equipment used by radio and television broadcast stations;
- adopts and implements regulations and policies that directly or indirectly affect the ownership, operation, program content and employment and business practices of radio and television broadcast stations;
- has the power to impose penalties, including monetary forfeitures and license revocations, for violations of its rules and the Communications Act; and
- regulates certain aspects of the operation of cable and direct broadcast satellite systems and certain other electronic media that compete with broadcast stations.

The following is a brief summary of certain provisions of the Communications Act and specific FCC rules and policies. This summary does not purport to be complete and is subject to the text of the Communications Act, the FCC's rules and regulations, and the rulings of the FCC. You should refer to the Communications Act and these FCC rules, regulations and rulings for further information concerning the nature and extent of federal regulation of broadcast stations. A licensee's failure to observe the requirements of the Communications Act or FCC rules and policies may result in the imposition of various sanctions, including admonishment, fines, the grant of renewal terms of less than eight years, the grant of a license with conditions or, for particularly egregious violations, the denial of a license renewal application, the revocation of an FCC broadcast license or the denial of FCC consent to acquire additional broadcast properties, all of which could have a material adverse impact on our operations.

FCC Licenses

The Communications Act provides that a broadcast station license may be granted to any applicant if the granting of the application would serve the public interest, convenience and necessity, subject to certain limitations. In making licensing determinations, the FCC considers an applicant's legal, technical, financial and other qualifications. The FCC grants radio and television broadcast station licenses for specific periods of time and, upon application, may renew them for additional terms. Under the Communications Act, radio and television broadcast station licenses may be granted for a maximum term of eight years.

The FCC classifies each AM and FM radio station. The minimum and maximum facilities requirements for an FM station are determined by its class. Some FM class designations depend upon the geographic zone in which the transmitter of the FM station is located. In general, commercial FM stations are classified as Class A, B1, C3, B, C2, C1, C0 and C, in order of increasing power and antenna height. Class C FM stations are subject to involuntary downgrades to Class C0 in various circumstances if they do not meet certain antenna height specifications. We do not operate any AM radio stations.

The following table sets forth the technical information and license expiration dates of each of our radio and television stations:

Broadcast station	Market	Date of acquisition	Date of license expiration	Operation frequency	FCC class	HAAT (In meters)	Power (In kilowatts)
KLAX-FM	Los Angeles, CA	2/24/1988	12/1/2013(2)	97.9 MHz	B	184	33.0
KXOL-FM	Los Angeles, CA	10/30/2003	12/1/2013(2)	96.3 MHz	B	398	6.6
WSKQ-FM	New York, NY	1/26/1989	6/1/2006(1)	97.9 MHz	B	415	6.0
WPAT-FM	New York, NY	3/25/1996	6/1/2014(2)	93.1 MHz	B	433	5.4
WMEG-FM	Puerto Rico	5/13/1999	2/1/2012(2)	106.9 MHz	B	594	25.0
WEGM-FM	Puerto Rico	1/14/2000	2/1/2020	95.1 MHz	B	600	25.0
WRXD-FM	Puerto Rico	12/1/1998	2/1/2020	96.5 MHz	B	852	11.5
WZET-FM	Puerto Rico	5/13/1999	2/1/2020	92.1 MHz	A	337	3.0
WIOA-FM	Puerto Rico	1/14/2000	2/1/2020	99.9 MHz	B	560	31.0
WIOB-FM	Puerto Rico	1/14/2000	2/1/2020	97.5 MHz	B	302	50.0
WIOC-FM	Puerto Rico	1/14/2000	2/1/2020	105.1 MHz	B	(61)	47.0
WZNT-FM	Puerto Rico	1/14/2000	2/1/2012(2)	93.7 MHz	B	560	28.0
WZMT-FM	Puerto Rico	1/14/2000	2/1/2020	93.3 MHz	B1	(69)	14.5
WODA-FM	Puerto Rico	1/14/2000	2/1/2020	94.7 MHz	B	560	31.0
WNOD-FM	Puerto Rico	1/14/2000	2/1/2020	94.1 MHz	B	597	25.0
WLEY-FM	Chicago, IL	3/27/1997	12/1/2012(2)	107.9 MHz	B	232	21.0
WRMA-FM	Miami, FL	3/28/1997	2/1/2012(2)	95.7 MHz	C2	167	40.0
WCMQ-FM	Miami, FL	12/22/1986	2/1/2012(2)	92.3 MHz	C2	188	31.0
WXDJ-FM	Miami, FL	3/28/1997	2/1/2020	106.7 MHz	C0	300	100.0
KRZZ-FM	San Francisco, CA	12/23/2004	12/1/2013(2)	93.3 MHz	B	415	6.0
WSBS-DT	Miami, FL(3)	3/1/2006	2/1/2013(2)	CH. 3	DTV	54	1.0
WSBS-CD	Miami, FL	3/1/2006	2/1/2013(2)	CH. 50	CA	236	150.0
KTBU-DT	Houston, TX(4)	8/1/2011	8/1/2014	CH. 42	DTV	597	1,000.0

(1) An application to renew the FCC broadcast license for WSKQ-FM was filed on January 31, 2006. Approval of the application is still pending. A petition to deny the application for renewal was filed by several parties who alleged, inter alia, that WSKQ-FM had broadcast indecent material during the license term. An opposition pleading was submitted to the FCC categorically stating that the allegations made did not raise sufficient questions to warrant nonrenewal of the license. The application remains pending, and the station continues to operate under its expired license until the FCC takes action on the renewal. In February 2014, license renewal applications for stations located in the State of New York were due and we filed another application to renew these licenses. In the great majority of cases, radio broadcast licenses are renewed by the FCC even when petitions to deny are filed against license renewal applications.

(2) An application to renew the FCC broadcast license for this station was timely filed. Approval of the application is still pending.

(3) TV Station WSBS-DT is licensed to Key West and is part of the Miami DMA (designated market area, as defined by Nielsen Media Research).

(4) TV Station KTBU-DT is licensed to Conroe, Texas and is part of the Houston DMA.

License Grant and Renewal

Pursuant to the Communications Act, the FCC renews broadcast licenses without a hearing upon a finding that:

- the station has served the public interest, convenience and necessity;
- there have been no serious violations by the licensee of the Communications Act or FCC rules and regulations; and
- there have been no other violations by the licensee of the Communications Act or FCC rules and regulations which, taken together, indicate a pattern of abuse.

After considering these factors, the FCC may grant the license renewal application with or without conditions, including renewal for a term less than the maximum term otherwise permitted by law, or hold an evidentiary hearing.

The Communications Act authorizes the filing of petitions to deny a license renewal application during specific periods of time after a renewal application has been filed. Interested parties, including members of the public, may use these petitions to raise issues concerning a renewal applicant's qualifications. If a substantial and material question of fact concerning a renewal application is raised by the FCC or other interested parties, or if for any reason the FCC cannot determine that granting a renewal application would serve the public interest, convenience and necessity, the FCC will hold an evidentiary hearing on the application. If, as a result of an evidentiary hearing, the FCC determines that the licensee has failed to meet the requirements specified above and that no mitigating factors justify the imposition of a lesser sanction, then the FCC may deny a license renewal application. Generally, our licenses have been renewed without any material conditions or sanctions being imposed, but we cannot assure that the licenses of each of our stations will continue to be renewed or will continue to be renewed without conditions or sanctions.

Transfers and Assignments of License

The Communications Act requires prior approval by the FCC for the assignment of a broadcast license or the transfer of control of a corporation or other entity holding a license. In determining whether to approve an assignment of a radio broadcast license or a transfer of control of a broadcast licensee, the FCC considers, among other things:

- the financial and legal qualifications of the prospective assignee or transferee, including compliance with FCC restrictions on non-U.S. citizens or entity ownership and control;
- compliance with FCC rules limiting the common ownership of attributable interests in broadcast and newspaper properties;
- the history of compliance with FCC operating rules; and
- the character qualifications of the transferee or assignee and the individuals or entities holding attributable interests in them.

To obtain the FCC's prior consent to assign or transfer a broadcast license, appropriate applications must be filed with the FCC. If the assignment or transfer results in a substantial change in ownership or control, the application must be placed on public notice for a period of 30 days during which petitions to deny the application may be filed by interested parties, including members of the public. Informal objections may be filed any time up until the FCC acts upon the application. If the FCC grants an assignment or transfer application, interested parties have 30 days from public notice of the grant to seek reconsideration of that grant. The FCC has an additional ten days to set aside such grant on its own motion. When ruling on an assignment or transfer application, the FCC is prohibited from considering whether the public interest might be served by an assignment or transfer to any party other than the assignee or transferee specified in the application.

Alien Ownership

Under the Communications Act, a broadcast license may not be granted to or held by any corporation that has more than 20% of its capital stock owned or voted by non-U.S. citizens, whom the FCC refers to as "aliens," or entities or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. Furthermore, the Communications Act provides that no FCC broadcast license may be granted to or held by any corporation directly or indirectly controlled by any other corporation of which more than 25% of the capital stock is owned or voted by non-U.S. citizens or entities or their representatives, by foreign governments or their representatives, or by non-U.S. corporations, if the FCC finds the public interest will be served by the refusal or revocation of such license. The FCC has interpreted this provision of the Communications Act to require an affirmative public interest finding before a broadcast license may be granted to or held by any such entity, and in the past the FCC has made such an affirmative finding in the broadcast context only in limited circumstances. These restrictions apply in modified form to other forms of business organizations, including partnerships and limited liability companies. Thus, the licenses for our stations could be revoked if more than 25% of our outstanding capital stock is issued to or for the benefit of non-U.S. citizens. In 2013, the FCC issued a declaratory ruling that notwithstanding its past practices it will consider on a case-by-case basis requests for approval of acquisitions by aliens of in excess of 25% of the stock of the parent of a broadcast licensee. In acting upon such a request, the FCC will coordinate with Executive Branch agencies on national security, law enforcement, foreign policy, and trade policy issues. Our certificate of incorporation provides that the transfer or conversion of our capital stock, whether voluntary or involuntary, shall not be permitted, and shall be ineffective, if such transfer or conversion would violate (or would result in violation of) the Communications Act or any of the rules or regulations promulgated thereunder or require the prior approval of the FCC, unless such prior approval has been obtained.

Ownership Attribution

The FCC generally applies its broadcast ownership limits to "attributable" interests held by an individual, corporation, partnership or other association or entity, including limited liability companies. In the case of a corporation holding broadcast licenses, the interests of officers, directors and those who, directly or indirectly, have the right to vote 5% or more of the stock of a licensee corporation are generally deemed attributable interests, as are officer positions and directors of a corporate parent of a broadcast licensee. The FCC treats all partnership interests as attributable, except for those limited partnership interests that under FCC policies are considered insulated from material involvement in the management or operation of the media-related activities of the partnership. The FCC currently treats limited liability companies like limited partnerships for purposes of attribution. Stock interests held by insurance companies, mutual funds, bank trust departments and certain other passive investors that hold stock for investment purposes only become attributable with the ownership of 20% or more of the voting stock of the corporation holding broadcast licenses.

To assess whether a voting stock interest in a direct or an indirect parent corporation of a broadcast licensee is attributable, the FCC uses a "multiplier" analysis in which noncontrolling voting stock interests are deemed proportionally reduced at each noncontrolling link in a multi-corporation ownership chain. A time brokerage agreement with another radio or television station in the same market creates an attributable interest in the brokered radio or television station, as well as for purposes of the FCC's local radio and television station ownership rules, if the agreement affects more than 15% of the brokered radio or television station's weekly broadcast hours. Similarly, a radio station licensee's right under a joint sales agreement to sell more than 15% per week of the advertising time on another radio station in the same market constitutes an attributable ownership interest in such station for purposes of the FCC's ownership rules.

Debt instruments, nonvoting stock, stock options or other nonvoting interests with rights of conversion to voting interests that have not yet been exercised, insulated limited partnership interests where the limited partner is not materially involved in the media-related activities of the partnership, and minority voting stock interests in corporations where there is a single holder of more than 50% of the outstanding voting stock whose vote is sufficient to affirmatively direct the affairs of the corporation generally do not subject their holders to attribution, unless such interests implicate the FCC's equity-debt-plus (or "EDP") rule. Under the EDP rule, a major programming supplier or a same-market media entity will have an attributable interest in a station if the supplier or same-market media entity also holds debt or equity, or both, in the station that is greater than 33% of the value of the station's total debt plus equity. For purposes of the EDP rule, equity includes all stock, whether voting or nonvoting, and interests held by limited partners or limited liability company members that are not materially involved. A major programming supplier is any supplier that provides more than 15% of the station's weekly programming hours.

Multiple Ownership

The Communications Act and FCC rules generally restrict ownership, operation or control of, or the common holding of attributable interests in (i) broadcast stations above certain limits serving the same local market, and (ii) broadcast stations and a daily newspaper serving the same local market. On July 7, 2011, the United States Court of Appeals for the Third Circuit upheld the FCC's last media ownership review order, to the extent that the FCC retained most of its media ownership rules, and vacated the portion of that order that sought to relax restrictions on common ownership of broadcast stations and daily newspapers. In December 2011, the FCC issued a Notice of Proposed Rulemaking ("NPRM") as part of its 2010 quadrennial review of its media ownership rules. The NPRM proposes to maintain most of the current rules described below but does propose to relax the newspaper-broadcast cross-ownership rule to apply a positive presumption to requests to own a newspaper and a broadcast station in the 20 largest DMAs. The NPRM also proposes to eliminate the radio-television cross-ownership rule. We cannot predict the outcome of these proceedings or whether the FCC's multiple ownership rules will be modified.

The FCC's currently effective multiple ownership rules are briefly summarized below.

Local Radio Ownership

Although current FCC rules allow one entity to own, control or hold attributable interests in an unlimited number of AM and FM radio stations nationwide, the Communications Act and the FCC's rules limit the number of radio broadcast stations in local markets (generally defined as those counties in the Arbitron ® Metro Survey Area, where they exist) in which a single entity may own an attributable interest as follows:

- In a radio market with 45 or more full-power commercial and noncommercial radio stations, a party may own, operate or control up to eight commercial radio stations, not more than five of which are in the same service (AM or FM).
- In a radio market with between 30 and 44 (inclusive) full-power commercial and noncommercial radio stations, a party may own, operate or control up to seven commercial radio stations, not more than four of which are in the same service (AM or FM).
- In a radio market with between 15 and 29 (inclusive) full-power commercial and noncommercial radio stations, a party may own, operate or control up to six commercial radio stations, not more than four of which are in the same service (AM or FM).
- In a radio market with 14 or fewer full-power commercial and noncommercial radio stations, a party may own, operate or control up to five commercial radio stations, not more than three of which are in the same service (AM or FM), except that a party may not own, operate, or control more than 50% of the radio stations in such market.

To apply these tiers, the FCC currently relies on Arbitron Metro Survey Areas, where they exist. In other areas, the FCC relies on an interim contour-overlap methodology. For radio stations located outside Arbitron Metro Survey Areas, the FCC is undertaking a rulemaking to determine how to define such local radio markets. The market definition used by the FCC in applying its ownership rules may not be the same as that used for purposes of the Hart-Scott-Rodino Act.

Local Television Ownership

Under the ownership rules currently in place, the FCC generally permits an owner to have only one television station per market. A single owner is permitted to have two stations with overlapping signals only if (i) one of the two commonly owned stations is not ranked in the top four based upon audience share, and (ii) there will remain after the transaction eight independently owned, full power noncommercial or commercial operating television stations in the market. The rules also permit the ownership, operation or control of two televisions stations in a market as long as the stations' Noise Limited Service contours do not overlap. In 2011, the FCC issued a Notice of Rulemaking ("Ownership NPRM") proposing to modify the newspaper broadcast cross-ownership rule, to eliminate the radio television cross-ownership rule and to eliminate the contour overlap exception that permits common ownership of two television stations in the same market. The matter remains pending. The FCC will consider waiving these ownership restrictions in certain cases involving failing or failed stations or stations which are not yet built. Under the rule, the licensee of a television station that provides more than 15% of another in-market station's weekly programming will be deemed to have an attributable interest in the other station. The Ownership NPRM also raised questions regarding whether the regulatory treatment of joint operating agreements between television stations in a market that are not commonly owned, including agreements for joint sales of advertising time, news sharing, and the provision of technical, promotional, and back-office services, should be changed. Currently, such arrangements are common among television stations in medium and smaller television markets where ownership of more than one television station is not permitted and the station providing services is not deemed to have an attributable interest in the station receiving services. In the Ownership NPRM, the FCC requested comments regarding whether such joint operating arrangements should be considered attributable. In addition, in a separate rulemaking proceeding that was issued in 2004, the FCC requested comments regarding whether a television station that sells more than 15% of the advertising inventory for another separately owned television station in a market pursuant to a joint sales agreement should be deemed to have an attributable interest in that station.

Television National Audience Reach Limitation

Under the national television ownership rule, one party may not own television stations which reach more than 39% of all U.S. television households. For purposes of calculating the total number of television households reached by a station, the FCC attributes a UHF television station with only 50% of the television households in its market. In establishing a national cap by statute, Congress did not specifically mention the FCC's "UHF discount" policy. In 2013, the FCC released a proceeding to determine if the UHF discount policy should be retained, reused or eliminated. This proceeding remains pending.

Radio-Television Cross-Ownership

The radio-television cross-ownership rule generally allows common ownership of one or two television stations and up to six radio stations, or, in certain circumstances, (i) one television station and seven radio stations, in any market where at least 20 independent voices would remain after the combination; (ii) two television stations and up to four radio stations in a market where at least 10 independent voices would remain after the combination; and (iii) one television and one radio station notwithstanding the number of independent voices in the market. A "voice" includes each independently owned and operated full-power television and radio station and each daily newspaper that has a circulation exceeding 5% of the households in the market, plus one voice for all cable television systems operating in the market.

Newspaper-Broadcast Cross-Ownership

Under the currently effective newspaper broadcast cross-ownership rule, unless grandfathered or subject to waiver, no party can have an attributable interest in both a daily English-language newspaper and either a television or radio station in the same market if specified signal contours of the television station or the radio station encompass the entire community in which the newspaper is published.

Programming and Operations

The Communications Act requires broadcasters to serve the public interest. A broadcast license is required to present programming in response to community problems, needs and interests and to maintain certain records demonstrating its responsiveness. The FCC will consider complaints from listeners about a broadcast station's programming when it evaluates the licensee's renewal application, but listeners' complaints also may be filed and considered at any time. Stations also must pay regulatory and application fees, and follow various FCC rules that regulate, among other things, political advertising, equal employment opportunity, technical operation, the broadcast of obscene, indecent or profane programming, sponsorship identification, the broadcast of contest and lottery information and the conduct of contests.

The FCC requires that licensees not discriminate in hiring practices on the basis of race, color, religion, national origin or gender. It also requires stations with at least five full-time employees to disseminate information about all fulltime job openings and undertake outreach initiatives from an FCC list of activities such as participation in job fairs, internships or scholarship programs.

Stations must retain records of their outreach efforts and keep an annual Equal Employment Opportunity ("EEO") report in their public inspection files and post an electronic version on their websites.

Certain FCC rules affecting programming and operations are briefly summarized below.

Indecency and Profanity

Provisions of federal law regulate the broadcast of obscene, indecent, or profane material. The FCC's rules prohibit the broadcast of obscene material at any time and indecent or profane material between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating the prohibition against broadcasting indecent or profane material because the vagueness of the FCC's indecency/profanity definition makes it difficult to apply, particularly with regard to spontaneous, live programming. In recent years, the FCC has increased its enforcement efforts of these indecency and profanity regulations, and has threatened to initiate license revocation proceedings against broadcast licenses for "serious" indecency or profanity violations. The FCC has substantially increased its monetary penalties for violations of these regulations. Legislation enacted in 2006 provides the FCC with authority to impose fines of up to $325,000 per indecent or profane utterance with a maximum forfeiture exposure of $3.0 million for any continuing violation arising from a single act or failure to act. In the ordinary course of business, we have received complaints or the FCC has initiated inquiries about whether a limited number of our radio stations have broadcast indecent programming. We also have a few outstanding indecency proceedings against our stations, including a petition to deny our application for renewal of our WSKQ-FM station license.

In July 2010, the United States Court of Appeals for the Second Circuit ("Second Circuit") issued a decision in which it vacated the FCC's indecency policy as unconstitutional. In June 2012, the Supreme Court issued a decision which held that the FCC could not fine ABC and FOX for the specific broadcasts at issue in the case because the FCC had not provided them with sufficient notice of its intent to issue fines for the use of fleeting expletives. The Court also held that the FCC's indecency standards did not violate the First Amendment. In April 2013, the FCC requested comments on its indecency policy, including whether it should ban the use of fleeting expletives or whether it should only impose fines for broadcasts that involve repeated and deliberate use of expletives. The FCC has not issued any decisions regarding indecency enforcement since the Supreme Court's decision was issued, although it has advised that it will continue to pursue enforcement actions in egregious cases while it conducts its review of its indecency policies generally. We cannot predict whether Congress will consider or adopt further legislation in this area.

Simulcasting

The FCC rules prohibit a licensee from simulcasting more than 25% of its programming on another radio station in the same broadcast service (that is, AM/AM or FM/FM). The simulcasting restriction applies if the licensee owns both radio broadcast stations or owns one and programs the other through a local marketing agreement, provided that the contours of the radio stations overlap in a certain manner.

Time Brokerage and Joint Sales Agreements

Occasionally, stations enter into time brokerage agreements or local marketing agreements. Separately owned and licensed stations may agree to function cooperatively in programming, advertising sales and other matters, subject to compliance with the antitrust laws and the FCC's rules and policies, including the requirement that the licensee of each station maintain independent control over the programming and other operations of its own station. Over the past few years, a number of stations have entered into cooperative arrangements commonly known as joint sales agreements, or "JSAs." The FCC has determined that where two radio stations are both located in the same market and a party with a cognizable interest in one such station sells more than 15% of the advertising per week of the other station, that party shall be treated as if it has an attributable interest in that brokered station. JSAs between two television stations are not considered attributable, although as noted above, the FCC has a pending proceeding regarding whether such joint operating arrangements should be considered attributable.

RF Radiation

In 1985, the FCC adopted rules based on a 1982 American National Standards Institute, or "ANSI," standard regarding human exposure to levels of radio frequency, or "RF," radiation. These rules require applicants for renewal of broadcast licenses or modification of existing licenses to inform the FCC at the time of filing such applications whether an existing broadcast facility would expose people to RF radiation in excess of certain limits. In 1992, ANSI adopted a new standard for RF radiation exposure that, in some respects, was more restrictive in the amount of environmental RF radiation exposure permitted. The FCC has since adopted more restrictive radiation limits which became effective October 15, 1997 and which are based in part on the revised ANSI standard.

Terrestrial Digital Radio

The FCC has approved a technical standard for the provision of "in band, on channel" terrestrial digital radio broadcasting by existing radio broadcasters and has allowed radio broadcasters to convert to a hybrid mode of digital/analog operation on their existing frequencies. Digital radio provides additional spectrum segmentation for enhanced data services and additional program streams to complement the existing programming service, which permits new business and multicasting opportunities for radio broadcasters. In January 2010, the FCC adopted procedures that allow FM radio stations to significantly increase their digital power levels above those originally permitted in order to improve the digital service these stations provide.

Low Power Radio Broadcast Service

The FCC has adopted rules establishing two classes of a low power radio service, both of which operate in the existing FM radio band: a primary class with a maximum operating power of 100 watts and a secondary class with a maximum power of 10 watts. These low power radio stations have limited service areas of 3.5 miles and 1 to 2 miles, respectively. Implementation of a low power radio service provides an additional audio programming service that could compete with our radio stations for listeners, but we cannot predict the effect upon us.

Change of Community

The FCC has adopted rules concerning the FM Table of Allotments to allow radio broadcasters to change their community of license more easily. We have evaluated our current licenses to see if a community of license change would be beneficial. We are aware that competitors may use this rule revision to improve their facilities, and other radio operators may use this rule in a way that would make them newly attractive acquisition targets for us.

Cable and Satellite Carriage of Television Broadcast Stations

The Communications Act and implementing FCC regulations govern the retransmission of commercial television stations by cable television systems and direct broadcast satellite, or "DBS," operators. Every three years, each station must elect, with respect to cable systems and DBS operators within its designated market area, or "DMA," either "must carry" status, pursuant to which the cable system's or DBS operator's carriage of the station is mandatory, or "retransmission consent," pursuant to which the station gives up its right to mandatory carriage in order to negotiate consideration in return for consenting to carriage. We have elected "must carry" with respect to our full power television stations. These "must carry" rights are not absolute, and under some circumstances, a cable system or DBS operator may be entitled not to carry a given station. For example, DBS operators are required to carry the signals of all local television broadcast stations requesting carriage only in local markets in which the DBS operator carries at least one signal pursuant to the statutory local-to-local compulsory copyright license.

Neither cable systems nor DBS operators are required to carry more than a station's primary video programming channel. Consequently, the multicast programming streams provided by our Houston television station are not entitled to mandatory carriage pursuant to the digital must-carry rules. In 2011, the FCC released a rulemaking seeking comment on a series of proposals to streamline and clarify the rules concerning retransmission consent negotiations. In a separate proceeding, the FCC has requested comment on whether the definition of MVPD should be expanded to include entities that make available multiple channels of video programming to subscribers through Internet connections. Both proceedings are pending, and we cannot predict what impact, if any, they will have on our negotiations with video programming distributors.

Digital Television Services

As of June 12, 2009, all full-power broadcast television stations were required to cease broadcasting analog programming and convert to all digital broadcasts. The transition to digital television has improved the technical quality of television signals and provides broadcasters the flexibility to offer new services, including high-definition television, broadband data transmission and additional video streams. Our full-power television and Class A television stations have completed construction of their DTV facilities and are currently broadcasting solely on their digital channels. Our full-power television station in Houston also broadcasts several additional video streams. Under current FCC rules, when "must carry" rights apply, cable systems and DBS operators are required to carry only one channel of the digital signal of our television stations, despite the capability of digital broadcasters to broadcast multiple program streams within one station's digital allotment.

Children's Television Programming

The FCC has adopted rules on children's television programming pursuant to the Children's Television Act of 1990. The rules limit the amount and content of commercial matter that may be shown on television stations during programming designed for children 12 years of age and younger and require stations to broadcast on their main program stream three hours per week of educational and informational programming ("E/I programming") designed for children 16 years of age and younger. FCC rules also impose E/I programming requirements on each additional digital multicast program stream transmitted by television stations, with the requirement increasing in proportion to the additional hours of free programming offered on multicast channels. These rules also limit the display during children's programming of Internet addresses of websites that contain or link to commercial material or that use program characters to sell products.

Sponsorship Identification

Both the Communications Act and the FCC rules generally require that, when payment or other consideration has been received or promised to a broadcast licensee for the airing of program material, the station must disclose that fact and identify who paid or promised to provide the consideration at the time of the airing. The FCC has initiated inquiries against several media companies, including our company, concerning sponsorship identification practices with respect to the music recording industry. The FCC has also initiated inquiries against several dozen television stations seeking to determine whether their broadcast of "video news releases" (each, a "VNR") violated the sponsorship identification rules by failing to disclose the source and sponsorship of the VNR materials. At least two television broadcast licensees recently were issued fines by the FCC for violations of the sponsorship ID rules related to VNRs. VNRs are news stories and feature materials produced by government agencies and commercial entities, among others, for use by broadcasters. The FCC also has under consideration rule-making proceedings concerning sponsorship identification issues, such as product placement. Whether any new regulations are ultimately adopted and, if so, the effect of such rules on our operations cannot currently be determined.

Closed Captioning and Video Description Rules

FCC rules require the majority of programming broadcast by television stations to contain closed captions. The rules allow a video programming owner to file a petition for exemption from the rules. We have filed a petition for exemption from the rules based upon a showing of undue burden. During the pendency of an undue burden determination, the video programming subject to the request for exemption is considered exempt from the closed captioning requirement. In January 2012, the FCC adopted rules to require that television programming broadcast or transmitted with captioning include captioning if subsequently made available online, for example, by streaming content on broadcasters' websites. In 2013, the FCC released a rulemaking seeking comments regarding whether the Internet video captioning obligations should apply to brief segments or clips of video programs that are carried on the Internet.

FCC rules also require, in part, that affiliates of the top-four national broadcast networks in the top 25 markets provide a minimum of 50 hours of video-described primetime and/or children's programming each calendar quarter. The requirement to provide video descriptions will ultimately be expanded in 2015 to network affiliates in the top 60 markets.

Commercial Advertisement Loudness Mitigation

New rules enacted by the FCC that require our television broadcast stations to transmit commercials and adjacent programming at the same volume went into effect in December 2012.

Recordkeeping

The FCC rules require broadcast stations to maintain various records regarding operations, including equipment performance records and a log of a station's operating parameters. Broadcast stations must also maintain a public inspection file. Portions of the public inspection files maintained by television stations are hosted on an FCC-maintained website.

Regulation of the Internet

Internet services including websites of our broadcast stations are subject to regulation relating to the privacy and security of personally identifiable user information and acquisition of personal information from children under 13, including the federal Child Online Privacy Protection Act ("COPPA") and the federal Controlling the Assault of Non-Solicited Pornography and Marketing Act ("CAN-SPAM"). In addition, a majority of states have enacted laws that impose data security and security breach obligations. Additional federal, state, territorial laws and regulations may be adopted with respect to the Internet or other online services, covering such issues as user privacy, child safety, data security, advertising, pricing, content, copyrights and trademarks, access by persons with disabilities, distribution, taxation and characteristics and quality of products and services.

Repurposing of Broadcast Spectrum for Other Uses

In February 2012, Congress passed and the President signed legislation that, among other things, grants the FCC authority to conduct incentive auctions to recapture certain spectrum currently used by television broadcasters and repurpose it for other uses. On October 2, 2012, the FCC released a Notice of Proposed Rulemaking to begin to develop the rules and procedures to implement incentive auctions authorized by Congress. That rulemaking process remains ongoing.

The incentive auction process would have three components. First, the FCC would conduct a reverse auction by which each television broadcaster may choose to retain its rights to a 6 MHz channel of spectrum or volunteer, in return for payment, to relinquish all of the station's spectrum by surrendering its license; relinquish the right to some of its spectrum and thereafter share spectrum with another station; or modify its UHF channel license to a VHF channel license. Second, in order to accommodate the spectrum reallocated to new users, the FCC will "repack" the remaining television broadcast spectrum, which may require certain television stations that did not participate in the reverse auction to modify their transmission facilities, including requiring such stations to operate on different channels. The FCC has solicited comments on various aspects of the repacking and reimbursement process. The FCC is authorized to reimburse stations for reasonable relocation costs up to a total across all stations of $1.75 billion. In addition, Congress directed the FCC, when repacking television broadcast spectrum, to make reasonable efforts to preserve a station's coverage area and population served. Also, the FCC is prohibited from requiring a station to move involuntarily from the UHF band to the VHF band or from the high VHF band to the low VHF band. The statute does not protect low power stations in the repacking process. Third, the FCC would conduct a forward auction of the relinquished spectrum to new users. The FCC must complete the reverse auction and the forward auction by September 30, 2022, and has announced that as of now it intends to conduct the auction during 2015.

The outcome of the incentive auction and repacking of broadcast television spectrum, or the impact of such items on our business, cannot be predicted.

Proposed and Recent Changes

Congress and the FCC continually consider new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect our operations, ownership and profitability; result in the loss of audience share and advertising revenue; or affect our ability to acquire additional broadcast stations or to finance such acquisitions. We can neither predict what matters might be considered nor judge in advance what impact, if any, the implementation of any of these proposals or changes might have on our business. Such matters may include:

- changes to the license authorization and renewal process;
- proposals to improve record keeping, including enhanced disclosures of stations' efforts to serve the public interest;
- changes to the FCC's equal employment opportunity regulations and other matters relating to the involvement of minorities and women in the broadcasting industry;
- changes to rules relating to political broadcasting including proposals to grant free air time to candidates, and other changes regarding political and nonpolitical program content, funding, political advertising rates, and sponsorship disclosures;
- proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages;
- proposals to restrict or prohibit the advertising of on-line casinos or on-line sports-betting services;
- proposals regarding the regulation of the broadcast of indecent or violent content;
- proposals to require broadcast stations to operate studios in the communities to which they are licensed, which would require construction of new studios, to provide staffing on a 24 hour per day basis, and to increase and/or quantify locally oriented program content and diversity;
- technical and frequency allocation matters, including increased protection of low power FM stations from interference by full-service stations and changes to the method used to allot FM radio frequencies; changes in broadcast, multiple ownership, foreign ownership, cross-ownership and ownership attribution policies;
- proposals to alter provisions of the tax laws affecting broadcast operations and acquisitions;
- proposals to regulate or prohibit payments to stations by independent record promoters, record labels and others for the inclusion of specific content in broadcast programming;
- changes to allow satellite radio operators to insert local content into their programming service;
- service and technical rules for digital radio, including possible additional public interest requirements for terrestrial digital audio broadcasters; and
- proposals to require radio broadcasters to pay royalties to musicians and record labels for the performance of music played on the stations.

Available Information

We are subject to the reporting and other information requirements of the Exchange Act. We file reports and other information with the SEC. Such reports and other information filed by us pursuant to the Exchange Act may be inspected and copied at the public reference facility maintained by the SEC at 100 F Street, N.E., Washington D.C. 20549, on official business days during the hours of 10:00 am to 3:00 pm. If interested, please call 1-800-SEC-0330 for further information on the public reference room. The SEC maintains a website on the Internet containing reports, proxy materials, information statements and other items. The Internet website address is *http://www.sec.gov*.

Our reports, proxy materials, information statements and other information can also be inspected and copied at the offices of the NASDAQ Stock Market, on which our common stock is listed (symbol: SBSA). You can find more information about us at our Internet website located at www.spanishbroadcasting.com and the investor relations section of our website is located at *www.spanishbroadcasting.com*. Our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on our Internet website as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC.

The information on our Internet website is not, and shall not be deemed to be part of this report or incorporated into any other filings we make with the SEC.

Item 1A. Risk Factors

The following discussion of risk factors contains "forward-looking statements," as discussed in Item 1. "Business". These risk factors may be important to understanding any statement in this Annual Report on Form 10-K or elsewhere. You should carefully consider the risks and uncertainties described below and the other information in connection with evaluating our business and the forward-looking statements in this report. These are not the only risks we face. Additional risks and uncertainties that we are not aware of or that we currently deem immaterial also may impair our business. If any of the following risks actually occur, our business, financial condition and operating results could be materially adversely affected and the trading price of our common stock could decline.

The following information should be read in conjunction with Part II, Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* ("MD&A"), and the consolidated financial statements and related notes in Part II, Item 8. *Financial Statements and Supplementary Data* of this report.

Our business routinely encounters and addresses risks, some of which will cause our future results to be different – sometimes materially different – than we presently anticipate. A discussion about important operational risks that our business encounters can be found in the MD&A section and in the business descriptions in Item 1. "Business" of this report. Below, we describe certain important operational and strategic risks. Our reactions to material future developments as well as our competitors' reactions to those developments will affect our future results.

Risks Related to Our Business

We have experienced net losses in the past and, to the extent that we experience net losses in the future, our ability to raise capital may be adversely affected.

We have experienced net losses in the past and in the year ended December 31, 2013, we recorded a net loss available to common stockholders of $8.9 million. Failure to achieve sustained profitability may adversely affect our ability to raise additional capital and our ability to meet our obligations. Our inability to obtain financing in adequate amounts and on acceptable terms necessary to operate our business, repay our debt obligations or finance future acquisitions could negatively impact our business, financial condition, results of operations and cash flows.

If U.S. economic conditions do not improve or deteriorate, our results of operations and cash flow may be adversely affected.

Revenue generated by our media broadcasting stations depends primarily upon the sale of advertising time. Our operating results have been adversely affected by the slow recovery of the U.S. economy from the most recent recession because advertising expenditures, which we believe to be largely a discretionary business expense, generally decrease as the economy slows down. The condition of the U.S. economy remains highly uncertain, with continuing high unemployment and low growth rates, and if the economy does not improve or deteriorates, our results of operations will be adversely affected.

We are particularly dependent on advertising revenues from specific industries, and any failure of those industries to recover could adversely affect our results of operations and cash flow.

The absence of a full recovery in the U.S. economy has caused reductions in advertising revenues from the automotive, retail, financial and other industries. We generate a greater percentage of our advertising revenue from the automotive industry than any other industry, for example, including radio advertising by local automotive dealers and television advertising by manufacturers and dealers. Advertising spending in the automotive industry remains lower than pre-recession levels, and other industries, such as the retail industry, have also not shown significant growth. Our long-term growth strategy and our long-term liquidity depend on recovery in these important industries.

Even in the absence of a general recession or downturn in the economy, an individual business sector that tends to spend more on advertising than other sectors might be forced to reduce its advertising expenditures if that sector experiences a downturn. If that sector's spending represents a significant portion of our advertising revenues, any reduction in its expenditures may affect our revenue.

Current uncertain economic conditions may affect our financial performance or our ability to forecast our business with accuracy.

Our operations and performance depend significantly on the United States and, to a lesser extent, international economic conditions and their impact on purchases of advertising by our clients. We believe that this uncertain economic condition may continue in future periods, as our advertisers alter their purchasing activities in response to the new economic reality, and, among other things, our advertisers may change or scale back future purchases of advertising time. This uncertainty may affect our ability to prepare accurate financial forecasts or meet specific forecasted results. It is currently unclear as to what overall effect the current economic conditions and uncertainties will continue to have on the marketplace and our future business. If we are unable to adequately respond to or forecast further changes in demand for advertising or if current economic conditions persist or deteriorate, our results of operations, financial condition and business prospects may be materially and adversely affected.

Our industry is highly competitive, and we compete for advertising revenue with other broadcast stations, as well as other media, many operators of which have greater resources than we do.

Our industry is highly competitive, and the success of our stations is primarily dependent upon their share of overall advertising revenues within their markets, especially in New York, Los Angeles and Miami. Our broadcast stations compete in their respective markets for audiences and advertising revenues with other broadcast stations of all formats, as well as with other media, such as newspapers, magazines, television, satellite radio, cable services, outdoor advertising, the Internet and direct mail. In addition, any changes in the methods used to determine ratings could result in a downward adjustment in our ratings, which could adversely affect our advertising sales in the markets in which we operate.

Although we believe that each of our broadcast stations is able to compete effectively in its respective market, our stations may be unable to maintain or increase their current audience ratings and advertising revenues. Specifically, radio stations can change formats quickly. Any other radio station currently broadcasting could shift its format to duplicate the format of, or develop a format which is more popular than, any of our stations. If a station converts its programming to a format similar to that of one of our stations, or if one of our competitors strengthens its operations, the ratings and station operating income of our station in that market could be adversely affected. Further, we could also lose some of our on-air personalities, which may adversely affect our competitive position in those markets. In addition, other radio companies which are larger and have more resources may also enter markets in which we operate.

Any of these events could cause our stations' audience ratings, market shares and advertising revenues to decline and any adverse change in a particular market could have a material adverse effect on the financial condition of our business as a whole.

A large portion of our net revenue and operating income currently comes from our New York, Los Angeles and Miami markets.

Our New York, Los Angeles and Miami markets accounted for more than 60% of our net revenue for the year ended December 31, 2013. Therefore, any volatility in our revenues or operating income attributable to stations in these markets could have a significant adverse effect on our consolidated net revenue or operating income. A significant decline in net revenue or operating income from our stations in any of these markets could have a material adverse effect on our financial condition and results of operations.

Since our revenues are concentrated in these markets, an economic downturn, increased competition or another significant negative event in any of these markets could reduce our revenues and results of operations more dramatically than other companies that do not depend as much on these markets.

Cancellations, reductions, delays and seasonality in advertising could adversely affect our net revenues.

We do not generally obtain long-term commitments from our advertisers. As a result, our advertisers may cancel, reduce or postpone orders. Cancellations, reductions or delays in purchases of advertising time could adversely affect our net revenue, especially if we are unable to replace these purchases. Our expense levels are based, in part, on expected future net revenues and are relatively fixed once set. Therefore, unforeseen decreases in advertising sales could have a material adverse impact on our net revenues and operating income.

In addition, we experience fluctuations in our broadcasting revenue primarily due to seasonal variations in advertising expenditures by local, regional and national advertisers, causing our net broadcasting revenues to vary throughout the year. Historically, our first calendar quarter (January through March) has generally produced the lowest net broadcasting revenue for the year because of routine post-holiday decreases in advertising expenditures.

The effects of such seasonality, combined with any other changes in our broadcasting revenue, make it difficult to estimate future operating results based on the previous results of any specific quarter and may adversely affect operating results.

Our growth depends on successfully executing our expansion strategy.

We have pursued, and will continue to pursue, as a growth strategy the expansion of our media business through selective acquisitions and affiliations, primarily in the largest U.S. Hispanic markets, such as our acquisition of a television station in the greater Houston area in 2011. We cannot assure you that our growth strategy will be successful, particularly given that the occurrence of the Voting Rights Triggering Event currently precludes us from incurring additional indebtedness. Our growth strategy is subject to a number of risks, including, but not limited to:

- the limits on our ability to acquire additional stations due to our substantial level of debt and our current inability to incur additional indebtedness resulting from the occurrence of the Voting Rights Triggering Event;
- the need to raise additional financing, which is currently precluded by the occurrence of the Voting Rights Triggering Event;
- our stock price and market conditions in the financial markets;
- the need for required regulatory approvals, including FCC and antitrust approvals;
- the challenges of managing any rapid growth;
- the difficulties of programming newly acquired stations to attract listenership or viewership; and
- general economic conditions affecting the media industry.

Although we intend to pursue selective strategic acquisitions, our ability to do so will be restricted by our current inability to incur additional indebtedness as a result of the occurrence of the Voting Rights Triggering Event, the terms of our debt instruments, and our ability to raise additional funds. Additionally, our competitors, who may not be subject to such financial restrictions and who may have greater resources than we do or existing business in certain markets, may have an advantage over us in pursuing and completing strategic acquisitions that we target.

Our cost-cutting measures may impact our ability to pursue our expansion strategy.

In recent years, we have focused on reducing our operating expenses. This has included restructuring our existing businesses, where we have reduced our workforce and eliminated redundant facilities. Although our cost-cutting measures have successfully reduced expenses, our reduced programming expenses and workforce may make it more difficult to take advantage of opportunities for growth in the future.

The success of our radio stations depends on the popularity and appeal of our content, which is difficult to predict.

We format the programming of each of our radio stations to capture a substantial share of the U.S. Hispanic audience in their respective markets. The U.S. Hispanic population is diverse, consisting of numerous identifiable groups from many different countries of origin and each with its own musical and cultural heritage. Various factors could impact the popularity of our content, including shifts in population, station listenership, demographics, audience tastes and fluctuations in preferred advertising media. The success of our radio stations depends on our ability to consistently create, acquire, market and broadcast content that meets the changing preferences of this broad consumer market. If we are not successful at maintaining and growing the popularity of our content, our operating results may be adversely affected.

The success of our television operation depends upon our ability to attract viewers and advertisers to our broadcast television operation.

Although we recorded positive consolidated operating income for our television segment in 2013 under our indenture governing our Notes, our television segment was not profitable per GAAP and may not achieve profitability in the future. We cannot assure you that we will be able to attract viewers and advertisers to our broadcast television operation. If we cannot attract viewers, our television operation may suffer from low ratings, which in turn may deter potential advertisers. The inability to successfully attract viewers and advertisers may adversely affect our revenue and operating results for our television operation. Television programming is a highly competitive business. Television stations compete in their respective markets for audiences and advertising revenues with other stations and larger, more established networks. As a result of this competition, our rating share may not grow, and an adverse change in our local markets could have a material adverse impact on the revenue of our television operation.

The success of the television operation is largely dependent on certain factors, such as the extent of distribution of the developed programming, the ability to attract viewers and advertisers, the ability to acquire programming, and the market and advertiser acceptance of our programming. We may not be successful in our initiatives, and our initiatives may fail to generate revenues and may ultimately be unprofitable.

If we do not record positive consolidated station operating income for our television segment for any applicable period, beginning on April 15, 2013, additional interest will be payable on our 12.5% senior secured notes due 2017 in cash at a rate of 2.00% per annum (the “Additional Interest”) on (i) the original principal amount of our 12.5% senior secured notes due 2017 plus (ii) any amount of Additional Interest payable but unpaid in any prior interest period. Please see “Risks Related to Our Indebtedness and Preferred Stock” for further discussion related to our 12.5% senior secured notes due 2017. We recorded positive consolidated station operating income for our television segment for the four fiscal quarter period ended on December 31, 2013.

The loss of distribution agreements could materially adversely affect our results of operations.

Our MegaTV television operation has entered into station distribution agreements that allow us to serve markets representing over 3.5 million Hispanic households. One of these agreements expires within the next year if not renewed. If our distribution agreements are terminated or not extended, our ability to reach our viewers and receive licensing fees may be adversely affected, which could adversely affect our business, financial condition and results of operations. Although we expect to renew these agreements or make other arrangements to reach viewers, there is no assurance that we will be able to do so. We receive advertising inventory from our affiliated stations, either in the form of stand-alone advertising time within a specified time period or commercials inserted by MegaTV into its programming. In addition, primarily with respect to Multichannel Video Programming Distributors, we receive a fee for providing such programming. The loss of distribution agreements of our MegaTV television operation could adversely affect our results of operations by reducing the reach of our network programming and, therefore, its attractiveness to advertisers. Renewal on less favorable terms may also adversely affect our results of operations through the reduction of advertising revenue and fees.

The failure or destruction of satellites and transmitter facilities that we depend upon to distribute our programming could materially adversely affect our business and results of operation.

We use studios, satellite systems, transmitter facilities and the Internet to originate and/or distribute our station and network programs and commercials to affiliates. We rely on third-party contracts and services to operate our origination and distribution facilities. These third-party contracts and services include, but are not limited to, electrical power, satellite transponders, uplinks and downlinks and telecom circuits. Distribution may be disrupted due to one or more third parties losing their ability to provide particular services to us, which could adversely affect our distribution capabilities. A disruption can be caused as a result of any number of events such as local disasters (accidental or environmental), various acts of terrorism, power outages, major telecom connectivity failures or satellite failures. Our ability to distribute programming to station audiences and/or network affiliates may be disrupted for an undetermined period of time until alternate facilities are engaged and put on-line. Furthermore, until third-party services resume, the inability to originate or distribute programming could have a material adverse effect on our business, results of operations and cash flows.

Increased use by consumers of new technologies may decrease viewership of advertisements, result in decreased advertising revenues for our television stations, and have a negative effect on our business.

Technology in the broadcast, entertainment and Internet industries is changing rapidly. Advances in technologies or alternative methods of content delivery, as well as certain changes in consumer or advertiser behavior driven by changes in these or other technologies and methods of delivery, could have a negative effect on our business. Examples of such advances in technologies include video-on-demand, satellite radio, video games, DVD players and other personal video and audio systems, wireless devices, text messaging, streaming video, and downloading from the Internet. For example, devices that allow users to view or listen to television or radio programs on a time-delayed basis, and technologies which enable users to fast-forward or skip advertisements altogether, such as DVRs (e.g., TiVo), Aereo, the Dish Network Hopper and portable digital devices, may cause changes in consumer behavior that could affect the perceived attractiveness of our services to advertisers, and could adversely affect our advertising revenue and our results of operations. In addition, further increases in the use of portable digital devices which allow users to view or listen to content of their own choosing, in their own time, while avoiding traditional commercial advertisements, could adversely affect our advertising revenue and our results of operations.

The entry by certain telecommunications companies into the video services delivery market, and the launch of over-the-top providers that deliver programming to viewers over the Internet has increased, and may continue to increase, competitive demand for programming. Other cable providers and direct-to-home satellite operators are developing new video compression technologies that allow them to transmit more channels on their existing equipment to highly targeted audiences, reducing the cost of creating such channels and potentially leading to increased competition for viewers in some of our markets. More television options increase competition for viewers, and competitors targeting programming to narrowly defined audiences may gain an advantage over us for television advertising and subscription revenues. Our ability to adapt to changes in technology on a timely and effective basis and exploit new sources of revenue from these changes may affect our business prospects and results of operations.

We must be able to respond to rapidly changing technology, services and standards which characterize our industry in order to remain competitive.

The broadcasting industry is subject to technological change, evolving industry standards and the emergence of new media technologies and services. For example, the FCC has implemented new technologies in the broadcast industry, including satellite and terrestrial delivery of digital audio broadcasting and the standardization of available technologies that significantly enhance the sound quality of AM and FM broadcasts. In some cases, our ability to compete will be dependent on our acquisition of new technologies and our provision of new services, and we cannot assure you that we will have the resources to acquire those new technologies or provide those new services. In other cases, the introduction of new technologies and services could increase competition and have an adverse effect on our revenue. Recent new media technologies and evolving services include the following:

- satellite-delivered digital audio radio service, which has resulted in a satellite radio service with multichannel programming and enhanced sound quality;
- audio programming by cable television operators, direct broadcast satellite systems, personal communications and wireless systems, Internet content providers, internet radio stations and other digital audio broadcast formats;
- new, diverse and evolving forms of video and audio program distribution offered through the Internet;
- direct satellite broadcast television companies that supply subscribers with several high quality music channels;
- the introduction of in-band on-channel digital radio provides multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM radio services;
- portable digital devices and systems that permit users to listen to programming on a time-delayed basis and to fast-forward through programming and/or advertisements;
- the provision of digital audio and video content for listening and/or viewing on the Internet and/or available for downloading or streaming to portable devices; and
- low-power FM radio, which could result in additional FM radio broadcast stations in markets where we have stations.

We cannot predict the effect, if any, that competition arising from new technologies may have on the broadcasting industry or on our business. To compete with services using new technologies, we may be required to make significant investments to adopt those technologies, acquire companies that use those technologies or upgrade our own services to compete effectively. We may be unable to make these investments, or we may incur significant expenditures and still fail to achieve the competitive gains we seek. Any of these circumstances could have a material adverse effect on our financial condition and results of operations and on the execution of our strategy.

Our business is dependent upon the performance of key employees, on-air talent and program hosts. Cost increases in the retention of such employees may adversely affect our profits.

Our business depends upon the efforts, abilities and expertise of our executive officers and other key employees, including on-air talent, and our ability to hire and retain qualified personnel. We employ or independently contract with several on-air personalities and hosts with significant loyal audiences in their respective markets. Although we have entered into long-term agreements with some of our key on-air talent and program hosts to protect our interests in those relationships, these key on-air personalities and program hosts may not remain with us or may not retain their audiences. Competition for these individuals is intense, and many of our key employees are at-will employees who are under no legal obligation to remain with us. Our competitors may choose to extend offers to any of these individuals on terms which we may be unwilling to meet. In addition, any or all of our key employees may decide to leave for a variety of personal or other reasons beyond our control. Furthermore, the popularity and audience loyalty of our key on-air talent and program hosts is highly sensitive to rapidly changing public tastes. A loss of such popularity or audience loyalty is beyond our control and could limit our ability to generate ratings and revenues.

The loss of any of these executive officers and key employees, particularly Raúl Alarcón, Chairman of our Board of Directors, Chief Executive Officer and President, could have a material adverse effect on our business. We do not maintain key man life insurance on any of our personnel.

We produce and acquire programming and content and incur costs for all types of creative talent, including on-air talent, programming and production personnel. An increase in the costs of such programming and content or in the costs for creative talent may lead to decreased profitability.

Impairment of our goodwill and other intangible assets deemed to have indefinite useful lives can cause our net income or net loss to fluctuate significantly.

As of December 31, 2013, we had approximately $355.9 million of unamortized intangible assets, including goodwill of $32.8 million and FCC broadcast licenses of $323.1 million on our consolidated balance sheet. These unamortized intangible assets represented approximately 77% of our total assets. Accounting standards require that goodwill and other intangible assets deemed to have indefinite useful lives, such as FCC broadcast licenses, cease to be amortized. Accounting standards require that goodwill and certain intangible assets be tested at least annually for impairment. If we find that the carrying value of goodwill or FCC broadcast licenses exceeds their fair value, we will reduce the carrying value of the goodwill or intangible asset to the fair value and will recognize an impairment loss in our results of operations.

We currently account for our FCC broadcast licenses as indefinite-lived assets. In the event we are no longer able to conclude that our FCC broadcast licenses have indefinite lives, we may be required to amortize such licenses. The amortization of our FCC broadcast licenses would affect our earnings and earnings per share.

The impairment tests require us to make estimates of the fair value of our intangible assets, which is determined by using a discounted cash flow methodology. Since a number of factors may influence the fair value of our intangible assets, we are unable to predict whether impairments of goodwill or other indefinite lived intangibles will occur in the future. From time to time in the past, we have incurred significant impairment charges, which have materially adversely affected our results of operations.

Any future impairments would result in our recognizing a corresponding operating loss, which could have an adverse effect on our business, financial condition and results of operations.

Piracy of our programming and other content, including digital and internet piracy, may decrease revenue received from the exploitation of our programming and other content and adversely affect our business and profitability.

Piracy of programming is prevalent in many parts of the world and is made easier by technological advances allowing conversion of programming and other content into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorized copies of our content. We believe that the proliferation of unauthorized copies and piracy of these products, particularly in South America, has an adverse effect on our business and profitability because these products reduce the revenue that we potentially could receive from the legitimate sale and distribution of our media content.

Damage to our brands or reputation could adversely affect our company.

Our brands and our reputation are among our most important assets. Our ability to attract and retain advertisers for our broadcast stations depends, in part, upon the external perceptions of our company, our ability to produce attractive programming, the strength of our audience and our integrity. Damage to our brands or reputation or negative publicity or perceptions about us, either through infringement of our brands, intellectual property or otherwise, could cause a loss of consumer or advertiser confidence in our company and may adversely affect our financial condition.

Our business may be adversely affected by legal or governmental proceedings brought by or on behalf of our employees.

In recent years, a number of employers, including us, have been subject to lawsuits, including alleging violations of federal and state law regarding workplace, wage-hour and employment discrimination matters, class action lawsuits, and a number of these lawsuits have resulted in the payment of substantial damages by the defendants. We could also face potential liability if we are found to have misclassified certain employees as exempt from the overtime requirements of the federal Fair Labor Standards Act and state labor laws, or for having classified certain personnel as contractors and not as employees under applicable law. We have had and now have some employment-related administrative proceedings and lawsuits pending against us, although none involving class allegations and none that we believe to be material.

Raúl Alarcón, the Chairman of our Board of Directors, Chief Executive Officer and President, has majority voting control and this control may discourage or influence certain types of transactions or strategic initiatives.

Raúl Alarcón, Chairman of our Board of Directors, Chief Executive Officer and President, beneficially owns shares of common stock representing approximately 83% of the combined voting power of our outstanding shares of common stock as of December 31, 2013. As a result, Mr. Alarcón generally has the ability to control the outcome of all matters requiring stockholder approval, including the election of our entire Board of Directors, mergers and acquisitions and sales of all or substantially all of our assets. In addition, Mr. Alarcón's voting power may allow him to have a greater influence on our corporate strategy.

We cannot assure you that Mr. Alarcón will maintain all or any portion of his ownership or that he would continue as an officer or director if he sold a significant part of his stock. Further, the disposition by Mr. Alarcón of a sufficient number of shares could result in a change in control of our company, which could trigger a variety of federal, state and local regulatory consent requirements and potentially limit our utilization of net operating losses for income tax purposes, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are a "controlled company" within the meaning of the NASDAQ listing rules and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

Because Mr. Alarcón owns a majority of the voting power of our outstanding common stock, we are a "controlled company" within the meaning of the NASDAQ listing rules. As a result, we qualify for, and rely upon, the "controlled company" exception to the board of directors and committee composition requirements under the NASDAQ corporate governance requirements. As a "controlled company," we are exempt from the requirements to have (i) a majority of independent directors on our Board of Directors, (ii) compensation and nominating committees composed solely of independent directors, (iii) the compensation of executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors, and (iv) director nominees selected or recommended to the Board of Directors for selection, either by a majority of the independent directors, or a nominating committee composed solely of independent directors. We intend to use these exemptions, and as a result, do not currently have a nominating committee. However, we do have a Board of Directors composed of a majority of independent directors and an audit committee and compensation committee composed solely of independent directors.

The liquidity of our common stock could be adversely affected if we are delisted from the NASDAQ Capital Market.

Delisting from NASDAQ would make trading our common stock more difficult for investors, potentially leading to further declines in our share price. Without a NASDAQ listing, stockholders may have a difficult time getting a quote for the sale or purchase of our stock, the sale or purchase of our stock would likely be made more difficult and the trading volume and liquidity of our stock would likely decline. In addition to having an adverse effect on the liquidity of our Class A common stock, delisting from NASDAQ would also result in negative publicity and would also make it more difficult for us to raise additional capital. The absence of such a listing may adversely affect the acceptance of our Class A common stock as currency or the value accorded by other parties. Any impact on our ability to raise equity capital could adversely affect our ability to execute our long-term business strategy, including any efforts to use equity capital to finance selective acquisitions, reduce our indebtedness or fund our operations.

Risks Related to Legislative and Regulatory Matters

Changes in U.S. communications laws or other regulations may have an adverse effect on our business.

The television and radio broadcasting and distribution industries in the United States are highly regulated by U.S. federal laws and regulations issued and administered by various federal agencies, including the FCC. The television and radio broadcasting industry is subject to extensive regulation by the FCC under the Communications Act. For example, we are required to obtain, and periodically renew, licenses from the FCC to operate our radio and television stations. The FCC may not approve our future renewal applications, or it may approve them for less than the full term or subject to conditions or qualifications. The FCC broadcasting license for our flagship WSKQ-FM station, which accounts for a material portion of our net revenue, expired on June 1, 2006. The FCC has yet to take action on our application to renew this license, which is opposed by several parties who allege, among other things, that WSKQ-FM has broadcast indecent material. In February 2014, license renewal applications for stations located in New York were due and we filed another application to renew these licenses. Although the station continues to operate under its expired license pursuant to FCC rules, until the FCC takes action on the renewal applications (the FCC grants renewal of broadcast licenses in the great majority of cases), we cannot be assured that the license will be renewed on favorable terms or at all. The nonrenewal, or renewal with substantial conditions or modifications, of one or more of our licenses (including the license for our WSKQ-FM station) could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We must also comply with extensive FCC regulations and policies in the ownership and operation of our television and radio stations and our television network. FCC regulations limit the number of television and radio stations that a licensee can own in a market and the household reach of television stations nationwide. Under the Communications Act, every three years each television broadcast station is required to elect to exercise the right, either to require cable television system and Direct Broadcast Satellite ("DBS") operators in its local market to carry its signal (must carry), or to prohibit carriage or condition it upon payment of a fee or other consideration. These "must carry" rights are not absolute, and under some circumstances, a cable system or DBS operator may be entitled not to carry a given station. The FCC's current rules require cable and DBS operators to carry only one channel of the digital signal of our television stations, despite the capability of digital broadcasters to broadcast multiple program streams within one station's digital allotment. Cable systems and DBS operators may not continue to carry our owned or affiliated television broadcast stations. The failure of a cable system or DBS operator to carry one of our owned or affiliated television stations could have a material adverse effect on our revenues.

The U.S. Congress and the FCC currently have under consideration, and may in the future adopt, new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect the operation and ownership of our radio and television properties. For example, from time to time, proposals have been advanced in the U.S. Congress and at the FCC to require radio and television broadcast stations to provide advertising time to political candidates for free or at a reduced charge. Any restrictions or reductions in rates on political advertising may adversely affect our advertising revenues. The FCC has initiated a proceeding to examine and potentially regulate more closely embedded advertising, such as product placement and product integration. Enhanced restrictions affecting these means of delivering advertising messages may adversely affect our advertising revenues. The FCC is currently engaged in a review of its media ownership rules. Changes to the media ownership and other FCC rules may affect the competitive landscape in ways that could increase the competition faced by us. We are unable to predict the effect that any such laws, regulations or policies may have on our operations.

The FCC's National Broadband Plan may result in a loss of spectrum for our stations and potentially adversely impact our ability to compete.

In February 2012, Congress passed and the President signed legislation that, among other things, grants the FCC authority to conduct incentive auctions to recapture certain spectrum currently used by television broadcasters and repurpose it for other uses. In October 2012, the FCC released a Notice of Proposed Rulemaking to begin to develop the rules and procedures to implement incentive auctions authorized by Congress. That rulemaking process remains ongoing.

The incentive auction process would have three components. First, the FCC would conduct a reverse auction by which each television broadcaster may choose to retain its rights to a 6 MHz channel of spectrum or volunteer, in return for payment, to relinquish all of the station's spectrum by surrendering its license; relinquish the right to some of its spectrum and thereafter share spectrum with another station; or modify its UHF channel license to a VHF channel license. Second, in order to accommodate the spectrum reallocated to new users, the FCC will "repack" the remaining television broadcast spectrum, which may require certain television stations that did not participate in the reverse auction to modify their transmission facilities, including requiring such stations to operate on different channels. In addition, Congress directed the FCC, when repacking television broadcast spectrum, to make reasonable efforts to preserve a station's coverage area and population served. Also, the FCC is prohibited from requiring a station to move involuntarily from the UHF band to the VHF band or from the high VHF band to the low VHF band. The statute does not protect low power stations in the repacking process. Third, the FCC would conduct a forward auction of the relinquished spectrum to new users. The FCC must complete the reverse auction and the forward auction by September 30, 2022, and has announced that as of now it intends to conduct the auction during 2015.

The outcome of the incentive auction and repacking of broadcast television spectrum, or the impact of such items on our business, cannot be predicted.

Proposed legislation would require radio broadcasters to pay royalties to record labels and recording artists.

Legislation was introduced in past Congressional sessions that would require radio broadcasters to pay a royalty to record labels and performing artists for use of their recorded songs. The legislation failed to pass and has been reintroduced in the current Congress. Currently, we pay royalties to song composers and publishers through Broadcast Music, Inc., the American Society of Composers, Authors and Publishers and SESAC, Inc. The proposed legislation would add an additional layer of royalties to be paid directly to the record labels and artists. In addition, radio and recording industry representatives have entered into negotiations that may result in an agreement to resolve the performance fee issue. It is currently unknown what proposed legislation, if any, will become law, whether industry groups will enter into an agreement with respect to fees, and what significance this royalty would have on our results from operations, cash flows or financial condition.

The FCC vigorously enforces its indecency and other program content rules against the broadcast industry, which could have a material adverse effect on our business.

The FCC's rules and regulations prohibit the broadcast of obscene material at any time and indecent or profane material between the hours of 6:00 a.m. and 10:00 p.m. Broadcasters risk violating the prohibition against broadcasting indecent/profane material because of the vagueness of the FCC's indecency/profanity definition, coupled with the spontaneity of live programming. The FCC vigorously pursues its enforcement activities as they apply to indecency and has threatened on more than one occasion to initiate license revocation or license renewal proceedings against a broadcast licensee who commits a "serious" indecency violation. The FCC has substantially increased its monetary penalties for violations of these regulations pursuant to law enacted in 2006 that provides the FCC with authority to impose fines of up to $325,000 per incident or profane utterance with a maximum forfeiture exposure of $3.0 million for any continuing violation arising from a single act or failure to act. Moreover, the FCC has in some instances imposed separate fines for each allegedly indecent "utterance," in contrast with its previous policy, which generally considered all indecent words or phrases within a given program as constituting a single violation.

In July 2010, the United States Court of Appeals for the Second Circuit ("Second Circuit") issued a decision in which it vacated the FCC's indecency policy as unconstitutional. In June 2012, the Supreme Court issued a decision which held that the FCC could not fine ABC and Fox for the specific broadcasts at issue in the case because the FCC had not provided them with sufficient notice of its intent to issue fines for the use of fleeting expletives. However, the Court did not make any substantive ruling regarding the FCC's indecency standards. In April 2013, the FCC requested comments on its indecency policy, including whether it should ban the use of fleeting expletives or whether it should only impose fines for broadcasts that involve repeated and deliberate use of expletives. The FCC has not issued any decisions regarding indecency enforcement since the Supreme Court's decision was issued, although it has advised that it will continue to pursue enforcement actions in egregious cases while it conducts its review of indecency policies generally. We cannot predict whether Congress will consider or adopt further legislation in this area.

In addition, the FCC's heightened focus on the indecency regulatory scheme against the broadcast industry generally may encourage third parties to oppose our license renewal applications or applications for consent to acquire broadcast stations. A number of inquiries or proceedings regarding alleged violations of the FCC's indecency policy by our stations are currently pending, including a motion in opposition to the renewal of one of our material broadcast licenses. In addition, we have in the past been the subject and may in the future become subject to additional inquiries or proceedings related to our stations' broadcast of allegedly indecent or obscene material. To the extent that these pending inquiries or other proceedings result in the imposition of fines, revocation of any of our station licenses or denials of license renewal applications, our results of operations and business could be materially adversely affected. We also face increased potential costs in the form of fines for indecency violations, and we cannot predict whether Congress will consider or adopt further legislation in this area.

Our businesses depend upon licenses issued by the FCC, and if any of those licenses were not renewed or we were to be out of compliance with FCC regulations and policies, our business may be materially impaired.

Our businesses depend upon maintaining their broadcasting licenses issued by the FCC, which are issued currently for a maximum term of eight years and are subject to renewal thereafter. Interested parties may challenge a renewal application. On rare occasions, the FCC has revoked licenses, not renewed them, or renewed them with significant qualifications, including renewals for less than a full term of eight years. A few of our stations are operating on expired licenses while their applications for renewal remain pending, and certain of our other broadcast licenses will expire and require renewal in the near future. We cannot be certain that our future renewal applications will be approved or that the renewals will not include conditions or qualifications that could adversely affect our operations or result in material impairments, which could adversely affect our business, financial condition, results of operations and cash flows. If any of our FCC licenses are not renewed, we could be prevented from operating the affected station and generating revenue from it.

Further, the FCC has a general policy restricting the transferability of a station license while a renewal application for that station is pending, and we must comply with extensive FCC regulations and policies governing the ownership and operation of our stations. FCC regulations limit the number of radio and television stations that a licensee can own in a market, which could restrict our ability to consummate future transactions. The FCC's rules governing our radio station operations impose costs on their operations, and changes in those rules could have an adverse effect on our business, financial condition, results of operations and cash flows. The FCC also requires radio stations to comply with certain technical requirements to limit interference between two or more radio stations. If the FCC relaxes these technical requirements, it could impair the signals transmitted by our radio stations and could have a material adverse effect on our business, financial condition, results of operations and cash flows. Moreover, governmental regulations and policies may change over time, and the changes may have a material adverse impact upon our business, financial condition and results of operations.

There is significant uncertainty regarding the FCC's media ownership rules, and such rules could restrict our ability to acquire radio stations.

The Communications Act and FCC rules and policies limit the number of broadcasting properties that any person or entity may own (directly or by attribution) in any market and require FCC approval for transfers of control and assignments of licenses. The FCC's media ownership rules remain in flux and subject to further agency and court proceedings. On July 7, 2011, the United States Court of Appeals for the Third Circuit upheld the FCC's last media ownership review order, to the extent that the FCC retained most of its media ownership rules, and vacated the portion of that order that sought to relax restrictions on common ownership of broadcast stations and daily newspapers. In December 2011, the FCC issued a Notice of Proposed Rulemaking ("NPRM") as part of its 2010 quadrennial review of its media ownership rules. The NPRM proposes to leave in place most of the current rules but does tentatively propose to revise the prohibition against owning a daily newspaper and a broadcast station in the largest markets and proposes to eliminate the radio-television cross-ownership rule, which restricts the number of television and radio stations an entity can own in a market. In addition to the FCC media ownership rules, the outside media interests of our officers and directors could limit our ability to acquire stations. The filing of petitions or complaints against us or any of our license-holding subsidiaries, or any FCC license from which we are acquiring a station, could result in the FCC delaying the grant of, or refusing to grant or imposing conditions on, its consent to the assignment or transfer of control of licenses. The Communications Act and FCC rules and policies also impose limitations on non-U.S. ownership and voting of our capital stock. In 2013, however, the FCC issued a declaratory ruling that notwithstanding its past practices it will consider on a case-by-case basis requests for approval of acquisitions by aliens of in excess of 25% of the stock of the parent of a broadcast licensee. In acting upon such a request, the FCC will coordinate with Executive Branch agencies on national security, law enforcement, foreign policy, and trade policy issues. In addition, where proposed acquisitions might result in local radio advertising revenue concentration, the Department of Justice and/or the Federal Trade Commission could undertake their own reviews and could attempt to block or place restrictions or conditions on such transactions.

New or changing federal, state or international privacy legislation or regulation could hinder the growth of our internet business.

A variety of federal and state laws govern the collection, use, retention, sharing and security of consumer data that our internet business uses to operate its services and to deliver certain advertisements to its customers, as well as the technologies used to collect such data. Not only are existing privacy-related laws in these jurisdictions evolving and subject to potentially disparate interpretation by governmental entities, new legislative proposals affecting privacy are also now pending at both the federal and state level in the United States. Changes to the interpretation of existing law or the adoption of new privacy-related requirements could hinder the growth of our internet business. Also, a failure or perceived failure to comply with such laws or requirements or with our own policies and procedures could result in significant liabilities, including a possible loss of consumer or investor confidence or a loss of customers or advertisers.

Risks Related to Our Indebtedness and Preferred Stock

As a result of our not having sufficient funds legally available to repurchase our Series B preferred stock upon request on October 15, 2013, a Voting Rights Triggering Event occurred and our business is subject to significant restrictions.

As a result of the Voting Rights Triggering Event, the holders of the Series B preferred stock have the right to elect two members to our Board of Directors. The right to elect the two new directors may be exercised initially either at a special meeting of the holders of Series B preferred stock or at any annual meeting of the stockholders held for the purpose of electing directors. On March 11, 2014, the Company received a request from LBHI, stating that it held more than 10% of the Series B preferred stock, and requesting that the Company call a special meeting of the preferred Series B stockholders, for the purpose of electing two directors.

Until the Voting Rights Triggering Event is remedied or waived, our business is subject to significant restrictions, unless such restrictions are waived or amended or our Series B preferred stock are refinanced on different terms. Waiving or amending the restrictions described below would require the approval of at least a majority of the shares of the then-outstanding Series B preferred stock and, in certain instances, may require the consent of each holder of Series B preferred stock affected. Under these restrictions, among other things:

- we are unable to incur any indebtedness, even in the ordinary course of our business;
- our ability to undertake investments or make restricted payments is significantly limited; and
- we are unable to undertake certain mergers and consolidations.

These restrictions could have a material adverse effect on our business, financial condition and results of operations.

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.

Directors elected by the holders of Series B preferred stock may not represent all stockholders.

If the holders of the Series B preferred stock elect two directors to the Board of Directors, those newly-elected directors may act primarily in the interests of the holders of the Series B preferred stock and not in the interest of all stockholders. This could have a material adverse effect on the Company.

Our obligations under our Series B preferred stock and our substantial indebtedness under our 12.5% senior secured notes due 2017 could adversely affect our financial condition.

Our consolidated debt is substantial and we are highly leveraged, which could adversely affect our financial condition and limit our ability to grow and compete. In addition, the occurrence of the Voting Rights Triggering Event will hamper our operations.

The occurrence of the Voting Rights Triggering Event and our high level of debt and long-term liabilities could have important consequences to the holders of our securities, including the following:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- limiting and/or precluding our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete; and
- placing us at a disadvantage compared to our competitors.

Our ability to generate sufficient cash flow from operations to pay the principal, premium, if any, and interest on our indebtedness and to pay the liquidation preference and cash dividend obligations under our Series B preferred stock, respectively, is uncertain. Our future debt service obligations could exceed the amount of our available cash. In addition, the Indenture that governs the Notes and the occurrence of the Voting Rights Triggering Event limit our ability to engage in activities that may be in our long-term best interest.

Upon a change of control, we must offer to repurchase all or a portion of our Series B preferred stock, in cash, at a premium to its liquidation value.

The terms of our Series B preferred stock require us, in the event of a change of control, to offer to repurchase all or a portion of a holder's shares at an offer price in cash equal to 101% of the liquidation preference of the shares, plus an amount in cash equal to all accumulated and unpaid dividends on those shares up to but excluding the date of repurchase. We do not currently have and we may not have in the future sufficient funds legally available to make such repurchases.

As a result of our not having sufficient funds legally available to repurchase our Series B preferred stock upon request on October 15, 2013, our preferred stockholders have commenced legal action to require us to make such repurchase.

Since we did not have sufficient funds legally available to repurchase our Series B preferred stock upon request in 2013, our Series B preferred stockholders have commenced legal action to try to require us to do so. We can only make such repurchases out of legally available funds. The determination of whether we have legally available funds to effect a repurchase is made by our Board of Directors based on all available information as of such time, including management's recommendation, the recommendations of third party advisors, the facts and circumstances, contractual commitments and restrictions at that time, including the covenants under the Indenture governing the Notes, and pursuant to the Delaware General Corporation Law.

We have strong arguments against any claim (whether relating to the legal availability of funds or otherwise) that the holders of the Series B preferred stock have brought, but we cannot predict with certainty how any given court might rule. Even if challenges by the holders of the Series B preferred stock are unsuccessful, the litigation itself is likely to be costly, and will divert management's attention from our ongoing business.

We are prevented by the covenants in our Series B preferred stock from refinancing any debt instruments.

We are currently prohibited under the terms of our Series B preferred stock from incurring any indebtedness. If the Voting Rights Triggering Event is continuing at the time that our other indebtedness matures, we would be prohibited by the terms of the Series B preferred stock from refinancing such other indebtedness. Under those circumstances, if we were unable to obtain a waiver or amendment to the Series B preferred stock or to refinance the Series B preferred stock on different terms, we might not be able to satisfy our obligations with respect to such other indebtedness.

We may not be able to generate sufficient cash to service all of our indebtedness, including the Notes and our liabilities under our Series B preferred stock, and we may be forced to take other actions to satisfy our obligations under our indebtedness and Series B preferred stock, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations, including the Notes and our obligations under our Series B preferred stock, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flow from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness and to pay our obligations under our Series B preferred stock.

If our cash flows and capital resources are insufficient to fund our debt service obligations and our obligations under our Series B preferred stock, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures, dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. Any such disposition of assets may also be subject to FCC approval, which we may not be able to obtain. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all, and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations or our obligations with respect to our Series B preferred stock. The indenture that governs the Notes restricts our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness or obligations when they become due. Accordingly, we may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due or to meet our obligations with respect to our Series B preferred stock.

In addition, we conduct a substantial portion of our operations through our subsidiaries. Accordingly, repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, even though payments of principal and interest on the notes are permitted. Each subsidiary is a distinct legal entity, and under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture that governs the Notes will limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial condition and results of operations and our ability to satisfy our obligations.

The terms of the Indenture that governs the Notes, the terms of the Series B preferred stock and the occurrence of the Voting Rights Triggering Event restrict our current and future operations, particularly our ability to respond to changes or take certain actions.

The terms of our Series B preferred stock and the Indenture that governs the Notes contain restrictive covenants that impose significant restrictions on us and may limit, or prevent (in the case of the Voting Rights Triggering Event), our ability to engage in acts that may be in our long-term best interest, including restrictions or prohibitions on our ability to:

- incur additional indebtedness (prohibited during the continuation of a Voting Rights Triggering Event);
- pay dividends or make other distributions or repurchase or redeem our capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to satisfy our current obligations;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities, including acquisition opportunities.

These restrictions may affect our ability to grow in accordance with our plans, which could have an adverse effect on our business, financial condition, results of operations and cash flow.

The restrictions contained in the terms of our Series B preferred stock and in the Notes are subject to a number of exceptions, but even with these exceptions, our ability to take certain actions is significantly limited. In addition, many of the exceptions to the restrictions contained in the terms of our Series B preferred stock are unavailable due to the occurrence of the Voting Rights Triggering Event, as described above under "*As a result of our not having sufficient funds legally available to repurchase our Series B preferred stock upon request on October 15, 2013, a Voting Rights Triggering Event occurred and our business is subject to significant restrictions.*"

Further, a breach of the covenants under the Indenture that governs the Notes could result in an event of default under the Indenture. Such default may allow the noteholders to accelerate the Notes and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In the event our noteholders accelerate the repayment of our debt, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

The interest rate on the Notes will increase if the company does not comply with certain financial or operational covenants in the Indenture governing the Notes.

Beginning on April 15, 2013, additional interest will be payable in cash 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, unless (a) we have recorded 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 Additional Interest service obligations would reduce the amount of cash we have available for our operations and to satisfy our other obligations, which could have a material adverse effect on us.

Under the terms of the Notes, we have the right to accrue the Additional Interest instead of paying such Additional Interest in cash. If we do not pay the Additional Interest in cash, the holders of the Series B preferred stock might claim that such accrual of interest is an incurrence of indebtedness not permitted by the Certificate of Designations. In such case, the holders of the Series B preferred stock may commence legal action to seek damages from us. We would have strong arguments against any such claim.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Each of our media segments requires offices, broadcasting studios, and transmission facilities to support our operations. Our properties are primarily located in owned facilities, as summarized below:

Location	Aggregate size of property in square feet (approximate) (1)	Owned or leased	Lease expiration date
New York, NY (2)	12,100	Owned	N/A
Los Angeles, CA (3)	40,000	Owned	N/A
Miami, FL (4)	70,000	Owned	N/A
Guaynabo, PR (5)	29,000	Owned	N/A

(1) Excludes properties owned or leased that are less than 12,000 square feet.
(2) Facility is used for the offices and studios for our New York radio stations and certain internet and television operations.
(3) Facility is used for the offices and studios for our Los Angeles radio stations and certain internet and television operations.
(4) Facility is used as the principal site for our television, internet and Miami radio studios, production, operation, and sales offices. Our corporate offices are also in this facility.

(5) Facility is used for the offices, operations and studios of our Puerto Rico broadcast stations and television operations.

In addition, we own the transmitter sites for five of our eleven radio stations in Puerto Rico. We also own a tower site in Signal Hill, California where we lease space to a public broadcast station and other members of the telecommunications industry.

We lease (i) all of our other transmitter sites, with lease terms that expire between 2014 and 2044, assuming all renewal options are exercised, and (ii) the office and studio facilities for our radio stations in Chicago and San Francisco.

We lease backup transmitter facilities for our stations WSKQ-FM and WPAT-FM in New York, KLAX-FM and KXOL-FM in Los Angeles, WLEY-FM in Chicago, WRMA-FM, WCMQ-FM and WXDJ-FM in Miami, and KRZZ-FM in San Francisco.

We own the back-up transmitter site in San Juan, Puerto Rico for the five radio stations covering the San Juan metropolitan area. These backup transmitter facilities are a significant part of our disaster recovery plan to continue broadcasting to the public and to maintain our stations' revenue streams in the event of an emergency. We have a backup studio site for KRZZ-FM serving the San Francisco market in San Jose.

We own most of the properties used for the operations of our television stations. These properties include offices, studios, master control and production facilities located in Miami, New York, Los Angeles and Puerto Rico. We lease a combined studio and tower site in Key West, Florida for WSBS-TV and a transmitter site for WSBS-CA, in Pembroke Park, Florida. In addition, we lease office space in Houston, Texas for KTBU-TV, which houses our sales offices and operations.

The studio, office, and transmitter sites of our media stations are vital to our overall operation. Management believes that our properties are in good condition and are suitable for our operations. We, however, continually assess the need to upgrade and to improve our properties and facilities.

Item 3. Legal Proceedings

From time to time we are involved in various routine legal and administrative proceedings and litigation incidental to the conduct of our business, such as contractual matters and employee-related matters. In recent years, we have been subject to administrative proceedings and lawsuits, including class action lawsuits, alleging violations of federal and state law regarding workplace, wage-hour and employment discrimination matters, and a number of these lawsuits have resulted in the payment of substantial damages. In the opinion of management, such litigation is not likely to have a material adverse effect on our business, operating results or financial condition.

Litigation- Lehman and T. Rowe Price Complaint

On February 14, 2013, Lehman Brothers Holdings Inc. ("LBHI") brought a claim against us in the Delaware Court of Chancery (the "Court") seeking, among other things, a declaratory judgment that as a result of non-payment of dividends, a Voting Rights Triggering Event had occurred pursuant to the certificate of designations for the Series B preferred stock (the "Certificate of Designations") no later than July 15, 2010. LBHI alleged that as a result, we were prohibited from incurring indebtedness but did so for the purposes of purchasing assets relating to our Houston television station and the issuance of our 12.5% Senior Secured Notes due 2017 (the "Notes"). LBHI also sought an award of unspecified contract damages.

We filed a motion to dismiss the LBHI complaint on March 11, 2013. On April 25, 2013, LBHI filed an opposition to our motion to dismiss and a motion for partial summary judgment. We filed a reply in further support of our motion to dismiss and in opposition to LBHI's motion for partial summary judgment on May 10, 2013. A hearing on the parties' motions was held on May 20, 2013, at which the Court requested further briefing on cross-motions for summary judgment.

Additionally, on June 17, 2013, T. Rowe Price High Yield Fund, Inc., T. Rowe Price Institutional High Yield Fund, T. Rowe Price Funds SICAV-Global High Yield Bond Fund and T. Rowe Price Small-Cap Value Fund, Inc. (collectively "T. Rowe Price" and with LBHI, the "Plaintiffs") brought a claim against us making allegations substantially similar to those made by LBHI previously, except with an additional claim for breach of the implied covenant of good faith and fair dealing.

On July 3, 2013, the Court granted the Plaintiffs' motion to consolidate their lawsuits; and on October 3, 2013, LBHI moved to amend its original complaint by adding a claim for breach of the implied covenant of good faith and fair dealing. We moved for judgment on the pleadings as to both T. Rowe Price's and LBHI's good faith and fair dealing claims. In addition, we and the Plaintiffs submitted cross-motions for summary judgment on October 31, 2013.

On February 25, 2014, Vice Chancellor Glasscock rendered the opinion of the Court granting our motions for summary judgment and judgment on the pleadings, and denying the Plaintiffs' motion for summary judgment. Accordingly, the Plaintiffs' claims were dismissed.

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 Court seeking a declaratory judgment that a Voting Rights Triggering Event had occurred (as of April 15, 2010) under our Certificate of Designations as a result of our non-payment of dividends. The claim states 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 Notes under the Indenture governing the Notes 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 seek 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 as additional plaintiffs. We deny the allegations contained in the complaint and, to the contrary, assert that we have been and continue to be in full and complete compliance with all of our obligations under the Certificate of Designations, as fully disclosed in our public filings dating back to 2009. Accordingly, we believe that the complaint's allegations are frivolous and wholly without merit and intend to contest such allegations vigorously.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market Information

Our Class A common stock is traded on the NASDAQ Capital Market under the symbol "SBSA". The tables below show, for the quarters indicated, the reported high and low bid quotes for our Class A common stock on the NASDAQ Capital Market.

	2013		2012	
	High	Low	High	Low
First quarter	$ 3.38	2.31	7.47	2.78
Second quarter	4.97	2.40	7.50	2.78
Third quarter	4.55	3.14	7.10	2.84
Fourth quarter	4.24	3.28	3.84	1.15

(b) Record Holders

As of March 18, 2014, there were approximately 113 record holders of our Class A common stock, six record holders of our Class B common stock and one record holder of our Class C preferred stock. These figures do not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. There is no established public trading market for our Class B common stock or our Class C preferred stock. Our Class B common stock is convertible into our Class A common stock on a share-for-share basis, and each share of the Class C preferred stock is convertible into two shares of Class A common stock.

(c) Dividends

We have not declared or paid any cash or stock dividends on any class of our common stock in the last two years. We intend to retain future earnings for use in our business and due to the Voting Rights Triggering Event, we are not permitted to declare or pay any cash or stock dividends on shares of our Class A or Class B common stock until the requirements to lift the Voting Rights Triggering Event are met. Once the Voting Rights Triggering Event is no longer in effect, any determination to declare and pay dividends will be made by our Board of Directors based upon our earnings, financial position, capital requirements and other factors that our Board of Directors deem relevant. Furthermore, our indenture contains restrictions on our ability to pay dividends.

Under the terms of our Series C preferred stock, we are required to pay dividends on parity with our Class A common stock and Class B common stock and any other class or series of capital stock we create after December 23, 2004.

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 3/4% 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.

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.

Following the occurrence, and during the continuation of the Voting Rights Triggering Event, we will be subject to more restrictive operating covenants, including a prohibition on our ability to pay dividends, make distributions, or redeem or repurchase securities. The Voting Rights Triggering Event shall continue until (i) all dividends in arrears shall have been paid in full and (ii) all other failures, breaches or defaults giving rise to such Voting Rights Triggering Event are remedied or waived by the holders of at least a majority of the shares of the then outstanding Series B preferred stock. We do not currently have sufficient funds legally available to be able to satisfy the conditions for terminating the Voting Rights Triggering Event. The indenture governing our Notes currently prohibits us from paying dividends or from repurchasing the Series B preferred stock. See Item 1A. Risk Factors of this Form 10-K for a further discussion of our Series B preferred stock, including the consequences of the occurrence of the Voting Rights Triggering Event.

On March 29, 2013, the Board of Directors declared a cash dividend for the dividend due April 15, 2013 to the holders of our Series B preferred stock of record as of April 1, 2013. The cash dividend of $26.875 per share was paid in cash on April 15, 2013.

Our Board of Directors, under management's recommendation, has previously determined that based on the circumstances at the time, among other things, the then current economic environment and our future cash requirements (and, in the case of the four most recent scheduled dividends, the restrictive covenants under the Indenture), it was not prudent to declare or pay the dividends scheduled for October 15, 2013, July 15, 2013 and January 15, 2013. Under the Indenture governing our Notes, we are not permitted to pay any dividends while a Voting Rights Triggering Event exists.

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources below for additional information regarding liquidity restrictions on our ability to pay dividends on our common stock.

Equity Compensation Plans

Information called for by Item 5 will be set forth in our proxy statement relating to the 2014 Annual Meeting of Stockholders, which information is incorporated herein by this reference.

Recent Sales of Unregistered Securities

We have not made any sales of unregistered equity securities for the period covered by this annual report on Form 10-K.

Issuer Purchases of Equity Securities

We did not repurchase any of our outstanding equity securities for the period covered by this annual report on Form 10-K.

Item 6. Selected Financial Data

Not required for smaller reporting companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General Overview

We own and/or operate 20 radio stations in markets that reach approximately 40% of the Hispanic population in the United States, including Puerto Rico. In addition, we broadcast via our owned and operated television stations in South Florida and Houston and through distribution agreements, including nationally on a subscriber basis, which allow us to serve markets representing over 3.5 million Hispanic households. We operate two reportable segments: radio and television.

Our radio stations are 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. For the years ended 2013 and 2012, our radio revenue was generated primarily from the sale of local, national and network advertising, and our radio segment generated 87% of our consolidated net revenue.

Our television stations and related affiliates operate under the "MegaTV" brand. 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 into our programming to complement our Internet websites. We produce over 50 hours of original programming per week. For the years ended 2013 and 2012, our television revenue was generated primarily from the sale of local advertising and paid programming and generated 13% of our consolidated net revenues.

As part of our operating business, we also own 21 bilingual websites, including www.lamusica.com, Mega.tv and various station websites that provide content related to Latin music, entertainment, news and culture. LaMusica.com and our network of station websites generate revenue primarily from advertising and sponsorship. In addition, the majority of our station websites simultaneously stream our stations' content, which has broadened the audience reach of our radio stations. We also produce live concerts and events in the United States and Puerto Rico. Concerts generate revenue from ticket sales, sponsorship and promotions while raising awareness of our brands in the surrounding communities. These distinct offerings provide additional synergistic opportunities for our advertising partners to reach their targeted audiences.

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 and national 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 years ended 2013 and 2012, local revenue comprised 62% – 68% of our gross revenue.
- National and network revenue generally consists of advertising airtime sold to agencies purchasing advertising for multiple markets. National sales are generally facilitated by our national representation firm, which serves as our agent in these transactions. For the years ended 2013 and 2012, national revenue comprised 16%—17% of our gross revenue. Network sales generally consists of advertising airtime sold to our network sales partner and for the years ended 2013 and 2012, comprised 3% of our gross revenue.

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 years ended 2013 and 2012, these revenues combined comprised approximately 12% – 18% of our gross revenue.

- *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 internationally.
- 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 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 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. Also, in our pursuit to control our operating expenses, we work closely with our local station management and vendors.

Year Ended 2013 Compared to Year Ended 2012

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

	2013	2012
Net revenue:		
Radio	$ 133,536	121,414
Television	20,238	18,108
Consolidated	$ 153,774	139,522
Engineering and programming expenses:		
Radio	$ 22,044	20,101
Television	8,828	11,144
Consolidated	$ 30,872	31,245
Selling, general, and administrative:		
Radio	$ 58,322	49,108
Television	10,878	8,521
Consolidated	$ 69,200	57,629
Corporate expenses	$ 9,316	7,507
Depreciation and amortization:		
Radio	$ 1,943	2,062
Television	2,916	2,999
Corporate	307	403
Consolidated	$ 5,166	5,464
(Gain) loss on disposal of assets, net:		
Radio	$ (12)	(15)
Television	—	—
Corporate	(13)	—
Consolidated	$ (25)	(15)
Impairment of assets and restructuring costs:		
Radio	$ 86	48
Television	1,000	11
Corporate	(197)	383
Consolidated	$ 889	442
Operating income (loss):		
Radio	$ 51,153	50,110
Television	(3,384)	(4,567)
Corporate	(9,413)	(8,293)
Consolidated	$ 38,356	37,250

The following summary table presents a comparison of our operating results of operations for the years ended December 31, 2013 and 2012. Various fluctuations illustrated in the table are discussed below. This section should be read in conjunction with our consolidated financial statements and related notes.

	2013	2012
	(In thousands)	
Net revenue	$ 153,774	139,522
Engineering and programming expenses	30,872	31,245
Selling, general, and administrative expenses	69,200	57,629
Corporate expenses	9,316	7,507
Depreciation and amortization	5,166	5,464
(Gain) loss on disposal of assets, net	(25)	(15)
Impairment of assets and restructuring costs	889	442
Operating income	38,356	37,250
Interest expense, net	(39,715)	(36,543)
Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense	(87,563)	—
Dividends on Series B preferred stock classified as interest expense	(2,028)	—
Change in fair value of derivative instrument	—	(391)
Income tax (benefit) expense	(2,384)	1,597
Net loss	$ (88,566)	(1,281)
Series B preferred stock adjustment to fair value at redemption date	87,563	—
Dividends on Series B preferred stock	(7,859)	(9,927)
Net loss available to common stockholders	$ (8,862)	(11,208)

Net Revenue

The increase in our consolidated net revenues of $14.2 million or 10% was due to the increases in both our radio and television segments' net revenues. Our radio segment net revenues increased $12.1 million or 10%, primarily due to special events revenue, local, national, barter and interactive sales. The increases in special events revenue, barter and interactive sales occurred throughout most of our markets. The increase in local sales was primarily in our New York, Los Angeles, Puerto Rico and Miami markets. The increase in national sales took place in our Los Angeles, New York and San Francisco markets. Our television segment net revenues increased $2.1 million or 12%, largely due to the increase in special events revenue, offset by the decreases in national and local spot sales and paid-programming sales.

Engineering and Programming Expenses

The decrease in our consolidated engineering and programming expenses of $0.4 million or 1% was due to the decrease in our television segment expenses. Our television segment expenses decreased $2.3 million or 21%, mainly due to decreases in originally produced programming costs, compensation and benefits, and the elimination of broadcasting rights fees related to our former Chicago and Puerto Rico outlets. Our radio segment expenses increased $1.9 million or 10%, primarily related to increases in compensation and benefits, legal settlements and music research expenses, which were offset by a decrease in music license fees.

Selling, General, and Administrative Expenses

The increase in our consolidated selling, general and administrative expenses of $11.6 million or 20% was due to the increases in both our radio and television segments' expenses. Our radio segment expenses increased $9.2 million or 19%, mainly due to increases in special events expenses, barter expense, compensation and benefits, and legal settlements, which were offset by a decrease in local commissions. Our television segment expenses increased $2.4 million or 28%, primarily due to an increase in special events expenses, which were offset by decreases in compensation and benefits, and facilities expenses.

Corporate Expenses

The increase in corporate expenses of $1.8 million or 24% was mostly due to an increase in professional fees.

Impairment of Assets and Restructuring Costs

The impairment charges and restructuring costs were mainly related to an impairment charge recognized on the write-off of a deposit for an option to purchase a TV station that we operated under a programming agreement throughout 2008 and 2009. Pursuant to a lawsuit, we were requesting the reimbursement of our deposit but our claim was denied.

Operating Income

The increase in operating income of $1.1 million or 3% was mainly due to the increase in net revenue.

Interest Expense, Net

The increase in interest expense of $3.2 million was due to the increase in our interest rate and amortization of deferred financing costs related to our 12.5% senior secured notes due 2017 (the "Notes"). On February 7, 2012, we issued $275 million in aggregate principal amount of the Notes at an issue price of 97% of the principal amount. We used the net proceeds from this offering, together with cash on hand, to repay and terminate the senior credit facility term loan, and to pay the transaction costs related to this offering. Our Notes have an effective interest rate of approximately 13.3%, including the original issue discount. We also incurred approximately $17.6 million in transaction costs, which are being amortized over the life of our Notes and recorded as interest expense.

Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense and Dividends on Series B preferred stock classified as interest expense

In accordance with Accounting Standards Codification 480 *"Distinguishing Liabilities from Equity"* ("ASC 480"), the Series B preferred stock was re-measured subsequently from the initial measurement date (i.e. redemption date of October 15, 2013) as the amount of cash that would be paid under the conditions specified in the contract, as if the settlement occurred at December 31, 2013, because the final settlement amount to be paid on the Series B preferred stock was uncertain due to its continual accruing quarterly dividends and its uncertain settlement date. The resulting change in that amount from the previous reporting date (i.e. initial measurement date) was recognized as interest expense. Therefore, we recorded an $87.6 million adjustment to increase the Series B preferred stock liability to the contract settlement value as of December 31, 2013 and recorded $2.0 million as dividends on Series B preferred stock classified as interest expense for the accrued dividends from the redemption date to December 31, 2013. Please refer to "Series B preferred stock adjustment to fair value at redemption date" below for further additional details.

Income Tax (Benefit) Expense

The decrease in income tax expense of $4.0 million was primarily a result of the elimination of a valuation allowance on a deferred tax asset related to one of our Puerto Rico subsidiaries.

Net Loss

The increase in net loss of $88.6 million was primarily due to the increase in interest expense, Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense and dividends on Series B preferred stock classified as interest expense.

Series B preferred stock adjustment to fair value at redemption date

Under current accounting principles, prior to October 15, 2013, the Series B preferred stock was considered conditionally redeemable because the Series B preferred stock holders had to request the Series B preferred stock to be repurchased on October 15, 2013. As a result of the request that was made by almost all of the holders of the Series B preferred on October 15, 2013 that the stock be repurchased, we assessed that, under applicable accounting principles, the contingent event had occurred and the Series B preferred stock now met the definition of a mandatorily redeemable instrument under ASC 480. Even though 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. The liability recognized is initially recorded at fair value and the resulting adjustment is recorded in equity so that no gain or loss is recognized on reclassification.

On October 15, 2013, we determined the fair value of the Series B preferred stock outstanding balance of $127.1 million, which included the outstanding shares and accumulated unpaid dividends, to be $39.5 million. Therefore, we recorded an $87.6 million adjustment to reduce the carrying value of the Series B preferred stock and accrued and unpaid dividends to fair value at the redemption date, with an offset to accumulated deficit.

Dividends on Series B preferred stock

The decrease in dividends on the Series B preferred stock of $2.1 million is as a result of the accounting treatment of the Series B preferred stock and its related dividends after the redemption date of October 15, 2013. Please refer to “Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense and Dividends on Series B preferred stock classified as interest expense” and “Series B preferred stock adjustment to fair value at redemption date” above for further details.

Net Loss available to common stockholders

The decrease in net loss available to common stockholders of $2.3 million was primarily due to the decrease in income tax expense and an increase in operating income, which were offset by an increase in interest expense.

Liquidity and Capital Resources

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 capital needs and contractual 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 operating obligations over the next twelve-month period, including, among other things, required semi-annual interest payments pursuant to the Notes and capital expenditures.

Assumptions (none of which can be assured) which underlie management’s beliefs, 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 attempt to 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 and affiliations 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.

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.

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") 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, as amended. 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.

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, 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 Additional Interest applicable fiscal periods are as follows:

(1) Six-months ended December 31, 2012 or as of December 31, 2012

(2) Last twelve months ended June 30, 2013 or as of June 30, 2013

(3) Last twelve months ended December 31, 2013 or as of December 31, 2013

(4) Last twelve months ended June 30, 2014 or as of June 30, 2014

(5) Last twelve months ended December 31, 2014 or as of December 31, 2014

(6) Last twelve months ended June 30, 2015 or as of June 30, 2015

(7) Last twelve months ended December 31, 2015 or as of December 31, 2015

(8) Last twelve months ended June 30, 2016 or as of June 30, 2016

(9) Last twelve months ended December 31, 2016 or as of December 31, 2016

Although our secured leverage ratio as of December 31, 2012, June 30, 2013 and December 31, 2013 was greater than 4.75 to 1.00, we recorded positive consolidated station operating income for our television segment for the six-months ended December 31, 2012 and the last twelve months ended June 30, 2013 and December 31, 2013 (as defined in the Indenture). Therefore, during the periods ending December 31, 2012, June 30, 2013 and December 31, 2013 no Additional Interest was incurred and/or payable.

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 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 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 December 31, 2013, 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 years ended December 31, 2013 and 2012, with respect to certain of our key measures affecting our liquidity. The changes set forth in the table are discussed below. This section should be read in conjunction with the consolidated financial statements and accompanying notes.

	2013	2012	Change
	(In thousands)		
Capital expenditures:			
Radio	$ 1,072	407	665
Television	535	937	(402)
Corporate	700	247	453
Consolidated	$ 2,307	1,591	716
Net cash flows provided by operating activities	$ 7,145	14,563	(7,418)
Net cash flows used in investing activities	(2,271)	(1,581)	(690)
Net cash flows used in financing activities	(7,968)	(57,588)	49,620
Net decrease in cash and cash equivalents	$ (3,094)	(44,606)	41,512

Capital Expenditures

The increase in our capital expenditures was primarily due to a relocation of our San Francisco radio office, various radio systems upgrades and corporate building improvements.

Net Cash Flows Provided by Operating Activities

Changes in our net cash flows from operating activities were primarily a result of cash payments paid to vendors, mainly for interest and prepaid expenses and other current assets.

Net Cash Flows Used in Investing Activities

Changes in our net cash flows from investing activities were a result of the increase in our capital expenditures.

Net Cash Flows Used in Financing Activities

Changes in our net cash flows from financing activities were a result of the absence of the costs associated with the 2012 refinancing. On February 7, 2012, we issued $275 million in aggregate principal amount of 12.5% senior secured notes due 2017 at an issue price of 97% of the principal amount, which caused out net cash flows used in financing activities to be higher in 2012 than our historical levels. We used the net proceeds from the offering, together with cash on hand, to repay and terminate the senior credit facility, and to pay the transaction costs related to the offering.

Preferred and Common Stock

As of December 31, 2013, we had the following series of capital stock outstanding:

- 90,549 issued shares of 10 $^{3}/_{4}$% Series B cumulative exchangeable redeemable preferred stock with an aggregate liquidation preference of $90.5 million and accumulated and unpaid dividends of $36.1 million;
- 380,000 shares of Series C convertible preferred stock, par value $0.01 per share, which are convertible into 760,000 shares of Class A common stock and vote on an as-converted basis with the common stock;
- 4,166,991 shares of Class A common stock; and
- 2,340,353 shares of Class B common stock, which have ten votes per share. Raúl Alarcón, our Chief Executive Officer and the Chairman of our Board of Directors, has voting control over all but 350 shares of the Class B common stock.

Recent Developments

Litigation- Lehman and T. Rowe Price Complaint

On February 14, 2013, Lehman Brothers Holdings Inc. ("LBHI") brought a claim against us in the Delaware Court of Chancery (the "Court") seeking, among other things, a declaratory judgment that as a result of non-payment of dividends, a Voting Rights Triggering Event had occurred pursuant to the certificate of designations for the Series B preferred stock (the "Certificate of Designations") no later than July 15, 2010. LBHI alleged that as a result, we were prohibited from incurring indebtedness but did so for the purposes of purchasing assets relating to our Houston television station and the issuance of our 12.5% Senior Secured Notes due 2017 (the "Notes"). LBHI also sought an award of unspecified contract damages.

We filed a motion to dismiss the LBHI complaint on March 11, 2013. On April 25, 2013, LBHI filed an opposition to our motion to dismiss and a motion for partial summary judgment. We filed a reply in further support of our motion to dismiss and in opposition to LBHI's motion for partial summary judgment on May 10, 2013. A hearing on the parties' motions was held on May 20, 2013, at which the Court requested further briefing on cross-motions for summary judgment.

Additionally, on June 17, 2013, T. Rowe Price High Yield Fund, Inc., T. Rowe Price Institutional High Yield Fund, T. Rowe Price Funds SICAV-Global High Yield Bond Fund and T. Rowe Price Small-Cap Value Fund, Inc. (collectively "T. Rowe Price" and with LBHI, the "Plaintiffs") brought a claim against us making allegations substantially similar to those made by LBHI previously, except with an additional claim for breach of the implied covenant of good faith and fair dealing.

On July 3, 2013, the Court granted the Plaintiffs' motion to consolidate their lawsuits; and on October 3, 2013, LBHI moved to amend its original complaint by adding a claim for breach of the implied covenant of good faith and fair dealing. We moved for judgment on the pleadings as to both T. Rowe Price's and LBHI's good faith and fair dealing claims. In addition, we and the Plaintiffs submitted cross-motions for summary judgment on October 31, 2013.

On February 25, 2014, Vice Chancellor Glasscock rendered the opinion of the Court granting our motions for summary judgment and judgment on the pleadings, and denying the Plaintiffs' motion for summary judgment. Accordingly, the Plaintiffs' claims were dismissed.

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 Court seeking a declaratory judgment that a Voting Rights Triggering Event had occurred (as of April 15, 2010) under our Certificate of Designations as a result of our non-payment of dividends. The claim states 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 Notes under the Indenture governing the Notes 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 seek 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 as additional plaintiffs. We deny the allegations contained in the complaint and, to the contrary, assert that we have been and continue to be in full and complete compliance with all of our obligations under the Certificate of Designations, as fully disclosed in our public filings dating back to 2009. Accordingly, we believe that the complaint's allegations are frivolous and wholly without merit and intend to contest such allegations vigorously.

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

Voting Rights Triggering Event

Pursuant to the Certificate of Designations, each holder of shares of our Series B preferred stock had the right, on October 15, 2013, 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.

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 will be entitled to elect two directors to newly created positions on our Board of Directors, and we will be 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 right to elect the two new directors may be exercised initially either at a special meeting of the holders of Series B preferred stock or at any annual meeting of the stockholders held for the purpose of electing directors. On March 11, 2014, we received a request from LBHI, stating that it held more than 10% of the Series B preferred stock, and requesting that we call a special meeting of the Series B preferred stockholders, for the purpose of electing two directors.

The Voting Rights Triggering Event shall continue until (i) all dividends in arrears shall have been paid in full and (ii) all other failures, breaches or defaults giving rise to such Voting Rights Triggering Event are remedied or waived by the holders of at least a majority of the shares of the then outstanding Series B preferred stock. We do not currently have sufficient funds legally available to be able to satisfy the conditions for terminating the Voting Rights Triggering Event. The indenture governing our Notes currently prohibits us from paying dividends or from repurchasing the Series B preferred stock. See Item 1A. Risk Factors of this Form 10-K for a further discussion of our Series B preferred stock, including the consequences of the occurrence of the Voting Rights Triggering Event.

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 3/4% 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.

On March 29, 2013 and April 4, 2012, the Board of Directors declared a dividend for the dividend due April 15, 2013 and April 15, 2012, respectively, to the holders of our Series B preferred stock of record as of April 1, 2013 and April 1, 2012, respectively. The dividends of $26.875 per share were paid in cash on April 15, 2013 and April 16, 2012. Additionally, dividends were paid as part of the repurchase of 1,800 shares of Series B preferred stock on October 15, 2013.

Redemption Date Accounting Treatment on the Preferred Stock

Under current accounting principles, prior to October 15, 2013, the Series B preferred stock was considered conditionally redeemable because the Series B preferred stock holders had to request the Series B preferred stock to be repurchased on October 15, 2013. As a result of the request that was made by almost all of the holders of the Series B preferred stock on October 15, 2013 that the stock be repurchased, we assessed that, under applicable accounting principles, the contingent event 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"). Even though 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. The liability recognized is initially recorded at fair value and the resulting adjustment is recorded in equity so that no gain or loss is recognized on reclassification.

On October 15, 2013, we determined the fair value of the Series B preferred stock outstanding balance of $127.1 million, which included the outstanding shares and accumulated unpaid dividends, to be $39.5 million. Therefore, we recorded an $87.6 million adjustment to reduce the carrying value of the Series B preferred stock and accrued and unpaid dividends to fair value at the redemption date, with an offset to accumulated deficit.

Subsequent Accounting Treatment of the Preferred Stock

In accordance with ASC 480, the Series B preferred stock was re-measured subsequently from the initial measurement date as the amount of cash that would be paid under the conditions specified in the contract, as if the settlement occurred at December 31, 2013, because the final settlement amount to be paid on the Series B preferred stock was uncertain due to its continual accruing quarterly dividends and its uncertain settlement date. The resulting change in that amount from the previous reporting date (i.e. initial measurement date) was recognized as interest expense. Therefore, we recorded an $87.6 million adjustment to increase the Series B preferred stock liability to the contract settlement value as of December 31, 2013 and recorded $2.0 million as dividends on Series B preferred stock classified as interest expense for the accrued dividends from the redemption date to December 31, 2013.

Going forward, the Series B preferred stock will be measured at subsequent reporting dates at the amount of cash that would be paid under the conditions specified in the contract, as if the settlement occurred at the reporting date, recognizing the resulting change in that amount from the previous reporting date as interest expense. Therefore, the 10 ¾% accruing quarterly dividends will be recorded as interest expense (i.e. "Dividends on Series B preferred stock classified as interest expense") as required by ASC 480.

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.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could ultimately differ from those estimates. The following accounting policies require significant management judgments, assumptions and estimates.

Accounting for Indefinite-Lived Intangible Assets and Goodwill

Our indefinite-lived intangible assets consist of FCC broadcasting licenses. FCC broadcasting licenses are granted to stations for up to eight years under the Telecommunications Act of 1996 (the "Act"). The Act requires the FCC to renew a broadcast license if: (i) it finds that the station has served the public interest, convenience and necessity; (ii) there have been no serious violations of either the Communications Act of 1934 or the FCC's rules and regulations by the licensee; and (iii) there have been no other serious violations, which taken together, constitute a pattern of abuse. We intend to renew our licenses indefinitely and evidence supports our ability to do so. Historically, there has been no material challenge to our license renewals. In addition, the technology used in broadcasting is not expected to be replaced by another technology any time in the foreseeable future.

In accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other* (ASC 350), we do not amortize our FCC broadcasting licenses. We must conduct impairment testing at least annually, or more frequently if events or changes in circumstances indicate that the assets might be impaired, and charge to operations an impairment expense only in the periods in which the recorded value of these assets is more than their fair value. We test our FCC broadcasting licenses for impairment at the market cluster level. We apply the guidance of FASB ASC Topic 350-30-35, *Unit of Accounting for Purposes of Testing for Impairment of Intangible Assets Not Subject to Amortization*, to certain of our FCC broadcasting licenses, if their market operations are consolidated.

Our valuations principally use the discounted cash flow methodology. This income approach consists of a quantitative model, which assumes the FCC broadcasting licenses are acquired and operated by a third-party. The valuation method used is based on the premise that the only asset that the unbuilt start-up station would possess is the FCC broadcasting license. The valuation method isolates the income attributable to a FCC broadcasting license by modeling a hypothetical greenfield build-up to a normalized enterprise that, by design, lacks inherent goodwill and whose only other assets have essentially been paid for as part of the build-up process. Consequently, the resulting accretion in value is solely attributed to the FCC broadcasting license.

In the discounted cash flow projections, a period of ten years was determined to be an appropriate time horizon for the analysis. The yearly streams of cash flows are adjusted to present value using an after-tax discount rate calculated for the broadcast industry as of December 31 of each year. A risk premium is added to this base rate, in order to reflect the uncertainty associated with a start-up operation. Additionally, it is necessary to project the terminal value at the end of the ten-year projection period. The terminal value represents the hypothetical value of the licenses at the end of a ten-year period. An estimated amount of taxes are deducted from the assumed terminal value, which accordingly is discounted to net present value.

The key assumptions incorporated in the discounted cash flow model are market revenue projections, market revenue share projections, anticipated operating profit margins and risk adjusted discount rates. These assumptions vary based on the market size, type of broadcast signal, media competition and audience share. These assumptions primarily reflect industry norms for similar stations/broadcast signals, as well as historical performance and trends of the markets. In the preparation of the FCC broadcasting license appraisals, estimates and assumptions are made that affect the valuation of the intangible asset. These estimates and assumptions could differ from actual results and could have a material impact on our financial statements in the future.

The key assumptions for the respective markets are further described as follows:

Market Revenue Projections. Revenues are based on estimates of market revenues gathered from various third-party sources. Total market revenues for 2014 were determined based on this data and market revenues were forecast over the 10-year projection period to reflect the expected long-term growth rates for the broadcast industry and each market. Over the 10-year projection period, revenue growth rates have been projected to return to growth rates equal to the expected long-term growth rate in each market. The long-term growth rates have been estimated based on historical and expected performance in each market. In determining revenue growth rates in each market, revenue growth forecasts from various industry analysts are reviewed and analyzed.

Market Revenue Share Projections. Market revenue share projections are based upon the most recent average adjusted audience share for comparable stations operating in each market. This assumption is not specific to the performance of our stations and is predicated on the expectation that a new entrant into the market could reasonably be expected to perform at a level similar to the average competitor, assuming that competitor had similar technical facilities.

Anticipated Operating Profit Margins. Operating profits are defined as profit before interest, depreciation and amortization, income tax, and corporate allocation charges. Operating profits are then divided by broadcast revenues, net of agency and representative commissions, to compute the operating profit margin. Operating profit margins for each station are projected based upon industry operating margin norms, which reflect market size and station type. In determining operating profit margins in each market, third-party information is utilized. This assumption is not specific to the performance of our stations and is predicated on the expectation that a new entrant into the market could reasonably be expected to perform at a level similar to a typical competitor.

Risk Adjusted Discount Rates. Discount rates of 10.5% for radio licenses and 11.5% for television licenses were used to calculate the present value of the net after-tax cash flows. The discount rates are based on an after-tax rate determined using the weighted average cost of capital model as of December 31, 2013. The discount rates are not specific to us or to the stations, but are based upon the expected rates that would be used by a typical market participant, which include a risk premium.

These key assumptions are subject to such factors as: overall advertising demand, station listenership and viewership, audience tastes, technology, fluctuation in preferred advertising media and the estimated cost of capital. Since a number of factors may influence the determination of the fair value of our FCC broadcasting licenses, we are unable to predict whether impairments will occur in the future. Any significant change in these factors will result in a modification of the key assumptions, which may result in an impairment.

For example, changes in the discount rates will significantly impact our impairment testing. We note that a 100 basis point increase in the discount rates would result in an impairment of $8.3 million.

The table below presents the percentage, within a range, by which the fair value of our broadcasting licenses exceeded their carrying value as of December 31, 2013 for 8 units of accounting (i.e. markets).

	Percentage Range by which the Fair Value Exceeds the Carrying Value for the Units of Accounting as of December 31, 2013		
	0% to 5%	Greater than 5% to 15%	Greater than 15%
Number of units of accounting	1	2	5
Carrying value (in thousands)	$ 22,785	$ 111,734	$ 188,536

As a result of the annual fourth quarter 2013 impairment test of our broadcasting licenses, there was one unit of accounting where the fair value exceeded its carrying value by 5% or less as of December 31, 2013. In aggregate, this unit of accounting has a carrying value of $22.8 million and represents 4.9% of our total assets.

In addition to conducting our annual impairment testing, at each interim reporting period we performed a qualitative assessment for each unit of accounting for triggering events that could have indicated an impairment to our FCC broadcasting licenses. In this assessment, we considered the qualitative factors that are outlined in FASB ASC 350-30-35-18B, which include, but are not limited to, the state of the economy, advertising demand, market conditions, broadcasting industry future growth rates, regulatory matters and technology. During the years ended December 31, 2013 and 2012, we determined that there were no impairments of our FCC broadcasting licenses.

Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible net assets acquired in business combinations. ASC 350 requires us to test goodwill for impairment at least annually at the reporting unit level in lieu of being amortized. We have determined that we have two reporting units under ASC 350, *Radio and Television* . We currently only have goodwill in our radio reporting unit. We have aggregated our operating components (radio stations) into a single radio reporting unit based upon the similarity of their economic characteristics, including consideration of the requirements in FASB ASC 280, *Segment Reporting* , as required by ASC 350. Our evaluation included consideration of factors such as regulatory environment, business model, gross margins, nature of services and the process for delivering these services.

The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit’s goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

During the years ended December 31, 2013 and 2012, we performed interim and/or annual impairment reviews of our goodwill and determined that there was no impairment of goodwill. The estimated enterprise value of our radio reporting unit exceeded its carrying value during our impairment testing. In addition, there is currently a net accumulated deficit in our radio reporting unit and we have a net overall accumulated deficit; therefore we considered whether there were any adverse qualitative factors that would indicate that an impairment existed. When evaluating our estimated enterprise value, we utilized an income approach which uses assumptions and estimates which among others include the aggregated expected revenues and operating margins generated by our FCC broadcasting licenses (i.e. our stations) and use of a risk adjusted discount rate. We did not find reconciliation to our current market capitalization meaningful in the determination of our enterprise value given current factors that impact our market capitalization, including but not limited to: (1) limited trading volume; (2) the impact of our television segment operating losses; and (3) the significant voting control of our Chairman and CEO.

Accounting for Income Taxes

The preparation of our consolidated financial statements requires us to estimate our actual current tax exposure together with our temporary differences resulting from differing treatment of items for financial statement and tax reporting purposes. These temporary differences result in the recognition of deferred tax assets and liabilities, which are included in our consolidated balance sheets. FASB ASC 740, *Income Taxes* , requires the establishment of a valuation allowance to reflect the likelihood of the realization of deferred tax assets. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. As a result of adopting FASB ASC Topic 350, *Intangibles – Goodwill and Other* , amortization of intangible assets and goodwill ceased for financial statement purposes. As a result, we could not be assured that the reversals of the deferred tax liabilities relating to those intangible assets and goodwill would occur within our net operating loss carry-forward period. Therefore, on the date of adoption, we established a valuation allowance for substantially all of our deferred tax assets due to uncertainties surrounding our ability to utilize some or all of our deferred tax assets, primarily consisting of net operating losses, as well as other temporary differences between financial statement and tax reporting purposes. We expect to continue to reserve for any increase in our deferred tax assets in the foreseeable future with the exception of certain deferred tax assets of one of our Puerto Rico subsidiaries. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made. In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to adjust our valuation allowance, which could materially affect our financial position and results of operations.

Valuation of Accounts Receivable

We review accounts receivable to determine which accounts are doubtful of collection. In making the determination of the appropriate allowance for doubtful accounts, we consider our history of write-offs, relationships with our customers, age of the invoices and the overall creditworthiness of our customers. Changes in the creditworthiness of customers, general economic conditions and other factors may impact the level of future write-offs.

Revenue Recognition

We recognize broadcasting revenue as advertisements are aired on our stations, subject to meeting certain conditions such as persuasive evidence that an agreement exists, a fixed and determinable price, and reasonable assurance of collection. Agency commissions, where applicable, are calculated based on a stated percentage applied to gross billing revenue. Advertisers remit the gross billing amount to the agency and the agency remits gross billings, less their commission, to us when the advertisement is not placed directly by the advertiser. Payments received in advance of being earned are recorded as customer advances.

Contingencies and Litigations

We are currently involved in certain legal proceedings and, as required, have accrued our estimate of the probable costs for the resolution of these claims. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings.

New Accounting Standards

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 does not change the requirements for reporting net income or other comprehensive income in financial statements. The new standard is effective for reporting periods beginning after December 15, 2012. We implemented the provisions of ASU 2013-02 and it did not have a material impact on our consolidated financial statements.

Impact of Inflation

We believe that inflation has not had a material impact on our results of operations for each of the years ended December 31, 2013 and 2012, respectively. However, there can be no assurance that inflation will not have an adverse impact on our future operating results and financial condition.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

The information called for by this Item 8 is included in Item 15, under “Financial Statements” and “Financial Statement Schedule” appearing at the end of this annual report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

As previously reported, on May 9, 2013, our Audit Committee approved the dismissal of KPMG LLP (“KPMG”) as our independent registered public accountant, effective as of the date of KPMG’s completion of the audit services for the first quarter ending March 31, 2013. Also on May 9, 2013, the Audit Committee approved and the Board of Directors ratified the appointment of Crowe Horwath LLP (“Crowe Horwath”) as our independent registered public accounting firm to perform independent audit services beginning with the fiscal year ending December 31, 2013.

During the fiscal years ending December 31, 2012 and 2011 and through May 9, 2013, neither we, nor anyone on our behalf, consulted Crowe Horwath regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered with respect to our consolidated financial statements, in any case where a written report or oral advice was provided to us by Crowe Horwath that Crowe Horwath concluded was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

No Adverse Opinion or Disagreement

The reports of KPMG on our consolidated financial statements for the fiscal years ended December 31, 2012 and 2011 did not contain any adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During our fiscal years ended December 31, 2012 and 2011, and through May 9, 2013, the date of KPMG’s dismissal, (i) there were no disagreements (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between us and KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of KPMG would have caused KPMG to make reference to the subject matter of the disagreement in connection with its reports on our consolidated financial statements for such years, and (ii) there were no “reportable events” (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

We have agreed to indemnify and hold KPMG harmless against and from any and all legal costs and expenses incurred by KPMG in successful defense of any legal action or proceeding that arises as a result of KPMG’s consent to the inclusion of its audit report on our past financial statements included in or incorporated by reference in this Form 10-K.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Control and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our periodic reports or filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods. As of December 31, 2013, the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective. We review our disclosure controls and procedures on an ongoing basis and may, from time to time, make changes aimed at enhancing their effectiveness to ensure that they evolve with our business.

Management’s Report on Internal Control over Financial Reporting

As members of management of the Company, we are responsible for establishing and maintaining adequate internal control over the Company’s financial reporting. Internal control over financial reporting is a process designed by, and performed under the supervision of, management and effected by our Board of Directors, management and other personnel. Our internal controls provide management and the Board of Directors reasonable assurance that our financial reporting and preparation of financial statements for external purposes are in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records, (i) accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements and can only provide reasonable assurance with respect to financial statement preparation and presentation even when those systems are determined to be effective. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that such controls may become inadequate because of changes in conditions. In addition, the degree of compliance with the policies and procedures may deteriorate. These inherent limitations are an intrinsic part of the financial reporting process. Therefore, although we are unable to eliminate this risk, it is possible to develop safeguards to reduce it. We are responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

Under the supervision of and with the participation of our management, we assessed the Company's internal control over financial reporting, based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) of 1992. Based on our evaluation, we concluded that we maintained effective internal control over financial reporting as of December 31, 2013 in accordance with the COSO criteria.

Attestation Report of the Registered Public Accounting Firm

Not required for smaller reporting companies.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the fourth quarter of the year ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information called for by Item 10 will be set forth in our Proxy Statement, which information is incorporated herein by this reference.

Item 11. Executive Compensation

Information called for by Item 11 will be set forth in our Proxy Statement, which information is incorporated herein by this reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information called for by Item 12 will be set forth in our Proxy Statement, which information is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information called for by Item 13 will be set forth in our Proxy Statement, which information is incorporated herein by this reference.

Item 14. Principal Accountant Fees and Services

Information called for by Item 14 will be set forth in our Proxy Statement, which information is incorporated herein by this reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

The following financial statements have been filed as required by Item 8 of this report:

- Reports of Independent Registered Public Accounting Firms;
- Consolidated Balance Sheets as of December 31, 2013 and 2012;
- Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2013 and 2012;
- Consolidated Statements of Changes in Stockholders' Deficit for the years ended December 31, 2013 and 2012;
- Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012; and
- Notes to Consolidated Financial Statements.

2. Financial Statement Schedule

The following financial statement schedule has been filed as required by Item 8 of this report:

- Report of Independent Registered Public Accounting Firm;
- Financial Statement Schedule – Valuation and Qualifying Accounts.

3. Exhibits Required by Item 601 of Regulation S-K

The information required by this Item is set forth on the exhibit index that follows the signature page of this report.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Spanish Broadcasting System, Inc. and Subsidiaries
Miami, Florida

We have audited the accompanying consolidated balance sheet of Spanish Broadcasting System, Inc. and Subsidiaries (the "Company") as of December 31, 2013, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' deficit, and cash flows for the year then ended. In connection with our audit of the consolidated financial statements, we have also audited the consolidated financial statement schedule for the year ended December 31, 2013 listed in the accompanying index at Item 15. These consolidated financial statements and the consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spanish Broadcasting System, Inc. and Subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related consolidated financial statement schedule for the year ended December 31, 2013, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Crowe Horwath LLP

Fort Lauderdale, Florida
April 15, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Spanish Broadcasting System, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheet of Spanish Broadcasting System, Inc. and subsidiaries (the "Company") as of December 31, 2012, and the related consolidated statement of operations and comprehensive loss, changes in stockholders' deficit, and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spanish Broadcasting System, Inc. and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Miami, Florida
April 1, 2013
Certified Public Accountants

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2013 and 2012
(In thousands, except share data)

		2013	2012
Assets			
Current assets:			
Cash and cash equivalents	$	23,566	26,660
Receivables:			
Trade		31,665	27,638
Barter		460	377
		32,125	28,015
Less allowance for doubtful accounts		2,204	1,592
Net receivables		29,921	26,423
Prepaid expenses and other current assets		2,778	2,161
Total current assets		56,265	55,244
Property and equipment, net		35,420	38,014
FCC broadcasting licenses		323,055	323,055
Goodwill		32,806	32,806
Other intangible assets, net of accumulated amortization of $828 in 2013 and $642 in 2012		1,720	1,906
Deferred financing costs, net of accumulated amortization of $6,352 in 2013 and $3,015 in 2012		11,264	14,601
Other assets		1,218	1,792
Total assets	$	461,748	467,418
Liabilities and Stockholders' Deficit			
Current liabilities:			
Accounts payable and accrued expenses	$	19,593	16,275
Accrued interest		7,271	7,339
Unearned revenue		512	527
Other liabilities		497	669
Current portion of other long-term debt		3,004	3,009
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 December 31, 2013 and $36,097 of dividends payable		126,646	—
Series B cumulative exchangeable redeemable preferred stock dividends payable		—	29,369
Total current liabilities		157,523	57,188
Other liabilities, less current portion		504	802
Derivative instruments		602	816
12.5% senior secured notes due 2017, net of unamortized discount of $5,862 in 2013 and $7,194 in 2012		269,138	267,806
Other long-term debt, less current portion		5,258	8,262
Deferred income taxes		83,172	86,049
Total liabilities		516,197	420,923
Commitments and contingencies (notes 12, 14 and 15)			
Cumulative exchangeable redeemable preferred stock:			
10 3/4% Series B cumulative exchangeable redeemable preferred stock, $0.01 par value, liquidation value $1,000 per share. Authorized 280,000 shares; 92,349 shares issued and outstanding at December 31, 2012		—	92,349
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 December 31, 2013 and 2012, respectively		4	4
Class A common stock, $0.0001 par value. Authorized 100,000,000 shares; 4,166,991 shares issued and outstanding at December 31, 2013 and 2012, respectively		—	—
Class B common stock, $0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at December 31, 2013 and 2012, respectively		—	—
Additional paid-in capital		525,334	525,281
Accumulated other comprehensive loss, net		(602)	(816)
Accumulated deficit		(579,185)	(570,323)
Total stockholders' deficit		(54,449)	(45,854)
Total liabilities and stockholders' deficit	$	461,748	467,418

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Loss
Years ended December 31, 2013 and 2012
(In thousands, except per share data)

	2013	2012
Net revenue	$ 153,774	139,522
Operating expenses:		
Engineering and programming	30,872	31,245
Selling, general and administrative	69,200	57,629
Corporate expenses	9,316	7,507
Depreciation and amortization	5,166	5,464
Total operating expenses	114,554	101,845
Gain on the disposal of assets	(25)	(15)
Impairment charges and restructuring costs	889	442
Operating income	38,356	37,250
Other (expense) income:		
Interest expense	(39,715)	(36,555)
Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense	(87,563)	—
Dividends on Series B preferred stock classified as interest expense	(2,028)	—
Interest income	—	12
Loss on early extinguishment of debt	—	(391)
(Loss) income before income taxes	(90,950)	316
Income tax (benefit) expense	(2,384)	1,597
Net loss	(88,566)	(1,281)
Series B preferred stock adjustment to fair value at redemption date	87,563	—
Dividends on Series B preferred stock	(7,859)	(9,927)
Net loss available to common stockholders	$ (8,862)	(11,208)
Basic and Diluted net loss per common share	$ (1.22)	(1.54)
Weighted average common shares outstanding:		
Basic and Diluted	7,267	7,267
Net loss	$ (88,566)	(1,281)
Other comprehensive income (loss), net of taxes-unrealized gain (loss) on derivative instrument	214	(76)
Total comprehensive loss	$ (88,352)	(1,357)

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Deficit

Years ended December 31, 2013 and 2012

(In thousands, except share data)

	Class C 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, 2011	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,235	$ (740)	$ (559,115)	$ (34,616)
Stock-based compensation..............	—	—	—	—	—	—	46	—	—	46
Series B preferred stock dividends...	—	—	—	—	—	—	—	—	(9,927)	(9,927)
Net loss..	—	—	—	—	—	—	—	—	(1,281)	(1,281)
Unrealized loss on derivative instrument.................................	—	—	—	—	—	—	—	(76)	—	(76)
Balance at December 31, 2012	380,000	4	4,166,991	—	2,340,353	—	525,281	(816)	(570,323)	(45,854)
Stock-based compensation..............	—	—	—	—	—	—	53	—	—	53
Series B preferred stock adjustment to fair value at redemption date.. •	—	—	—	—	—	—	—	—	87,563	87,563
Series B preferred stock dividends...	—	—	—	—	—	—	—	—	(7,859)	(7,859)
Net loss..	—	—	—	—	—	—	—	—	(88,566)	(88,566)
Unrealized gain on derivative instrument.................................	—	—	—	—	—	—	—	214	—	214
Balance at December 31, 2013	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,334	$ (602)	$ (579,185)	$ (54,449)

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2013 and 2012
(In thousands)

	2013	2012
Cash flows from operating activities:		
Net loss	$ (88,566)	(1,281)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense	87,563	—
Dividends on Series B preferred stock classified as interest expense	2,028	—
Gain on the disposal of assets	(25)	(15)
Impairment charges and restructuring costs	889	379
Stock-based compensation	53	46
Depreciation and amortization	5,166	5,464
Net barter income	(537)	(388)
Provision for trade doubtful accounts	1,085	1,091
Loss on early extinguishment of debt	—	391
Amortization of deferred financing costs	3,337	3,122
Amortization of original issued discount	1,332	1,056
Deferred income taxes	(2,877)	1,681
Unearned revenue-barter	440	147
Changes in operating assets and liabilities:		
Trade receivables	(4,501)	(3,967)
Prepaid expenses and other current assets	(617)	299
Other assets	(426)	66
Accounts payable and accrued expenses	3,142	(400)
Accrued interest	(68)	7,059
Other liabilities	(273)	(187)
Net cash provided by operating activities	7,145	14,563
Cash flows from investing activities:		
Purchases of property and equipment	(2,307)	(1,591)
Proceeds from the sale of property and equipment	36	10
Net cash used in investing activities	(2,271)	(1,581)
Cash flows from financing activities:		
Proceeds from 12.5% senior secured notes due 2017	—	266,750
Payment of financing costs	—	(15,755)
Payment of senior credit facility term loan 2012	—	(303,063)
Payment of series B preferred stock and/or related cash dividends	(4,959)	(2,481)
Payments of other long-term debt	(3,009)	(3,039)
Net cash used in financing activities	(7,968)	(57,588)
Net decrease in cash and cash equivalents	(3,094)	(44,606)
Cash and cash equivalents at beginning of year	26,660	71,266
Cash and cash equivalents at end of year	$ 23,566	26,660
Supplemental cash flows information:		
Interest paid	$ 35,074	25,238
Income tax paid, net	$ —	298
Noncash investing and financing activities:		
Transfer of prepaid expenses and other current assets to deferred financing costs	$ —	(1,861)
Unrealized gain (loss) on derivative instruments	$ 214	(76)
Accrual of Series B preferred stock dividends not declared	$ 2,900	7,446
Series B preferred stock adjustment to fair value at redemption date	$ 87,563	—

See accompanying notes to consolidated financial statements.

(1) Organization and Nature of Business

Spanish Broadcasting System, Inc., a Delaware corporation, and its subsidiaries owns and/or operates 20 radio stations in the Los Angeles, New York, Puerto Rico, Chicago, Miami and San Francisco markets. In addition, we own and operate three television stations, which operate as one television operation, branded as "MegaTV." We also have various MegaTV broadcasting outlets under affiliation or programming agreements. As part of our operating business, we operate LaMusica.com, Mega.tv, and our radio station websites, which are bilingual Spanish-English websites providing content related to Latin music, entertainment, news and culture. We also occasionally produce live concerts and events throughout the U.S., including Puerto Rico.

Our primary source of revenue is the sale of advertising time on our stations to local and national advertisers. Our revenue is affected primarily by the advertising rates that our stations are able to charge, as well as the overall demand for advertising time in each respective market. Seasonal net broadcasting revenue fluctuations are common in the broadcasting industry and are due to fluctuations in advertising expenditures by local and national advertisers. Typically for the broadcasting industry, the first calendar quarter generally produces the lowest revenue.

The broadcasting industry is subject to extensive federal regulation which, among other things, requires approval by the Federal Communications Commission ("FCC") for the issuance, renewal, transfer and assignment of broadcasting station operating licenses and limits the number of broadcasting properties we may acquire.

(2) Summary of Significant Accounting Policies and Related Matters

(a) Basis of Presentation

The consolidated financial statements include the accounts of Spanish Broadcasting System, Inc. and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. In addition, we evaluated subsequent events after the balance sheet date and through the financial statements issuance date.

The 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 December 31, 2013, we had a working capital deficit due to the reclassification of our series B preferred stock as a current liability, even though under Delaware law 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 and management does not expect to be required to make any such repurchases during the next twelve months. Management does not believe that the Series B preferred stockholders have legal remedies that would require such repurchases (see note 10).

(b) Revenue Recognition

We recognize broadcasting revenue as advertisements are aired on our stations, subject to meeting certain conditions, such as persuasive evidence that an agreement exists, a fixed or determinable price and reasonable assurance of collection. Our revenue is presented net of agency commissions. Agency commissions are calculated based on a stated percentage applied to gross billing revenue. Advertisers remit the gross billing amount to the agency, and then the agency remits gross billings less their commission to us when the advertisement is not placed directly by the advertiser. Payments received in advance of being earned are recorded as customer advances, which are included in accounts payable and accrued expenses.

(c) Valuation of Accounts Receivable

We review accounts receivable to determine which accounts are doubtful of collection. In making the determination of the appropriate allowance for doubtful accounts, we consider our history of write-offs, relationships with our customers, age of the invoices and the overall creditworthiness of our customers. For each of the years ended December 31, 2013 and 2012, we incurred bad debt expense of $1.1 million. Changes in the credit worthiness of customers, general economic conditions and other factors may impact the level of future write-offs.

(d) Property and Equipment

Property and equipment, including capital leases, are stated at historical cost, less accumulated depreciation and amortization. We depreciate the cost of our property and equipment using the straight-line method over the respective estimated useful lives (see note 5). Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining life of the lease or the useful life of the improvements.

Maintenance and repairs are charged to expense as incurred; improvements are capitalized. When items are retired or are otherwise disposed of, the related costs and accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are credited or charged to operating income.

(e) Impairment or Disposal of Long-Lived Assets

Accounting for impairment or disposal of long-lived assets requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

(f) FCC Broadcasting Licenses

Our indefinite-lived intangible assets consist of FCC broadcasting licenses. FCC broadcasting licenses are granted to stations for up to eight years under the Telecommunications Act of 1996. The Act requires the FCC to renew a broadcast license if: (i) it finds that the station has served the public interest, convenience and necessity; (ii) there have been no serious violations of either the Communications Act of 1934 or the FCC's rules and regulations by the licensee; and (iii) there have been no other serious violations, which taken together, constitute a pattern of abuse. We intend to renew our licenses indefinitely and evidence supports our ability to do so. Historically, there has been no material challenge to our license renewals. In addition, the technology used in broadcasting is not expected to be replaced by another technology any time in the foreseeable future. The weighted-average period before the next renewal of our FCC broadcasting licenses is 2.7 years.

We do not amortize our FCC broadcasting licenses. We test these indefinite-lived intangible assets for impairment at least annually or when an event occurs that may indicate that impairment may have occurred. We test our FCC broadcasting licenses for impairment at the market cluster level. We apply the guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350-30-35, *Unit of Accounting for Purposes of Testing for Impairment of Intangible Assets Not Subject to Amortization* , to certain of our FCC broadcasting licenses, if their market operations are consolidated.

Our valuations principally use the discounted cash flow methodology. This income approach consists of a quantitative model, which assumes the FCC broadcasting licenses are acquired and operated by a third-party. The valuation method used is based on the premise that the only asset that the unbuilt start-up station would possess is the FCC broadcasting license. The valuation method isolates the income attributable to a FCC broadcasting license by modeling a hypothetical greenfield build-up to a normalized enterprise that, by design, lacks inherent goodwill and whose only other assets have essentially been paid for as part of the build-up process. Consequently, the resulting accretion in value is solely attributed to the FCC broadcasting license.

In the discounted cash flow projections, a period of ten years was determined to be an appropriate time horizon for the analysis. The yearly streams of cash flows are adjusted to present value using an after-tax discount rate calculated for the broadcast industry as of December 31 of each year. A risk premium is added to this base rate, in order to reflect the uncertainty associated with a start-up operation. Additionally, it is necessary to project the terminal value at the end of the ten-year projection period. The terminal value represents the hypothetical value of the licenses at the end of a ten-year period. An estimated amount of taxes are deducted from the assumed terminal value, which accordingly is discounted to net present value.

The key assumptions incorporated in the discounted cash flow model are market revenue projections, market revenue share projections, anticipated operating profit margins and risk adjusted discount rates. These assumptions vary based on the market size, type of broadcast of signal, media competition and audience share. These assumptions primarily reflect industry norms for similar stations/broadcast signals, as well as historical performance and trends of the markets. In the preparation of the FCC broadcasting license appraisals, estimates and assumptions are made that affect the valuation of the intangible asset. These estimates and assumptions could differ from actual results and could have a material impact on our consolidated financial statements in the future.

These key assumptions are subject to such factors as: overall advertising demand, station listenership and viewership, audience tastes, technology, fluctuation in preferred advertising media and the estimated cost of capital. Since a number of factors may influence the determination of the fair value of our FCC broadcasting licenses, we are unable to predict whether impairments will occur in the future. Any significant change in these factors will result in a modification of the key assumptions, which may result in an additional impairment.

(g) Goodwill

Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible net assets acquired in business combinations. We test goodwill for impairment at least annually at the reporting unit level. We have determined that we have two reporting units, Radio and Television. We currently only have goodwill in our radio reporting unit. We have aggregated our operating components (radio stations) into a single radio reporting unit based upon the similarity of their economic characteristics. Our evaluation included consideration of factors, such as regulatory environment, business model, gross margins, nature of services and the process for delivering these services.

The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

During the years-ended December 31, 2013 and 2012, we performed interim and/or annual impairment reviews of our goodwill and determined that there was no impairment of goodwill. The estimated enterprise value of our radio reporting unit exceeded its carrying value during our impairment testing. In addition, there is currently a net accumulated deficit in our radio reporting unit and we have a net overall accumulated deficit; therefore we considered whether there were any adverse qualitative factors that would indicate that an impairment existed. When evaluating our estimated enterprise value, we utilized an income approach which uses assumptions and estimates which among others include the aggregated expected revenues and operating margins generated by our FCC broadcasting licenses (i.e. our stations) and use of a risk adjusted discount rate. We did not find reconciliation to our current market capitalization meaningful in the determination of our enterprise value given current factors that impact our market capitalization, including but not limited to: limited trading volume; the impact of our television segment operating losses; and the significant voting control of our Chairman and Chief Executive Officer.

(h) Other Intangible Assets, Net

Other intangible assets, net, consist of favorable leases and agreements acquired. Gross other intangible assets total $2.5 million as of December 31, 2013 and 2012, respectively. These assets are being amortized over the lives of the leases; however, not to exceed 40 years.

Amortization expense amounted to $0.2 million and $0.3 million for the years ended December 31, 2013 and 2012, respectively. Estimated amortization expense for the five years subsequent to December 31, 2013 is as follows (in thousands):

Year ending December 31:		
2014	$	96
2015		96
2016		96
2017		96
2018		96

(i) Deferred Financing Costs

Deferred financing costs relates to our 12.5% Senior Secured Notes due 2017 (see note 8). Deferred financing costs are being amortized to interest expense over the term of the related debt using the effective interest method.

(j) Barter Transactions

Barter transactions represent advertising time exchanged for noncash goods and/or services, such as promotional items, advertising, supplies, equipment and services. Revenue from barter transactions are recognized as income when advertisements are broadcasted. Expenses are recognized when goods or services are received or used. We record barter transactions at the fair value of goods or services received or advertising surrendered, whichever is more readily determinable. Barter revenue amounted to $10.4 million and $8.9 million for the years ended December 31, 2013 and 2012, respectively. Barter expense amounted to $9.9 million and $8.5 million for the years ended December 31, 2013 and 2012, respectively.

Unearned revenue consists of the excess of the aggregate fair value of goods or services received by us, over the aggregate fair value of advertising time delivered by us on certain barter customers.

(k) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market accounts at various commercial banks. All cash equivalents have original maturities of 90 days or less.

(l) Income Taxes

We file a consolidated federal income tax return for substantially all of our domestic operations. We are also subject to foreign taxes on our Puerto Rico operations. We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of 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 liabilities, projected future taxable income, and tax planning strategies in making this assessment. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, at this time, management believes it is more likely than not that we will not realize the benefits of the majority of these deductible differences. As a result, we have established and maintained a valuation allowance for that portion of the deferred tax assets we believe will not be realized. We account for uncertain tax positions which require that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not (a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other noninterest expense, respectively (see note 13).

(m) Advertising Costs

We incur advertising costs to add and maintain listeners. These costs are charged to expense in the period incurred. Cash advertising costs amounted to $0.4 million in the years ended December 31, 2013 and 2012, respectively.

(n) Contingent Liabilities

Accounting standards require that an estimated loss from a loss contingency shall be accrued when information available prior to the issuance of the financial statements indicate that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and when the amount of the loss can be reasonably estimated. Accounting for contingencies such as legal and income tax matters requires us to use our judgment. We believe that our accruals for these matters are adequate. Nevertheless, the actual loss from a loss contingency might differ from our estimates.

(o) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts, the realization of deferred tax assets, the useful lives and future cash flows used for testing the recoverability of property and equipment, the recoverability of FCC broadcasting licenses, goodwill and other intangible assets, the fair value of Level 2 and Level 3 financial instruments, production tax credits, contingencies and litigation. These estimates and assumptions are based on management's best judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions as facts and circumstances dictate. Illiquid credit markets, volatile equity markets and reductions in advertising spending have combined to increase the uncertainty inherent in such estimates and assumptions. Actual results could differ from these estimates.

During the year ended 2013, we determined that based on additional information now available, we changed from the cash basis to the accrual basis related to our accounting for production tax credits. For accounting purposes, the change from the cash basis to the accrual basis of recording production tax credits, is considered a change in accounting estimate. The change in accounting estimate was derived from the establishment of a reasonable basis to estimate the amount to be realized. The change in accounting estimate had no impact on the results of operations for the year ended December 31, 2013. The estimated net realizable value of the production tax credits are recorded as an offset to the production expenses as the qualifying expenditures have been incurred.

(p) Concentration of Business and Credit Risks

Financial instruments that potentially subject us to concentrations of risk include primarily cash, trade receivables and financial instruments used in hedging activities (see notes 2(v) and 4). We place our cash with highly rated credit institutions. Although we try to limit the amount of credit exposure with any one financial institution, we do in the normal course of business maintain cash balances in excess of federally insured limits.

Our operations are conducted in several markets across the United States, including Puerto Rico. Our New York, Miami and Los Angeles markets accounted for more than 60% of net revenue for the years ended December 31, 2013 and 2012. Our credit risk is spread across a large number of diverse customers in a number of different industries, thus spreading the trade credit risk. We do not normally require collateral on credit sales; however, a credit analysis is performed before extending substantial credit to any customer and occasionally we request payment in advance. We establish an allowance for doubtful accounts based on customers' payment history and perceived credit risks.

(q) Basic and Diluted Net Loss Per Common Share

Basic net loss per common share was computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock and convertible preferred stock outstanding for each period presented. 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 table summarizes the net loss applicable to common stockholders and the net loss per common share for the years ended December 31, 2013 and 2012 (in thousands, except per share data):

	2013	2012
Net loss	$ (88,566)	(1,281)
Series B preferred stock adjustment to fair value at redemption date	87,563	—
Less dividends on Series B preferred stock	(7,859)	(9,927)
Net loss available to common stockholders	$ (8,862)	(11,208)
Basic and Diluted net loss income per common stock	$ (1.22)	(1.54)
Weighted average common shares outstanding:		
Basic and Diluted	7,267	7,267

The following is a reconciliation of the shares used in the computation of basic and diluted net loss per share for the years ended December 31, 2013 and 2012 (in thousands, except per share data):

	2013	2012
Basic weighted average shares outstanding	$ 7,267	7,267
Effect of dilutive equity instruments	—	—
Dilutive weighted average shares outstanding	$ 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 loss per share because their impact is anti-dilutive	133	134

(r) Fair Value Measurement

We determine the fair value of assets and liabilities using a fair value hierarchy that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity, and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price (see note 16). The levels of the fair value hierarchy are:

- *L*evel 1: inputs are quoted prices, unadjusted, in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. A Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: inputs are unobservable and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

(s) Share-Based Compensation Expense

We account for our share-based compensation expense based on the estimated grant date fair value method using the Black-Scholes option pricing model. For these awards, we have recognized compensation expense using a straight-line amortization method (prorated). Share-based compensation expense is based on awards that are ultimately expected to vest. Share-based compensation for the years ended December 31, 2013 and 2012 were reduced for estimated forfeitures. When estimating forfeitures, we consider voluntary termination behaviors, as well as trends of actual option forfeitures.

(t) Leasing (Operating Leases)

We recognize rent expense for operating leases with periods of free rent (including construction periods), step rent provisions and escalation clauses on a straight line basis over the applicable lease term. We consider lease renewals in the useful life of related leasehold improvements when such renewals are reasonably assured. We take these provisions into account when calculating minimum aggregate rental commitments under noncancelable operating leases (see note 12). From time to time, we receive capital improvement funding from our lessors. These amounts are recorded as deferred liabilities and amortized over the remaining lease term as a reduction of rent expense.

(u) Segment Reporting

Accounting standards establish the way public business enterprises report information about operating segments in annual financial statements and require those enterprises to report selected information about operating segments in interim financial reports issued to stockholders. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. We have two reportable segments: radio and television (see note 17).

(v) Derivative Instrument

We only enter into derivative contracts to hedge against the potential impact of increases in interest rates on our debt instruments. We also only enter into derivative contracts that we intend to designate as a hedge of the variability of cash flows to be paid related to a recognized asset or liability (cash flow hedge).

By using derivative financial instruments to hedge exposures to changes in interest rates, we expose ourselves to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. We attempt to minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is higher than Aa.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

For all hedging relationships, we formally document the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

We are accounting for our interest rate swap as cash flow hedge, which requires us to recognize our derivative instrument on the consolidated balance sheet at fair value. The related gain or loss on this instrument is deferred in stockholders' deficit as a component of accumulated other comprehensive (loss) income. The deferred gain or loss on this transaction is recognized in income in the period in which the related item is being hedged and recognized in expense. However, to the extent that the change in value of the derivative contracts does not offset the change in the value of the underlying transaction being hedged, that ineffective portion is immediately recognized into income. We recognize gains and losses immediately when the underlying transaction settles. For cash flow hedges in which hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective cash flow hedge, we continue to carry the derivative instrument at its fair value on the consolidated balance sheet and recognize any subsequent changes in its fair value in earnings (change in fair value of derivative instrument).

(w) Comprehensive Loss

Our comprehensive loss consists of net loss and other items recorded directly to the equity accounts. The objective is to report a measure of all changes in equity of an enterprise that result from transactions and other economic events during the period. Our comprehensive loss consists of net loss and gains (losses) on our derivative instrument that qualifies for cash flow hedge treatment.

(x) New Accounting Standards

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 does not change the requirements for reporting net income or other comprehensive income in financial statements. The new standard is effective for reporting periods beginning after December 15, 2012. We implemented the provisions of ASU 2013-02 and it did not have a material impact on our consolidated financial statements.

(3) Impairment Charges and Restructuring Costs

During the year 2013, we incurred impairment charges and restructuring costs mainly related to an impairment charge recognized on the write-off of a deposit for an option to purchase a TV station that we operated under a programming agreement throughout 2008 and 2009. Pursuant to a lawsuit, we were requesting the reimbursement of our deposit but our motion for judgment was denied. During the year 2012, we incurred impairment charges and restructuring costs related to the abandonment of a leased office space and losses on various subleased office spaces.

During the years 2013 and 2012, we incurred impairment charges and restructuring costs of $0.9 million and $0.4 million, respectively. During the years 2013 and 2012, we paid impairment charges and restructuring costs of $0.4 million and $0.2 million, respectively. As of December 31, 2013 and 2012, the total accrued expenses on our consolidated balance sheets related to impairment charges and restructuring costs was $0.5 million and $0.9 million, which was included in other liabilities.

(4) Derivative and Hedging Activity

At December 31, 2013 and 2012, our derivative financial instrument comprised of the following (in thousands):

Agreement	Fixed interest rate	Expiration date	2013 Notional amounts	2012 Notional amounts	2013 Fair value	2012 Fair value
Interest rate swap	6.31%	January 2017	$ 5,533	5,840	682	816

On January 4, 2007, we entered into a ten-year interest rate swap agreement for the original notional principal amount of $7.7 million whereby we will 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 (see note 9).

For each of the years ended December 31, 2013 and 2012, we reclassified from other comprehensive income to interest expense $0.3 million. During the years ended December 31, 2013 and 2012, we recognized in other comprehensive income (loss), net of taxes- an unrealized gain (loss) on derivative instrument of $0.2 million and $(0.1) million, respectively.

(5) Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2013 and 2012 (in thousands):

	2013	2012	Estimated useful lives
Land	$ 7,306	7,306	—
Building and building improvements	36,002	35,623	7–20 years
Tower and antenna systems	6,387	6,370	10 years
Studio and technical equipment	24,074	23,455	5–10 years
Furniture and fixtures	5,454	5,386	5–10 years
Transmitter equipment	8,916	8,862	10 years
Leasehold improvements	2,733	2,865	1–20 years
Computer equipment and software	8,198	7,339	3–5 years
Other	1,900	1,897	3–5 years
	100,970	99,103	
Less accumulated depreciation	(65,550)	(61,089)	
	$ 35,420	38,014	

During the years ended December 31, 2013 and 2012, depreciation of property and equipment totaled $5.0 million and $5.2 million, respectively.

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2013 and 2012 consist of the following (in thousands):

	2013	2012
Accounts payable – trade	$ 2,101	1,512
Accrued compensation and commissions	6,921	6,493
Accrued professional fees	1,223	1,279
Accrued step-up leases	1,329	1,379
Accrued income taxes	1,980	1,487
Other accrued expenses	6,039	4,125
	$ 19,593	16,275

(7) Senior Secured Credit Facilities

On June 10, 2005, we entered into a first lien credit agreement with Merrill Lynch, Pierce Fenner & Smith, Incorporated, as syndication agent ("Merrill Lynch"), Wachovia Bank, National Association, as documentation agent ("Wachovia"), Lehman Commercial Paper Inc., as administrative agent ("Lehman"), and certain other lenders. The First Lien Credit Facility consisted of a term loan in the amount of $325.0 million, payable in twenty-eight consecutive quarterly installments commencing on June 30, 2005. The amount of the quarterly installment due on each such payment date is equal to 0.25% of the original principal balance of the term loan funded on June 10, 2005, which is approximately $0.8 million. The term loan was due and payable on June 10, 2012. On February 7, 2012 we repaid and terminated the First Lien Credit Facility (see note 8).

(8) 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") 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, as amended. We used the net proceeds from the offering, together with cash on hand, to repay and terminate the First Lien Credit Facility (see note 7), and to pay the transaction costs related to the offering.

(a) 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, 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 Additional Interest applicable fiscal periods are as follows:

(1) Six-months ended December 31, 2012 or as of December 31, 2012

(2) Last twelve months ended June 30, 2013 or as of June 30, 2013

(3) Last twelve months ended December 31, 2013 or as of December 31, 2013

(4) Last twelve months ended June 30, 2014 or as of June 30, 2014

(5) Last twelve months ended December 31, 2014 or as of December 31, 2014

(6) Last twelve months ended June 30, 2015 or as of June 30, 2015

(7) Last twelve months ended December 31, 2015 or as of December 31, 2015

(8) Last twelve months ended June 30, 2016 or as of June 30, 2016

(9) Last twelve months ended December 31, 2016 or as of December 31, 2016

Although our secured leverage ratio as of December 31, 2012, June 30, 2013 and December 31, 2013 was greater than 4.75 to 1.00, we recorded positive consolidated station operating income for our television segment for the six-months ended December 31, 2012 and the last twelve months ended June 30, 2013 and December 31, 2013 (as defined in the Indenture). Therefore, during the periods ending December 31, 2012, June 30, 2013 and December 31, 2013 no Additional Interest was incurred and/or payable.

(b) Collateral and Ranking

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

The Indenture permits us, under specified circumstances, to incur additional debt; however, the occurrence and continuance of the Voting Rights Triggering Event (as defined in note 9) 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.

(c) 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 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 December 31, 2013, we were in compliance with all of our covenants under our Indenture.

(9) Other Long-Term Debt

Other long-term debt consists of the following at December 31, 2013 and 2012 (in thousands):

	2013	2012
Promissory note payable, due in annual principal installments of $2,667, plus interest at 6.0%, commencing August 2012, with balance due on August 2014	$ 2,667	5,333
Promissory note payable, due in monthly principal installments of $26, plus interest at 6.31%, commencing January 2007, with balance due on January 2017	5,533	5,840
Various obligations under capital leases	62	98
	8,262	11,271
Less current portion	(3,004)	(3,009)
	$ 5,258	8,262

The scheduled maturities of other long-term debt are as follows at December 31, 2013 (in thousands):

Year ending December 31:	
2014	$ 3,004
2015	336
2016	306
2017	4,616
	$ 8,262

On May 2, 2011, we entered into an asset purchase agreement (the “Houston Purchase Agreement”) with Channel 55/42 Operating, LP, a Texas limited partnership, USFR Tower Operating, LP, a Texas limited partnership, Humanity Interested Media, L.P., a Texas limited partnership, USFR Equity Drive Property LLC, a Texas limited partnership, and US Farm & Ranch Supply Company, Inc., a Texas corporation. Pursuant to the Houston Purchase Agreement, the Company acquired the assets, including licenses, permits and authorizations issued by the Federal Communications Commission used in or related to the operation of television station KTBU-TV (Digital 42 (Virtual Channel 55)) in Conroe, Texas.

In connection with the closing, we paid an aggregate purchase price equal to $16.0 million, consisting of (i) cash in the amount of $8.0 million and (ii) a thirty-six month, secured promissory note in the principal amount of $8.0 million, bearing a fixed interest rate of 6%. The promissory note is payable in three annual installments (each equal to one-third of the principal amount of the note plus all accrued and unpaid interest) on the anniversary date of the closing of the transaction. It is secured by the assets purchased pursuant to the Houston Purchase Agreement (other than as precluded by law) and all proceeds generated from such assets.

On January 4, 2007, SBS, through its wholly owned subsidiary, SBS Miami Broadcast Center, Inc. ("SBS Miami Broadcast Center"), completed the acquisition of certain real property located in Miami-Dade County, Florida pursuant to the purchase and sale agreement, dated August 24, 2006, as amended on September 25, 2006, as further amended on October 25, 2006. In connection with the acquisition of the real property, on January 4, 2007, SBS Miami Broadcast Center, entered into a loan agreement (the "Loan Agreement"), a ten-year promissory note in the original principal amount of $7.7 million (the "Promissory Note"), and a Mortgage, Assignment of Rents and Security Agreement (the "Mortgage") in favor of Wells Fargo (formerly Wachovia Bank). The Promissory Note bears an interest rate equal to one-month LIBOR plus 125 basis points and requires monthly principal payments of $0.03 million with any unpaid balance due on its maturity date of January 4, 2017. The Promissory Note is secured by the real property and any related collateral.

The terms of the loan include certain restrictions and covenants for SBS Miami Broadcast Center, which limit, among other things, the incurrence of additional indebtedness and liens. The Loan Agreement specifies a number of events of default (some of which are subject to applicable cure periods), including, among others, the failure to make payments when due, noncompliance with covenants and defaults under other agreements or instruments of indebtedness. Upon the occurrence of an event of default and expiration of any applicable cure periods, Wells Fargo (formerly Wachovia Bank) may accelerate the loan and declare all amounts outstanding to be immediately due and payable.

Additionally, on January 4, 2007, SBS Miami Broadcast Center entered into an interest rate swap arrangement (the "Swap Agreement") for the original notional principal amount of $7.7 million whereby it will 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 on the Promissory Note. 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.

In connection with the acquisition of the property, we agreed to unconditionally guaranty all obligations of SBS Miami Broadcast Center pursuant to the Promissory Note, the Loan Agreement, the Mortgage, the loan documents thereto, and the Swap Agreement, for the benefit of Wachovia and its affiliates (the "Guaranty"). In addition, the terms of the Guaranty contain certain financial covenants, which require us to maintain available liquidity of not less than 1.2 times the then outstanding principal balance of the loan made to SBS Miami Broadcast Center by Wells Fargo (formerly Wachovia Bank).

(10) 10 3/4% Series A and B Cumulative Exchangeable Redeemable Preferred Stock

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 will be entitled to elect two directors to newly created positions on our Board of Directors, and we will be 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 right to elect the two new directors may be exercised initially either at a special meeting of the holders of Series B preferred stock or at any annual meeting of the stockholders held for the purpose of electing directors. On March 11, 2014, we received a request from LBHI, stating that it held more than 10% of the Series B preferred stock, and requesting that we call a special meeting of the Series B preferred stockholders, for the purpose of electing two directors.

The Voting Rights Triggering Event shall continue until (i) all dividends in arrears shall have been paid in full and (ii) all other failures, breaches or defaults giving rise to such Voting Rights Triggering Event are remedied or waived by the holders of at least a majority of the shares of the then outstanding Series B preferred stock. We do not currently have sufficient funds legally available to be able to satisfy the conditions for terminating the Voting Rights Triggering Event. The indenture governing our Notes currently 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 3/4% 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.

On March 29, 2013 and April 4, 2012, the Board of Directors declared a dividend for the dividend due April 15, 2013 and April 15, 2012, respectively, to the holders of our Series B preferred stock of record as of April 1, 2013 and April 1, 2012, respectively. The dividends of $26.875 per share were paid in cash on April 15, 2013 and April 16, 2012. Additionally, dividends were paid as part of the repurchase of 1,800 shares of Series B preferred stock on October 15, 2013.

As of December 31, 2013, the aggregate cumulative unpaid dividends on the outstanding shares of the Series B preferred stock was approximately $36.1 million, which is accrued on our consolidated balance sheet as Series B cumulative exchangeable redeemable preferred stock.

Redemption Date Accounting Treatment on the Preferred Stock

Under current accounting principles, prior to October 15, 2013, the Series B preferred stock was considered conditionally redeemable because the Series B preferred stock holders had to request the Series B preferred stock to be repurchased on October 15, 2013. As a result of the request that was made by almost all of the holders of the Series B preferred stock on October 15, 2013 that the stock be repurchased, we assessed that, under applicable accounting principles, the contingent event 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"). Even though 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. The liability recognized is initially recorded at fair value and the resulting adjustment is recorded in equity so that no gain or loss is recognized on reclassification.

On October 15, 2013, we determined the fair value of the Series B preferred stock outstanding balance of $127.1 million, which included the outstanding shares and accumulated unpaid dividends, to be $39.5 million (see note 16(a)). Therefore, we recorded an $87.6 million adjustment to reduce the carrying value of the Series B preferred stock and accrued and unpaid dividends to fair value at the redemption date, with an offset to accumulated deficit.

Subsequent Accounting Treatment of the Preferred Stock

In accordance with ASC 480, the Series B preferred stock was re-measured subsequently from the initial measurement date as the amount of cash that would be paid under the conditions specified in the contract, as if the settlement occurred at December 31, 2013, because the final settlement amount to be paid on the Series B preferred stock was uncertain due to its continual accruing quarterly dividends and its uncertain settlement date. The resulting change in that amount from the previous reporting date (i.e. initial measurement date) was recognized as interest expense. Therefore, we recorded an $87.6 million adjustment to increase the Series B preferred stock liability to the contract settlement value as of December 31, 2013 and recorded $2.0 million as dividends on Series B preferred stock classified as interest expense for the accrued dividends from the redemption date to December 31, 2013.

Going forward, the Series B preferred stock will be measured at subsequent reporting dates at the amount of cash that would be paid under the conditions specified in the contract, as if the settlement occurred at the reporting date, recognizing the resulting change in that amount from the previous reporting date as interest expense. Therefore, the 10 ¾% accruing quarterly dividends will be recorded as interest expense (i.e. "Dividends on Series B preferred stock classified as interest expense") as required by ASC 480.

(11) Stockholders' Equity

(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 (formerly known as Infinity Media Corporation, CBS Radio), a division 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 Nonassessable 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.

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.

(b) Class A and B Common Stock

The rights of the Class A common stock holders and Class B common stock holders 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) Share-Based Compensation Plans

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.

1999 Stock Option Plans

In September 1999, we adopted an employee incentive stock option plan (the "1999 ISO Plan") and a nonemployee director stock option plan (the "1999 NQ Plan", and together with the 1999 ISO Plan, the "1999 Stock Option Plans"). Options granted under the 1999 ISO Plan vest according to the terms determined by the compensation committee of our Board of Directors, and have a contractual life of up to ten years from the date of grant. Options granted under the 1999 NQ Plan vest 20% upon grant and 20% each year for the first four years from the date of grant. All options granted under the 1999 ISO Plan and the 1999 NQ Plan vest immediately upon a change in control of SBS, as defined therein. A total of 300,000 shares and 30,000 shares of Class A common stock were reserved for issuance under the 1999 ISO Plan and the 1999 NQ Plan, respectively. In September 2009, our 1999 Stock Option Plans expired; therefore, no more options can be granted under these plans.

Accounting for Share-Based Plans

We recognize share-based compensation expense based on the estimated grant date fair value method using the Black-Scholes option pricing model. For these awards, we have recognized compensation expense using a straight-line amortization method (prorated). Share-based compensation expense is based on awards that are ultimately expected to vest. Share-based compensation for the years ended December 31, 2013 and 2012 was reduced for estimated forfeitures. When estimating forfeitures, we consider voluntary termination behaviors, as well as trends of actual option forfeitures. For the years ended December 31, 2013 and 2012, share-based compensation totaled $53 thousand and $46 thousand, respectively.

As of December 31, 2013, there was $6 thousand 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 one year.

Accounting standards require that cash flows resulting from excess tax benefits be classified as a part of cash flows from financing activities. Excess tax benefits are realized tax benefits related to tax deductions for exercised options in excess of the deferred tax asset attributable to stock compensation costs for such options.

During the years ended December 31, 2013 and 2012, no stock options were exercised; therefore, no cash payments were received. In addition, during the years ended December 31, 2013 and 2012, we did not recognize a tax benefit on our stock-based compensation expense due to our valuation allowance on substantially all of our deferred tax assets.

Valuation Assumptions

We calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model. The per share weighted average fair value of stock options granted to employees during the years ended December 31, 2013 and 2012 were $3.65 and $3.16, respectively. The following weighted average assumptions were used for each respective period:

	2013	2012
Expected term	7 years	7 years
Dividends to common stockholders	None	None
Risk-free interest rate	1.87%	1.16%
Expected volatility	123.16	121.49

Our computation of expected volatility for the years ended December 31, 2013 and 2012 was based on a combination of historical and market-based implied volatility from traded options on our stock. Our computation of expected term in 2013 and 2012 was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. The information provided above results from the behavior patterns of separate groups of employees that have similar historical experience. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

Stock Options and Nonvested Shares 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 of December 31, 2013 and 2012, and changes during the years ended December 31, 2013 and 2012, 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 December 31, 2011	159	49.49		
Granted	10	3.54		
Exercised	—	—		
Forfeited	(27)	78.88		
Outstanding at December 31, 2012	142	40.61		
Granted	10	4.05		
Exercised	—	—		
Forfeited	(10)	86.90		
Outstanding at December 31, 2013	142	$ 34.77	$ 36	4.6
Exercisable at December 31, 2013	141	$ 34.90	36	4.6

During the years 2013 and 2012, no stock options were exercised.

The following table summarizes information about our stock options outstanding and exercisable at December 31, 2013 (in thousands, except per share data and contractual life):

Range of exercise prices	Vested options	Unvested options	Weighted average exercise price	Weighted average remaining contractual life (years)	Options exercisable	Weighted average exercise price
$1.03 - 49.99	101	1	$ 12.41	6.00	101	$ 12.36
50.00 - 99.99	26	—	83.35	1.16	26	83.35
100.00 - 117.80	14	—	111.06	0.74	14	111.06
	141	1	$ 34.77	4.61	141	34.90

Nonvested shares (restricted stock) are awarded to employees under our Omnibus Plan. In general, nonvested shares vest over two to five years and are subject to the employees' continuing service. The cost of nonvested shares is determined using the fair value of our common stock on the date of grant. The compensation expense is recognized over the vesting period. As of December 31, 2013 and 2012, there were no nonvested shares outstanding.

(12) Commitments

(a) Leases

We have furniture and fixtures under various capital leases that expire at various dates through 2015.

The amounts capitalized under these lease agreements and included in property and equipment at December 31, 2013 and 2012 are as follows (in thousands):

	2013	2012
Various furniture and fixtures under capital leases	$ 230	230
Less accumulated depreciation	(169)	(135)
	$ 61	95

We lease office space and facilities and certain equipment under operating leases, that expire at various dates through 2082. Certain leases provide for base rental payments plus escalation charges for real estate taxes and operating expenses.

At December 31, 2013, future minimum lease payments under such leases are as follows (in thousands):

	Capital lease	Operating lease
Year ending December 31:		
2014	$ 81	5,044
2015	74	3,569
2016	—	2,939
2017	—	2,507
2018	—	1,488
Thereafter	—	8,529
Total minimum lease payments	155	$ 24,076
Less executory costs	(89)	
	66	
Less interest	(4)	
Present value of minimum lease payments	$ 62	

In connection with an operating lease, we have a standby letter of credit of $0.1 million, which was required under the lease terms.

Total rent expense for each of the years ended December 31, 2013 and 2012 amounted to $3.3 million and $3.7 million, respectively.

We have agreements to sublease our radio frequencies and portions of our tower sites and buildings. Such agreements provide for payments through 2030. The future minimum rental income to be received under these agreements as of December 31, 2013 is as follows (in thousands):

Year ending December 31:	
2014	$ 3,362
2015	1,455
2016	665
2017	233
2018	220
Thereafter	781
	$ 6,716

(b) Employment and Service Agreements

At December 31, 2013, we are committed to employment and service contracts for certain executives, on-air talent, general managers, and others expiring through 2019. Future payments under such contracts are as follows (in thousands):

Year ending December 31:	
2014	$ 8,312
2015	4,719
2016	2,141
2017	790
2018	342
Thereafter	2
	$ 16,306

Included in the future payments schedule is our Chief Executive Officer's ("CEO") employment agreement, which may expire on December 31, 2014. Our CEO's annual base salary is $1.25 million, and he is eligible to receive a cash bonus equal to 7.5% of the dollar increase in same station operating income, as defined, for any year, including acquired stations on a pro forma basis. Under the terms of the agreement, the Board of Directors, in its sole discretion, may increase the CEO's annual base salary and cash bonus. For the year ended December 31, 2013, our CEO was contractually due a cash bonus totaling $0.3 million, which was included in accounts payable and accrued expenses in the accompanying consolidated balance sheets as of December 31, 2013. No bonus was awarded to the CEO for the year ended December 31, 2012.

Certain employees' contracts provide for additional amounts to be paid if station ratings or cash flow targets are met.

(c) 401(k) Profit-Sharing Plan

In September 1999, we adopted a tax-qualified employee savings and retirement plan (the "401(k) Plan"). We can make matching and/or profit-sharing contributions to the 401(k) Plan on behalf of all participants at our sole discretion. All employees over the age of 21 that have completed at least 500 hours of service are eligible to participate in the 401(k) Plan. To date, we have not made contributions to this plan.

(d) Other Commitments

At December 31, 2013, we have commitments to vendors that provide us with goods or services. These commitments included services for rating services, programming contracts, software contracts and others.

Future payments under such commitments are as follows (in thousands):

Year ending December 31:	
2014	$ 6,419
2015	5,690
2016	324
2017	73
2018	68
Thereafter	—
	$ 12,574

(13) Income Taxes

Total income tax expense for the years ended December 31, 2013 and 2012 were allocated as follows (in thousands):

	2013	2012
Income from continuing operations	$ (2,384)	1,597

For the years ended December 31, 2013 and 2012, (loss) income before income tax expense consists of the following (in thousands):

	2013	2012
U.S. operations	$ (92,670)	1,602
Foreign operations	1,720	(1,286)
	$ (90,950)	316

The components of the provision for income tax (benefit) expense included in the consolidated statements of operations and comprehensive loss are as follows for the years ended December 31, 2013 and 2012 (in thousands):

	2013	2012
Current:		
Federal	$ —	—
State and local, net of federal income tax benefit	13	342
Foreign	480	(426)
	493	(84)
Deferred:		
Federal	592	1,603
State and local, net of federal income tax benefit	(169)	73
Foreign	(3,300)	5
	(2,877)	1,681
Total income tax (benefit) expense	$ (2,384)	1,597

For the year ended December 31, 2013 and 2012, approximately $4.7 million and $19 thousand of Puerto Rico net operating loss carry-forwards were utilized. For the year ended December 31, 2013 and 2012, no federal net operating loss carry-forwards were utilized.

The tax effect of temporary differences and carry-forwards that give rise to deferred tax assets and deferred tax liabilities at December 31, 2013 and 2012 are as follows (in thousands):

	2013	2012
Deferred tax assets:		
Federal and state net operating loss carryforwards	$ 88,893	78,438
Foreign net operating loss carryforwards	14,081	12,207
FCC licenses	12,080	19,136
Allowance for doubtful accounts	2,512	1,850
Unearned revenue	210	204
AMT credit	1,194	824
Derivatives and hedging instruments	249	339
Property and equipment	1,019	413
Accrued foreign withholding	1,934	1,832
Straight-line expense adjustments	290	545
Accrued restructuring	58	396
Production costs	11,179	10,093
Stock-based compensation	1,621	1,602
Intercompany expenses	1,347	—
Other	2,339	2,940
Total gross deferred tax assets	139,006	130,819
Less valuation allowance	(134,881)	(129,995)
Net deferred tax assets	4,125	824
Deferred tax liabilities:		
FCC licenses	87,297	86,873
Total gross deferred tax liabilities	87,297	86,873
Net deferred tax liability	$ 83,172	86,049

The net change in the total valuation allowance for the years ended December 31, 2013 and 2012 was an increase of $4.9 million and a decrease of $4.1 million, respectively. The valuation allowance at 2013 and 2012 was primarily related to domestic and foreign net operating loss carryforwards and future deductible amounts related to the excess tax basis over the book basis of certain FCC broadcasting licenses. In 2013, the overall increase in valuation allowance was primarily due to NOLs generated during the current year. As a result of adopting ASC 350 on December 31, 2001, amortization of the FCC broadcasting licenses stopped for financial statement purposes. However, the tax amortization of certain FCC broadcasting licenses recognized during the year as well as the expiration of certain net operating losses resulted in a decrease in gross deferred tax assets related to those intangibles and the net operating losses, which were accompanied by an offsetting decrease in the related valuation allowance for the year ending December 31, 2012.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of 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 liabilities, projected future taxable income, and tax planning strategies in making this assessment. As of December 31, 2013, the valuation allowance is comprised of $115.5 million in the US and $19.4 million in Puerto Rico. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made. During the year ended 2013, the valuation allowance of one of our Puerto Rico subsidiaries was decreased by $2.8 million.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, at this time, management believes it is more likely than not that we will not realize the benefits of the majority of these deductible differences. As a result, we have established and maintained a valuation allowance for that portion of the deferred tax assets we believe will not be realized. At December 31, 2013, we have federal and state net operating loss carry-forwards of approximately $215 million and $263 million, respectively. These net operating loss carry-forwards are available to offset future taxable income and expire from the years 2014 through 2033. In addition, at December 31, 2013, we have foreign net operating loss carry-forwards of approximately $36.7 million available to offset future taxable income expiring from the years 2016 through 2023.

Total income tax expense from continuing operations differed from the amounts computed by applying the U.S. federal income tax rate of 35% for the years ended December 31, 2013 and 2012, as a result of the following:

	2013	2012
Computed "expected" tax expense	35.0%	35.0%
State and local income taxes, net of federal benefit	6.6	86.6
Foreign tax differential	0.2	20.4
Current year change in valuation allowance	(5.5)	(1,314.7)
Nondeductible expenses	(40.6)	50.0
Change in effective rate	0.3	(71.8)
Change in Puerto Rico statutory rate	5.7	—
Expiration of net operating losses	—	759.0
Other	0.9	940.9
	2.6%	505.4%

U.S. Federal jurisdiction and the jurisdictions of Florida, New York, California, Illinois, Texas and Puerto Rico are the major tax jurisdictions where we file income tax returns. The tax years that remain subject to assessment of additional liabilities by the federal, state and local tax authorities are 2010 through 2013. The tax years that remain subject to assessment of additional liabilities by the Puerto Rico tax authority are 2008 through 2013.

For the years ended December 31, 2013 and 2012, we did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties. Our evaluation was performed for the tax years ended December 31, 2008 through December 31, 2013, which are the tax years that remain subject to examination by the tax jurisdictions as of December 31, 2013. We do not expect any unrecognized tax benefits to significantly change over the next twelve months.

(14) Contingencies

FCC Licenses Matters

The broadcasting industry is subject to extensive regulation by the FCC under the Communications Act of 1996. We are required to obtain licenses from the FCC to operate our stations. Licenses are normally granted for a term of eight years and are renewable. We have timely filed license renewal applications for all of our stations; however, certain licenses were not renewed prior to their expiration dates. Based on having filed the timely renewal application, we continue to operate the radio stations operating under the licenses and anticipate that they will be renewed.

(15) Litigation

From time to time, we are involved in various routine legal and administrative proceedings and litigation incidental to the conduct of our business, such as contractual matters and employee-related matters. In the opinion of management, such litigation is not likely to have a material adverse effect on our business, operating results or financial condition.

Lehman, T. Rowe Price & Others Complaints

On February 14, 2013, Lehman Brothers Holdings Inc. ("LBHI") brought a claim against us in the Delaware Court of Chancery (the "Court") seeking, among other things, a declaratory judgment that as a result of non-payment of dividends, a Voting Rights Triggering Event had occurred pursuant to the certificate of designations for the Series B preferred stock (the "Certificate of Designations") no later than July 15, 2010. LBHI alleged that as a result, we were prohibited from incurring indebtedness but did so for the purposes of purchasing assets relating to our Houston television station and the issuance of our 12.5% Senior Secured Notes due 2017 (the "Notes"). LBHI also sought an award of unspecified contract damages.

We filed a motion to dismiss the LBHI complaint on March 11, 2013. On April 25, 2013, LBHI filed an opposition to our motion to dismiss and a motion for partial summary judgment. We filed a reply in further support of our motion to dismiss and in opposition to LBHI's motion for partial summary judgment on May 10, 2013. A hearing on the parties' motions was held on May 20, 2013, at which the Court requested further briefing on cross-motions for summary judgment.

Additionally, on June 17, 2013, T. Rowe Price High Yield Fund, Inc., T. Rowe Price Institutional High Yield Fund, T. Rowe Price Funds SICAV-Global High Yield Bond Fund and T. Rowe Price Small-Cap Value Fund, Inc. (collectively "T. Rowe Price" and with LBHI, the "Plaintiffs") brought a claim against us making allegations substantially similar to those made by LBHI previously, except with an additional claim for breach of the implied covenant of good faith and fair dealing.

On July 3, 2013, the Court granted the Plaintiffs' motion to consolidate their lawsuits; and on October 3, 2013, LBHI moved to amend its original complaint by adding a claim for breach of the implied covenant of good faith and fair dealing. We moved for judgment on the pleadings as to both T. Rowe Price's and LBHI's good faith and fair dealing claims. In addition, we and the Plaintiffs submitted cross-motions for summary judgment on October 31, 2013.

On February 25, 2014, Vice Chancellor Glasscock rendered the opinion of the Court granting our motions for summary judgment and judgment on the pleadings, and denying the Plaintiffs' motion for summary judgment. Accordingly, the Plaintiffs' claims were dismissed.

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 Court seeking a declaratory judgment that a Voting Rights Triggering Event had occurred (as of April 15, 2010) under our Certificate of Designations as a result of our non-payment of dividends. The claim states 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 Notes under the Indenture governing the Notes 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 seek 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 as additional plaintiffs. We deny the allegations contained in the complaint and, to the contrary, assert that we have been and continue to be in full and complete compliance with all of our obligations under the Certificate of Designations, as fully disclosed in our public filings dating back to 2009. Accordingly, we believe that the complaint's allegations are frivolous and wholly without merit and intend to contest such allegations vigorously.

(16) Fair Value Measurement Disclosures

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

		December 31							
		2013				2012			
	Fair Value Hierarchy	Gross carrying amount		Fair value		Gross carrying amount		Fair value	
12.5% senior secured notes due 2017	Level 2	$	275.0	$	297.7	$	275.0	$	296.8
10 3/4% Series B cumulative exchangeable redeemable preferred stock	Level 3		126.6		37.8		121.7		46.2
Promissory note payable, included in other long-term debt	Level 3		5.5		4.5		5.8		4.4
Promissory note payable, included in other long-term debt	Level 3	$	2.7	$	2.7	$	5.3	$	5.2

The fair value estimates of these financial instruments were based upon either: (a) market quotes from a major financial institution taking into consideration the most recent market activity, or (b) a discounted cash flow analysis taking into consideration current rates.

From time to time, certain assets or liabilities may be recorded at fair value on a non-recurring basis. On October 15, 2013, the series B preferred stock and accumulated and unpaid dividends were adjusted to fair value on a non-reoccurring basis. In the valuation of the series B preferred stock, a Level 3 fair value measurement was conducted. Using a weighted Yield Method, Discounted Cash Flow Method, and Option Pricing Method, the fair value was determined to be $39.5 million as of October 15, 2013.

Included in the below table are the significant assumptions that were used in the valuation methodologies:

	Discount Rate	Long-Term Growth Rate	Required Rate of Return	Risk Free Rate	Volatility	Discount for Lack of Marketability	Level 3 Fair Value	Weight	Weighted Fair Value
Yield Method	—	—	20.20%	—	—	31.50%	$ 45.3	12.50%	$ 5.7
Discounted Cash Flow Method	10.50%	2.50%	—	—	—	31.50%	57.1	12.50%	7.1
Option Pricing Method	—	—	—	0.68%	109.80%	—	32.3	75.00%	24.2
Total									$ 37.0
Plus: Repurchase of Series B Preferred Stock (October 15, 2013)									2.5
Total Fair Value at October 15, 2013									$ 39.5

(b) Fair Value of Derivative Instruments

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

			Fair value measurements at December 31, 2013				
			Liabilities				
Description	December 31, 2013 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 designed as a cash flow hedging instrument:							
Interest rate swap liability	$	602	—	$	602		—

Description	December 31, 2012 carrying value and balance sheet location of derivative instruments	Fair value measurements at December 31, 2012 — Liabilities: Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative designed as a cash flow hedging instrument:				
Interest rate swap liability	$ 816	—	$ 816	—

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.

	December 31 2013	December 31 2012
	(In thousands)	
Interest rate swap:		
Gain (loss) recognized in other comprehensive loss (effective portion)	$ 214	(76)

(17) Segment Data

The following summary table presents separate financial data for each of our operating segments. The accounting applied to determine the segment information are generally the same as those described in the summary of significant accounting polices (see note 2(u)). We evaluate the performance of our operating segments based on separate financial data for each operating segment as provided below (in thousands):

	Year ended December 31	
	2013	2012
Net revenue:		
Radio	$ 133,536	121,414
Television	20,238	18,108
Consolidated	$ 153,774	139,522
Engineering and programming expenses:		
Radio	$ 22,044	20,101
Television	8,828	11,144
Consolidated	$ 30,872	31,245
Selling, general, and administrative:		
Radio	$ 58,322	49,108
Television	10,878	8,521
Consolidated	$ 69,200	57,629
Corporate expenses	$ 9,316	7,507
Depreciation and amortization:		
Radio	$ 1,943	2,062
Television	2,916	2,999
Corporate	307	403
Consolidated	$ 5,166	5,464
(Gain) loss on the disposal of assets, net:		
Radio	$ (12)	(15)
Television	—	—
Corporate	(13)	—
Consolidated	$ (25)	(15)
Impairment of assets and restructuring costs:		
Radio	$ 86	48
Television	1,000	11
Corporate	(197)	383
Consolidated	$ 889	442
Operating income (loss):		
Radio	$ 51,153	50,110
Television	(3,384)	(4,567)
Corporate	(9,413)	(8,293)
Consolidated	$ 38,356	37,250
Capital expenditures:		
Radio	$ 1,072	407
Television	535	937
Corporate	700	247
Consolidated	$ 2,307	1,591

	December 31	
	2013	**2012**
Total assets:		
Radio	$ 391,134	392,523
Television	56,909	58,301
Corporate	13,705	16,594
Consolidated	$ 461,748	467,418

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Spanish Broadcasting System, Inc.:

Under date of April 1, 2013, we reported on the consolidated balance sheet of Spanish Broadcasting System, Inc. and subsidiaries (the "Company") as of December 31, 2012, and the related consolidated statement of operations and comprehensive loss, changes in stockholders' deficit, and cash flow for the year then ended, which report appears in the December 31, 2013 Annual Report on Form 10-K of the Company. In connection with our audit of the aforementioned consolidated financial statements, we also audited the related consolidated *Financial Statement Schedule – Valuation and Qualifying Accounts* as of December 31, 2012 in the December 31, 2013 Annual report on Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audit.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Miami, Florida
April 1, 2013
Certified Public Accountants

Schedule
SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

Financial Statement Schedule – Valuation and Qualifying Accounts
Years ended December 31, 2013 and 2012

(In thousands)

	Balance at beginning of year	Charged to cost and expense	Charged to other accounts (1)	Deductions (2)	Balance at end of year
Year ended December 31, 2012:					
Allowance for doubtful accounts	$ 844	1,091	—	343	1,592
Valuation allowance on deferred taxes	134,105	(4,141)	31	—	129,995
Year ended December 31, 2013:					
Allowance for doubtful accounts	$ 1,592	1,085	—	473	2,204
Valuation allowance on deferred taxes	129,995	4,976	(90)	—	134,881

(1) Amounts charged to other comprehensive income related to derivative instruments.
(2) Cash write-offs, net of recoveries.

See accompanying report of independent registered public accounting firm.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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, on April 15, 2014.

Spanish Broadcasting System, Inc.

By: /s/ Raúl Alarcón, Jr.
Name: Raúl Alarcón, Jr.
Title: Chief Executive Officer and President

Each person whose signature appears below hereby constitutes and appoints Raúl Alarcón, Jr. and Joseph A. García, and each of them, his true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments to this report together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, and (iii) take any and all actions which may be necessary or appropriate in connection therewith, granting unto such agent, proxy and attorney-in-fact full power and authority to do and perform each and every act and thing necessary or appropriate to be done, as fully for all intents and purposes as he might or could do in person, hereby approving, ratifying and confirming all that such agents, proxies and attorneys-in-fact or any of their substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on April 15, 2014.

Signature	
/s/ Raúl Alarcón, Jr. Raúl Alarcón, Jr.	Chairman of the Board of Directors, Chief Executive Officer and President (principal executive officer)
/s/ Joseph A. García Joseph A. García	Director, Senior Executive Vice President, Chief Financial Officer, Chief Administration Officer and Secretary (principal financial and accounting officer)
/s/ Jose A. Villamil Jose A. Villamil	Director
/s/ Mitchell A. Yelen Mitchell A. Yelen	Director
/s/ Jason L. Shrinsky Jason L. Shrinsky	Director
/s/ Manuel E. Machado Manuel E. Machado	Director

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

Exhibit Index

Exhibit number	Exhibit description	Filed herewith	Incorporated by reference: Form	Period ending	Exhibit	Filing date
3.1	Third Amended and Restated Certificate of Incorporation of Spanish Broadcasting System, Inc.		S-1/A		3.1	10/6/99
3.2	Certificate of Amendment to the Third Amended and Restated Certificate of Incorporation of the Company.		S-1/A		3.2	10/6/99
3.3	Certificate of Amendment of Certificate of Incorporation of Spanish Broadcasting System, Inc.		8-K		3.1	7/11/11
3.4	Amended and Restated By-Laws of the Company.		10-Q	3/31/05	3.3	5/10/05
4.1	Article V of the Third Amended and Restated Certificate of Incorporation of the Company.		10-Q	3/31/05	4.1	5/10/05
4.2	Certificate of Designations dated October 29, 2003 Setting Forth the Voting Power, Preferences and Relative, Participating, Optional and Other Special Rights and Qualifications, Limitations and Restrictions of the 10 3/4% Series A Cumulative Exchangeable Redeemable Preferred Stock of Spanish Broadcasting System, Inc.		10-Q	9/30/03	4.1	11/14/03
4.3	Certificate of Designations dated October 29, 2003 Setting Forth the Voting Power, Preferences and Relative, Participating, Optional and Other Special Rights and Qualifications, Limitations and Restrictions of the 10 3/4% Series B Cumulative Exchangeable Redeemable Preferred Stock of Spanish Broadcasting System, Inc.		10-Q	9/30/03	4.2	11/14/03
4.4	Certificate of Designation Setting Forth the Voting Power, Preferences and Relative, Participating, Optional and Other Special Rights and Qualifications, Limitations and Restrictions of the Series C Convertible Preferred Stock of the Company (Certificate of Designation of Series C Preferred Stock).		8-K		4.1	12/27/04
4.5	Certificate of Correction to Certificate of Designation of Series C Preferred Stock of the Company.		10-K	12/31/04	4.1	3/16/05
4.6	Senior Secured Notes Indenture, dated as of February 7, 2012, between Spanish Broadcasting System, Inc. and Wilmington Trust, National Association, as Trustee and Collateral Agent		8-K		99.1	2/13/12
10.1*	Common Stock Registration Rights and Stockholders Agreement dated as of June 29, 1994 among the Company and certain Management Stockholders named therein.		S-4			6/29/94
10.2*	Amended and Restated Employment Agreement dated as of October 25, 1999, by and between the Company and Raúl Alarcón, Jr.		S-1/A		10.9	10/26/99
10.3*	Indemnification Agreement with Raúl Alarcón, Jr.		8-K		99.6	11/2/99
10.4*	Indemnification Agreement with Jason L. Shrinsky.		8-K		99.9	11/2/99
10.5*	Spanish Broadcasting System 1999 Stock Option Plan.		S-1/A		10.4	10/6/99
10.6*	Spanish Broadcasting System 1999 Company Stock Option Plan for Nonemployee Directors.		S-1/A		10.4	10/6/99

Exhibit number	Exhibit description	Filed herewith	Incorporated by reference			
			Form	Period ending	Exhibit	Filing date
10.7	Lease Agreement by and between the Company and Irradio Holdings, Ltd.		10-K	9/24/00	10.5	12/26/00
10.8*	Company’s 1999 Stock Option Plan as amended on May 6, 2002.		10-Q	6/30/02	10.3	8/14/02
10.9*	Company’s 1999 Stock Option Plan for Non-Employee Directors as amended on May 6, 2002.		10-Q	6/30/02	10.4	8/14/02
10.10*	Stock Option Agreement dated as of October 29, 2002 between the Company and Raúl Alarcón, Jr.		10-Q	9/30/02	10.2	11/13/02
10.11*	Nonqualified Stock Option Agreement dated October 27, 2003 between the Company and Raúl Alarcón, Jr.		10-K	12/31/03	10.8	3/15/04
10.12*	Non-Qualified Stock Option Agreement dated as of March 3, 2004 between the Company and Joseph A. García.		10-Q	3/30/04	10.1	5/10/04
10.13*	Incentive Stock Option Agreement dated as of March 3, 2004 between the Company and Joseph A. García.		10-Q	3/30/04	10.2	5/10/04
10.14*	Stock Option Letter Agreement dated as of July 2, 2004 between the Company and Jose Antonio Villamil.		10-Q	6/30/04	10.2	8/9/04
10.15	Merger Agreement dated as of October 5, 2004 among Infinity Media Corporation, Infinity Broadcasting Corporation of San Francisco, Spanish Broadcasting System, Inc. and SBS Bay Area, LLC.		8-K		10.1	10/12/04
10.16	Stockholder Agreement dated as of October 5, 2004 among Spanish Broadcasting System, Inc., Infinity Media Corporation and Raúl Alarcón, Jr.		8-K		10.2	10/12/04
10.17	Registration Rights Agreement dated as of December 23, 2004 between Spanish Broadcasting System, Inc. and Infinity Media Corporation.		8-K		4.3	12/27/04
10.18*	Nonqualified Stock Option Agreement, dated as of March 15, 2005 between the Company and Jason Shrinsky.		10-Q	3/31/05	10.1	5/10/05
10.19*	Nonqualified Stock Option Agreement, dated as of July 11, 2003 between the Company and Joseph A. García.		10-Q	3/31/05	10.2	5/10/05
10.20	Second Amendment to Lease, dated December 1, 2004 between the Company and Irradio Holdings, Ltd.		10-Q	6/30/05	10.2	8/9/05
10.21	Third Amendment to Lease, dated as of March 7, 2006, between Irradio Holdings, Ltd. and Spanish Broadcasting System, Inc.		10-K	12/31/05	10.1	3/16/06
10.22*	Spanish Broadcasting System, Inc. 2006 Omnibus Equity Compensation Plan.		10-Q	6/30/06	10.2	8/8/06
10.23	Agreement for Purchase and Sale dated August 24, 2006, by and between 7007 Palmetto Investments, LLC and the Company.		8-K		10.1	10/30/06
10.24	Amendment to Purchase and Sale dated September 25, 2006, by and between 7007 Palmetto Investments, LLC and the Company.		8-K		10.2	10/30/06
10.25	Second Amendment dated October 25, 2006, by and between 7007 Palmetto Investments, LLC and the Company.		8-K		10.3	10/30/06
10.26	Assignment and Assumption Agreement dated October 25, 2006, by and between the Company and SBS Miami Broadcast Center, Inc.		8-K		10.4	10/30/06

Exhibit number	Exhibit description	Filed herewith	Incorporated by reference Form	Period ending	Exhibit	Filing date
10.27	Loan Agreement dated January 4, 2007, by and between Wachovia Bank, National Association and SBS Miami Broadcast Center.		8-K		10.1	1/10/07
10.28	Promissory Note, dated January 4, 2007, by SBS Miami Broadcast Center in favor of Wachovia.		8-K		10.2	1/10/07
10.29	Mortgage, Assignment of Rents and Security Agreement dated January 4, 2007, by and between Wachovia and SBS Miami Broadcast Center.		8-K		10.3	1/10/07
10.30	Unconditional Guaranty dated January 4, 2007, by Spanish Broadcasting System, Inc. in favor of Wachovia.		8-K		10.4	1/10/07
10.31*	Restricted Stock Grant, dated as of March 10, 2007 to Raúl Alarcón, Jr.		10-K	12/31/06	10.1	3/16/07
10.32*	Indemnification Agreement with Mitchell A. Yelen as of October 1, 2007.		10-Q	9/30/07	10.1	11/11/07
10.33*	Stock Option Agreement dated as of October 1, 2007 between the Company and Mitchell A. Yelen.		10-Q	9/30/07	10.2	11/11/07
10.34*	Amended and Restated Employment Agreement dated as of August 4, 2008, by and between the Company and Joseph A. García.		8-K		10.1	8/8/08
10.35*	Stock Option Agreement dated as of June 3, 2010 between the Company and Manuel E. Machado.		10-Q	6/30/10	10.1	8/13/10
10.36*	Asset Purchase Agreement, dated as of May 2, 2011, among Spanish Broadcasting System, Inc., Channel 55/42 Operating, LP, USFR Tower Operating, LP, Humanity Interested Media, L.P., USFR Equity Drive Property LLC and US Farm and Ranch Supply Company, Inc.		8-K		10.1	5/6/11
10.37*	Amendment to Employment Agreement dated April 19, 2011 by and between the Company and Joseph A. Garcia.		10-Q	6/30/11	10.1	8/12/11
10.38	Amendment to the Asset Purchase Agreement, dated as of July 19, 2011, among Spanish Broadcasting System, Inc., Channel 55/42 Operating, LP, USFR Tower Operating, LP, Humanity Interested Media, L.P., USFR Equity Drive Property LLC and US Farm & Ranch Supply Company, Inc.		10-Q	6/30/11	10.3	8/12/11
14.1	Code of Business Conduct and Ethics.		8-K		14.1	5/15/09
16	Letter re: Change in Certifying Accountant.		8-K/A		16.1	5/21/13
21.1	List of Subsidiaries of the Company.	X				
23.1	Consent of Crowe Horwath.	X				
23.2	Consent of KPMG LLP.	X				
24.1	Power of Attorney (included on the signature page of this Annual Report on Form 10-K).	X				
31.1	Chief Executive Officer’s Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
31.2	Chief Financial Officer’s Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
32.1	Chief Executive Officer’s Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				

Exhibit number	Exhibit description	Filed herewith	Incorporated by reference Form	Period ending	Exhibit	Filing date
32.2	Chief Financial Officer's Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
101.INS	XBRL Instance Document	X				
101.SCH	XBRL Taxonomy Extension Schema Document	X				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X				

* Indicates a management contract or compensatory plan or arrangement, as required by Item 15(a)(3) of Form 10-K.