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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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 of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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

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

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

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

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

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

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

As of November 14, 2013, 4,166,991 shares of Class A common stock, par value $0.0001 per share, 2,340,353 shares of Class B common stock, par value $0.0001 per share and 380,000 shares of Series C convertible preferred stock, $0.01 par value per share, which are convertible into 760,000 shares of Class A common stock, were outstanding.

SPANISH BROADCASTING SYSTEM, INC.

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Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are not based on historical facts, but rather reflect our current expectations concerning future results and events. These forward-looking statements generally can be identified by the use of statements that include phrases such as "believe", "expect", "anticipate", "intend", "estimate", "plan", "project", "foresee", "likely", "will" or other words or phrases with similar meanings. Similarly, statements that describe our objectives, plans or goals are, or may be, forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be different from any future results, performance and anticipated achievements expressed or implied by these statements. We do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to those described in our Annual Report on Form 10-K (as amended by our Amendment No. 1 on Form 10-K/A) for the year ended December 31, 2012, and those described from time to time in our future reports filed with the Securities and Exchange Commission (the "SEC").

PART I. FINANCIAL INFORMATION

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

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Balance Sheets

	September 30, 2013	December 31, 2012
	(In thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 33,737	26,660
Receivables, net of allowance for doubtful accounts of $1,674 in 2013 and $1,592 in 2012	29,660	26,423
Prepaid expenses and other current assets	3,650	2,161
Total current assets	67,047	55,244
Property and equipment, net of accumulated depreciation of $64,320 in 2013 and $61,089 in 2012	35,708	38,014
FCC broadcasting licenses	323,055	323,055
Goodwill	32,806	32,806
Other intangible assets, net of accumulated amortization of $803 in 2013 and $642 in 2012	1,745	1,906
Deferred financing costs, net of accumulated amortization of $5,516 in 2013 and $3,015 in 2012	12,100	14,601
Other assets	1,329	1,792
Total assets	$ 473,790	467,418
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 19,642	16,275
Accrued interest	15,824	7,339
Unearned revenue	793	527
Other liabilities	528	669
Current portion of other long-term debt	3,006	3,009
Series B cumulative exchangeable redeemable preferred stock dividends payable	34,332	29,369
Total current liabilities	74,125	57,188
Other liabilities, less current portion	549	802
Derivative instrument	660	816
12.5% senior secured notes due 2017, net of unamortized discount of $6,212 in 2013 and $7,194 in 2012	268,788	267,806
Other long-term debt, less current portion	5,342	8,262
Deferred income taxes	86,477	86,049
Total liabilities	435,941	420,923
Commitments and contingencies (note 6)		
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 September 30, 2013 and December 31, 2012	92,349	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 September 30, 2013 and December 31, 2012	4	4
Class A common stock, $0.0001 par value. Authorized 100,000,000 shares; 4,166,991 shares issued and outstanding at September 30, 2013 and December 31, 2012	—	—
Class B common stock, $0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at September 30, 2013 and December 31, 2012	—	—
Additional paid-in capital	525,322	525,281
Accumulated other comprehensive loss	(660)	(816)
Accumulated deficit	(579,166)	(570,323)
Total stockholders' deficit	(54,500)	(45,854)
Total liabilities and stockholders' deficit	$ 473,790	467,418

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations
and Comprehensive Income (Loss)

	Three-Months Ended September 30,		Nine-Months Ended September 30	
	2013	**2012**	**2013**	**2012**
	(In thousands, except per share data)			
Net revenue	$ 41,082	35,881	116,252	102,586
Operating expenses:				
Engineering and programming	8,441	8,184	22,188	24,203
Selling, general and administrative	18,953	14,389	52,967	43,289
Corporate expenses	2,371	1,564	7,413	5,552
Depreciation and amortization	1,237	1,365	3,911	4,122
	31,002	25,502	86,479	77,166
(Gain) loss on the disposal of assets, net	(3)	(3)	(25)	(8)
Impairment charges and restructuring costs	(136)	148	889	572
Operating income	10,219	10,234	28,909	24,856
Other (expense) income:				
Interest expense, net	(9,924)	(9,931)	(29,794)	(26,613)
Loss on early extinguishment of debt	—	—	—	(391)
Income (loss) before income taxes	295	303	(885)	(2,148)
Income tax expense	189	248	512	1,761
Net income (loss)	106	55	(1,397)	(3,909)
Dividends on Series B preferred stock	(2,482)	(2,482)	(7,446)	(7,466)
Net loss applicable to common stockholders	$ (2,376)	(2,427)	(8,843)	(11,355)
Basic and Diluted net loss per common share	$ (0.33)	(0.33)	(1.22)	(1.56)
Weighted average common shares outstanding:				
Basic and Diluted	7,267	7,267	7,267	7,267
Net income (loss)	$ 106	55	(1,397)	(3,909)
Other comprehensive income (loss), net of taxes-unrealized gain (loss) on derivative instrument	18	19	156	(98)
Total comprehensive income (loss)	$ 124	74	(1,241)	(4,007)

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statement of Changes in Stockholders' Deficit

for the Nine-Months Ended September 30, 2013

	Class C preferred stock		Class A common stock		Class B common stock					
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' deficit
	(In thousands, except share data)									
Balance at December 31, 2012	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,281	$ (816)	$ (570,323)	$ (45,854)
Stock-based compensation	—	—	—	—	—	—	41	—	—	41
Series B preferred stock dividends	—	—	—	—	—	—	—	—	(7,446)	(7,446)
Net loss	—	—	—	—	—	—	—	—	(1,397)	(1,397)
Other comprehensive income	—	—	—	—	—	—	—	156	—	156
Balance at September 30, 2013	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,322	$ (660)	$ (579,166)	$ (54,500)

See accompanying notes to the unaudited condensed consolidated financial statements

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

	Nine-Months Ended September 30, 2013	Nine-Months Ended September 30, 2012
	(In thousands)	
Cash flows from operating activities:		
Net loss	$ (1,397)	(3,909)
Adjustments to reconcile net loss to net cash provided by operating activities:		
(Gain) loss on the disposal of assets	(25)	(8)
Impairment charges	1,025	509
Stock-based compensation	41	34
Depreciation and amortization	3,911	4,122
Net barter (income) loss	(182)	(184)
Provision for trade doubtful accounts	585	701
Loss on early extinguishment of debt	—	391
Amortization of deferred financing costs	2,501	2,292
Amortization of original issued discount	982	750
Deferred income taxes	428	1,685
Unearned revenue	370	138
Changes in operating assets and liabilities:		
Trade receivables	(3,744)	(4,107)
Prepaid expenses and other current assets	(1,489)	1,877
Other assets	(537)	(15)
Accounts payable and accrued expenses	3,295	15
Accrued interest	8,485	15,573
Other liabilities	(333)	(137)
Net cash provided by operating activities	13,916	19,727
Cash flows from investing activities:		
Purchases of property and equipment	(1,469)	(1,408)
Proceeds from the sale of property and equipment and/or insurance proceeds received	36	8
Net cash used in investing activities	(1,433)	(1,400)
Cash flows from financing activities:		
Proceeds from 12.5% senior secured notes due 2017	—	266,750
Payment of financing costs	—	(17,549)
Payment of senior secured credit facility term loan due 2012	—	(303,063)
Payment of Series B preferred stock cash dividends	(2,483)	(2,482)
Payments of other long-term debt	(2,923)	(2,954)
Net cash used in financing activities	(5,406)	(59,298)
Net increase (decrease) in cash and cash equivalents	7,077	(40,971)
Cash and cash equivalents at beginning of period	26,660	71,266
Cash and cash equivalents at end of period	$ 33,737	30,295
Supplemental cash flows information:		
Interest paid	$ 17,795	7,951
Income taxes paid, net	$ —	23
Noncash investing and financing activities:		
Accrual of Series B preferred stock cash dividends not declared	$ 4,963	4,964
Unrealized gain (loss) on derivative instruments	$ 156	(98)

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of Spanish Broadcasting System, Inc. and its subsidiaries (the Company, we, us, our or SBS). All intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements as of September 30, 2013 and December 31, 2012 and for the three- and nine-month periods ended September 30, 2013 and 2012 have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. They do not include all information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements as of, and for the fiscal year ended December 31, 2012, included in our Annual Report on Form 10-K (as amended by our Amendment No. 1 on Form 10-K/A) for the fiscal year ended December 31, 2012. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are all of a normal and recurring nature, necessary for a fair presentation of the results of the interim periods. Additionally, we evaluated subsequent events after the balance sheet date of September 30, 2013 through the financial statements issuance date. The results of operations for the nine-months ended September 30, 2013 are not necessarily indicative of the results for a full year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. 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, 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 changes in advertising spending levels have combined to increase the uncertainty inherent in such estimates and assumptions. Actual results could differ from these estimates.

2. Stockholders' Deficit

(a) Series C Convertible Preferred Stock

On December 23, 2004, in connection with the closing of the merger agreement, dated October 5, 2004, with CBS Radio (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 non-assessable shares of the Class A common stock. The shares of Series C preferred stock issued at the closing of the CBS Radio Merger are convertible into 760,000 shares of Class A common stock, subject to certain adjustments. The number of Class A common stock shares reflects a 1-for-10 reverse stock split effectuated by the Company on July 11, 2011. 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) non-qualified 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.

Stock Options Activity

Stock options have only been granted to employees and directors. Our stock options have various vesting schedules and are subject to the employees and directors continuing their service to SBS. We recognize compensation expense based on the estimated grant date fair value using the Black-Scholes option pricing model and recognize the compensation expense using a straight-line amortization method. When estimating forfeitures, we consider voluntary termination behaviors, as well as trends of actual option forfeitures. Ultimately, our stock-based compensation expense is based on awards that vest. Our stock-based compensation has been reduced for estimated forfeitures.

A summary of the status of our stock options, as of December 31, 2012 and September 30, 2013, and changes during the nine-months ended September 30, 2013, is presented below (in thousands, except per share data):

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2012	142	$ 40.61	—	—
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding at September 30, 2013	142	$ 40.61	$ 57	4.2
Exercisable at September 30, 2013	141	$ 40.77	$ 57	4.1

During the nine-months ended September 30, 2013 and 2012, no stock options were exercised; therefore, no cash payments were received. In addition, 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.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2013 (in thousands, except per share data):

	Outstanding				Weighted Average Remaining Contractual Life (Years)	Exercisable		
Range of Exercise Prices	Vested Options	Unvested Options		Weighted Average Exercise Price		Number Exercisable		Weighted Average Exercise Price
$1.03 – 49.99	91	1	$	13.31	5.8	91	$	13.26
50.00 – 99.99	36	—		84.34	1.0	36		84.34
100.00 – 117.80	14	—		111.06	1.0	14		111.06
	141	1	$	40.61	4.2	141	$	40.77

(d) Accumulated Other Comprehensive Loss

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

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

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

The following is a reconciliation of the shares used in the computation of basic and diluted net income per share for the three- and nine-month periods ended September 30, 2013 and 2012 (in thousands):

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2013	2012	2013	2012
Basic weighted average shares outstanding	7,267	7,267	7,267	7,267
Effect of dilutive equity instruments	—	—	—	—
Dilutive weighted average shares outstanding	7,267	7,267	7,267	7,267
Options to purchase shares of common stock and other stock-based awards outstanding which are not included in the calculation of diluted net income per share because their impact is anti-dilutive	125	134	133	135

4. Operating Segments

We have two reportable segments: radio and television.

The following summary table presents separate financial data for each of our operating segments:

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2013	2012	2013	2012
	(In thousands)		(In thousands)	
Net revenue:				
Radio	$ 35,428	31,192	100,634	89,258
Television	5,654	4,689	15,618	13,328
Consolidated	$ 41,082	35,881	116,252	102,586
Engineering and programming expenses:				
Radio	$ 6,086	5,470	15,795	15,199
Television	2,355	2,714	6,393	9,004
Consolidated	$ 8,441	8,184	22,188	24,203
Selling, general and administrative expenses:				
Radio	$ 15,771	12,543	43,810	37,073
Television	3,182	1,846	9,157	6,216
Consolidated	$ 18,953	14,389	52,967	43,289
Corporate expenses:	$ 2,371	1,564	7,413	5,552
Depreciation and amortization:				
Radio	$ 470	495	1,462	1,572
Television	692	776	2,227	2,222
Corporate	75	94	222	328
Consolidated	$ 1,237	1,365	3,911	4,122
(Gain) loss on the disposal of assets, net:				
Radio	$ (3)	(3)	(12)	(8)
Television	—	—	—	—
Corporate	—	—	(13)	—
Consolidated	$ (3)	(3)	(25)	(8)
Impairment charges and restructuring costs:				
Radio	$ —	(23)	86	48
Television	—	—	1,000	11
Corporate	(136)	171	(197)	513
Consolidated	$ (136)	148	889	572
Operating income (loss):				
Radio	$ 13,104	12,710	39,493	35,374
Television	(575)	(647)	(3,159)	(4,125)
Corporate	(2,310)	(1,829)	(7,425)	(6,393)
Consolidated	$ 10,219	10,234	28,909	24,856
Capital expenditures:				
Radio	$ 198	75	808	342
Television	49	557	320	913
Corporate	230	42	341	153
Consolidated	$ 477	674	1,469	1,408

	September 30, 2013	December 31, 2012
	(In thousands)	
Total Assets:		
Radio	$ 401,453	392,523
Television	57,756	58,301
Corporate	14,581	16,594
Consolidated	$ 473,790	467,418

5. Income Taxes

We are calculating our effective income tax rate using a year-to-date income tax calculation. Our income tax expense differs from the statutory federal tax rate of 35% and related statutory state tax rates, primarily due to the reversal of our deferred tax liabilities related to the tax amortization of our FCC broadcasting licenses and the establishment of a valuation allowance on substantially all of our deferred tax assets.

We file federal, state and local income tax returns in the United States and Puerto Rico. The tax years that remain subject to assessment of additional liabilities by the United States federal, 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 2009 through 2012.

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements as of September 30, 2013 and December 31, 2012.

6. Commitments and Contingencies

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

Litigation-Lehman and T. Rowe Price 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 alleges 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. LBHI also seeks 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") 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 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 have moved for judgment on the pleadings as to both T. Rowe Price's and LBHI's good faith and fair dealing claims. In addition, the parties submitted cross-motions for summary judgment on October 31, 2013. Answering briefs on the cross-motions are due November 15, 2013.

We deny the allegations contained in the LBHI and T. Rowe Price complaints 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. Accordingly, we believe that the allegations and claims are frivolous and wholly without merit, and we intend to contest them vigorously.

7. Fair Value Measurement Disclosures

Fair Value of Financial Instruments

Cash and cash equivalents, receivables, as well as accounts payable and accrued expenses, and other current liabilities, as reflected in the consolidated financial statements, approximate fair value because of the short-term maturity of these instruments and are considered Level 1 measurements within the fair value hierarchy.

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

The fair value of the senior secured notes are estimated using market quotes from a major financial institution taking into consideration the most recent activity and are considered Level 2 measurements within the fair value hierarchy. The fair value of the Series B cumulative exchangeable redeemable preferred stock and the promissory notes payable were based upon either: (a) unobservable market quotes from a major financial institution taking into consideration the most recent activity or (b) discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 3 classification.

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

Description	Fair Value Hierarchy	September 30, 2013 Carrying Amount	September 30, 2013 Fair Value	December 31, 2012 Carrying Amount	December 31, 2012 Fair Value
12.5% senior secured notes due 2017	Level 2	$ 268.8	300.9	267.8	289.1
10 3/4% Series B cumulative exchangeable redeemable preferred stock	Level 3	92.3	69.3	92.3	46.2
Promissory note payable, included in other long-term debt	Level 3	5.6	4.6	5.8	4.4
Promissory note payable, included in other long-term debt	Level 3	2.7	2.6	5.3	5.2

Fair Value of Derivative Instruments

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

Description	September 30, 2013 carrying value and balance sheet location of derivative instruments	Fair value measurements at September 30, 2013 — Liabilities: Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative designated as a cash flow hedging instrument:				
Interest rate swap	$ 660	—	660	—

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 designated as a cash flow hedging instrument:				
Interest rate swap	$ 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. There were no transfers between Levels during the three- and nine-month periods ended September 30, 2013 and 2012, respectively.

Interest rate swaps	Three-Months Ended September 30, 2013	Three-Months Ended September 30, 2012	Nine-Months Ended September 30, 2013	Nine-Months Ended September 30, 2012
Gain (loss) recognized in other comprehensive loss (effective portion)	$ 18	19	156	(98)

8. Derivative Instrument and Hedging Activity

On January 4, 2007, in connection with a promissory note issued for the acquisition of a building, we entered into a ten-year interest rate swap agreement for the original notional principal amount of $7.7 million whereby we 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.

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

	As of September 30, 2013					
				Gross amounts not offset in the balance sheet		
Description	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheet	Net amounts of liabilities presented in the balance sheet	Financial Instruments	Cash collateral received	Net amount
Interest rate swap	660	—	660	660	—	—

	As of December 31, 2012					
				Gross amounts not offset in the balance sheet		
Description	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheet	Net amounts of liabilities presented in the balance sheet	Financial Instruments	Cash collateral received	Net amount
Interest rate swap	816	—	816	816	—	—

9. 12.5% Senior Secured Notes due 2017

On February 7, 2012 we closed our offering of $275 million in aggregate principal amount of 12.5% senior secured notes due 2017 (the "Notes") 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 and June 30, 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. Therefore, during the periods ending December 31, 2012 and June 30, 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 (as defined in note 10) currently prevents us from incurring any such additional debt.

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

Covenants and Other Matters

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

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

The Indenture contains certain customary representations and warranties, affirmative covenants and events of default which could, subject to certain conditions, cause the Notes to become immediately due and payable, including, but not limited to, the failure to make premium 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, 2012 and September 30, 2013, we were in compliance with all of our covenants under our Indenture.

10. 10 $^{3}/_{4}$% Series B Cumulative Exchangeable Redeemable Preferred Stock

Subsequent Events – 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 and the 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 such Series B preferred stock and repurchased 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. As of the date hereof, no new directors have been elected.

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. See Item 1A. Risk Factors of this Form 10-Q for a further discussion of our Series B preferred stock, including the consequences of the occurrence of the Voting Rights Triggering Event.

This subsequent event was a nonrecognized subsequent event (type 2) under *FASB Accounting Standards Codification, Subsequent Events (Topic 855)*. We are currently evaluating the impact of this subsequent event on our consolidated financial statements and will be recording its impact during the 4th quarter of 2013.

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. Due to the Voting Rights Triggering Event (described above), we cannot currently pay dividends on the Series B preferred stock without causing a default under the Indenture.

On March 29, 2013 and April 4, 2012, the Board of Directors declared a cash 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 cash 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.

11. 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.

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.

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

General Overview

We own and 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 nine-months ended September 30, 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 nine-months ended September 30, 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 nine-months ended September 30, 2013 and 2012, local revenue comprised 61% — 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 nine-months ended September 30, 2013 and 2012, national revenue comprised 16% of our gross revenue. Network sales generally consists of advertising airtime sold to our network sales partner and for the nine-months ended September 30, 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 Arbitron and 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 nine-months ended September 30, 2013 and 2012, these revenues combined comprised approximately 13% - 20% 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 expenses and (3) corporate expenses.

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

Comparison Analysis of the Operating Results for the Three-Months Ended September 30, 2013 and 2012

The following summary table presents financial data for each of our operating segments:

	Three-Months Ended September 30, 2013	Three-Months Ended September 30, 2012
	(In thousands)	
Net revenue:		
Radio	$ 35,428	31,192
Television	5,654	4,689
Consolidated	$ 41,082	35,881
Engineering and programming expenses:		
Radio	$ 6,086	5,470
Television	2,355	2,714
Consolidated	$ 8,441	8,184
Selling, general and administrative expenses:		
Radio	$ 15,771	12,543
Television	3,182	1,846
Consolidated	$ 18,953	14,389
Corporate expenses:	$ 2,371	1,564
Depreciation and amortization:		
Radio	$ 470	495
Television	692	776
Corporate	75	94
Consolidated	$ 1,237	1,365
(Gain) loss on the disposal of assets, net:		
Radio	$ (3)	(3)
Television	—	—
Corporate	—	—
Consolidated	$ (3)	(3)
Impairment charges and restructuring costs:		
Radio	$ —	(23)
Television	—	—
Corporate	(136)	171
Consolidated	$ (136)	148
Operating income (loss):		
Radio	$ 13,104	12,710
Television	(575)	(647)
Corporate	(2,310)	(1,829)
Consolidated	$ 10,219	10,234

The following summary table presents a comparison of our results of operations for the three-months ended September 30, 2013 and 2012. Various fluctuations in the table are discussed below. This section should be read in conjunction with our unaudited condensed consolidated financial statements and notes.

	Three-Months Ended September 30,	
	2013	2012
	(In thousands)	
Net revenue	$ 41,082	35,881
Engineering and programming expenses	8,441	8,184
Selling, general and administrative expenses	18,953	14,389
Corporate expenses	2,371	1,564
Depreciation and amortization	1,237	1,365
(Gain) loss on disposal of assets, net of disposal costs	(3)	(3)
Impairment charges and restructuring costs	(136)	148
Operating income	$ 10,219	10,234
Interest expense, net	(9,924)	(9,931)
Income tax expense	189	248
Net income (loss)	$ 106	55

Net Revenue

The increase in our consolidated net revenues of $5.2 million, or 14%, was due to the increases in both our radio and television segments' net revenues. Our radio segment net revenues increased $4.2 million or 14%, primarily due to special events revenue, national sales, local sales and interactive sales. The special events revenue increase took place in our Miami, Puerto Rico, New York and Los Angeles markets. The increase in national sales was mainly in our Los Angeles, San Francisco and New York markets. The increase in local sales was primarily in our New York, Miami and Los Angeles markets. The increase in interactive sales occurred throughout most of our markets. Our television segment net revenues increased $1.0 million or 21%, largely due to the increase in special events revenue, offset by the decreases in national and local spot sales.

Engineering and Programming Expenses

The increase in our consolidated engineering and programming expenses of $0.3 million or 3% was due to the increase in our radio segment expenses. Our radio segment expenses increased $0.6 million or 11%, primarily related to an increase in compensation and benefits. Our television segment expenses decreased $0.3 million or 13%, mainly due to the decrease in originally produced programming costs.

Selling, General and Administrative Expenses

The increase in our consolidated selling, general and administrative expenses of $4.6 million or 32% was due to the increases in both our radio and television segments' expenses. Our radio segment expenses increased $3.2 million or 26%, mainly due to increases in special events expenses, compensation and benefits, legal settlements and professional fees. Our television segment expenses increased $1.3 million or 72%, primarily due to increases in special events expenses and barter expense.

Corporate Expenses

The increase in corporate expenses of $0.8 million or 52% was mostly due to increases in professional fees and travel and entertainment expenses.

Comparison Analysis of the Operating Results for the Nine-Months Ended September 30, 2013 and 2012

The following summary table presents financial data for each of our operating segments:

	Nine-Months Ended September 30,	
	2013	2012
	(In thousands)	
Net revenue:		
Radio	100,634	89,258
Television	15,618	13,328
Consolidated	116,252	102,586
Engineering and programming expenses:		
Radio	15,795	15,199
Television	6,393	9,004
Consolidated	22,188	24,203
Selling, general and administrative expenses:		
Radio	43,810	37,073
Television	9,157	6,216
Consolidated	52,967	43,289
Corporate expenses:	7,413	5,552
Depreciation and amortization:		
Radio	1,462	1,572
Television	2,227	2,222
Corporate	222	328
Consolidated	3,911	4,122
(Gain) loss on the disposal of assets, net:		
Radio	(12)	(8)
Television	—	—
Corporate	(13)	—
Consolidated	(25)	(8)
Impairment charges and restructuring costs:		
Radio	86	48
Television	1,000	11
Corporate	(197)	513
Consolidated	889	572
Operating income (loss):		
Radio	39,493	35,374
Television	(3,159)	(4,125)
Corporate	(7,425)	(6,393)
Consolidated	28,909	24,856

The following summary table presents a comparison of our results of operations for the nine-months ended September 30, 2013 and 2012. Various fluctuations in the table are discussed below. This section should be read in conjunction with our unaudited condensed consolidated financial statements and notes.

	Nine-Months Ended September 30,	
	2013	2012
	(In thousands)	
Net revenue	$ 116,252	102,586
Engineering and programming expenses	22,188	24,203
Selling, general and administrative expenses	52,967	43,289
Corporate expenses	7,413	5,552
Depreciation and amortization	3,911	4,122
(Gain) loss on disposal of assets, net of disposal costs	(25)	(8)
Impairment charges and restructuring costs	889	572
Operating income	$ 28,909	24,856
Interest expense, net	(29,794)	(26,613)
Loss on early extinguishment of debt	—	(391)
Income tax expense	512	1,761
Net loss	$ (1,397)	(3,909)

Net Revenue

The increase in our consolidated net revenues of $13.7 million or 13% was due to the increases in both our radio and television segments' net revenues. Our radio segment net revenues increased $11.4 million or 13%, primarily due to special events revenue, national, barter, local and interactive sales. The increases in special events revenue, barter and interactive sales occurred throughout most of our markets. The increase in national sales took place in our Los Angeles, New York and San Francisco markets. The increase in local sales was primarily in our New York, Los Angeles, Miami and Puerto Rico markets. Our television segment net revenues increased $2.3 million or 17%, largely due to the increase in special events revenue, offset by the decreases in national and local spot sales and integrated sales.

Engineering and Programming Expenses

The decrease in our consolidated engineering and programming expenses of $2.0 million or 8% was due to the decrease in our television segment expenses. Our television segment expenses decreased $2.6 million or 29%, 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 $0.6 million or 4%, primarily related to an increase in compensation and benefits, 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 $9.7 million or 22% was due to the increases in both our radio and television segments' expenses. Our radio segment expenses increased $6.7 million or 18%, 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 $2.9 million or 47%, 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 $1.9 million or 34% was mostly due to an increase in professional fees.

Impairment Charges 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 motion for judgment was denied.

Operating Income

The increase in operating income of $4.1 million or 16% 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.

Income Taxes

The decrease in income tax expense of $1.2 million was primarily a result of the decrease in the tax amortization of our FCC broadcasting licenses.

Net Loss

The decrease in net loss was primarily due to the increase in operating income.

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 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 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.

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 and June 30, 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. Therefore, during the periods ending December 31, 2012 and June 30, 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 (as defined in note 10) currently prevents us from incurring any such additional debt.

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

Covenants and Other Matters

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

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

The Indenture contains certain customary representations and warranties, affirmative covenants and events of default which could, subject to certain conditions, cause the Notes to become immediately due and payable, including, but not limited to, the failure to make premium 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, 2012 and September 30, 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 nine-months ended September 30, 2013 and 2012, with respect to certain key measures affecting our liquidity. The changes set forth in the table are discussed below. This section should be read in conjunction with the unaudited condensed consolidated financial statements and notes.

	Nine-Months Ended September 30,		Change
	2013	2012	$
	(In thousands)		
Capital expenditures:			
Radio	$ 808	342	466
Television	320	913	(593)
Corporate	341	153	188
Consolidated	$ 1,469	1,408	61
Net cash flows provided by operating activities	$ 13,916	19,783	(5,867)
Net cash flows used in investing activities	(1,433)	(1,456)	23
Net cash flows used in financing activities	(5,406)	(59,298)	53,892
Net decrease in cash and cash equivalents	$ 7,077	(40,971)	

Capital Expenditures

The slight 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 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. 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.

Recent Developments

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

Subsequent Events – 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 and the 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 such Series B preferred stock and repurchased 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. As of the date hereof, no new directors have been elected.

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. See Item 1A. Risk Factors of this Form 10-Q for a further discussion of our Series B preferred stock, including the consequences of the occurrence of the Voting Rights Triggering Event.

This subsequent event was a nonrecognized subsequent event (type 2) under *FASB Accounting Standards Codification, Subsequent Events (Topic 855)*. We are currently evaluating the impact of this subsequent event on our consolidated financial statements and will be recording its impact during the 4^{th} quarter of 2013.

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. Due to the Voting Rights Triggering Event (described above), we cannot currently pay dividends on the Series B preferred stock without causing a default under the Indenture.

On March 29, 2013 and April 4, 2012, the Board of Directors declared a cash 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 cash 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.

NASDAQ Listing

On April 9, 2013, we received approval from The NASDAQ Stock Market ("NASDAQ") to transfer the listing of our Class A common stock from The NASDAQ Global Market to The NASDAQ Capital Market. The NASDAQ Capital Market is one of the three markets for NASDAQ-listed stocks and operates similarly to The NASDAQ Global Market. Companies listed on The NASDAQ Capital Market must meet certain financial requirements and adhere to NASDAQ's corporate governance standards. Our Class A common stock began trading on The NASDAQ Capital Market at the opening of business on April 10, 2013 and continues to trade under the symbol "SBSA."

As previously reported, on October 3, 2012, we received a written deficiency notice (the "Notice") from NASDAQ, advising us that the market value of our Class A common stock for the previous 30 consecutive business days had been below the minimum $15,000,000 ("Market Value of Publicly Held Shares Requirement") required for continued listing on the NASDAQ Global Market pursuant to NASDAQ Listing Rule 5450(b)(3)(C) (the "Rule"). Pursuant to NASDAQ Listing Rule 5810(c)(3)(D), we were provided an initial grace period of 180 calendar days, or until April 1, 2013, to regain compliance with the Rule. We did not regain compliance with the Rule, and on March 29, 2013, we filed an application to be listed on the NASDAQ Capital Market, which was granted on April 9, 2013.

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

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

Our critical accounting policies are described in Item 7 of our annual report on Form 10-K for the year ended December 31, 2012. There have been no material changes to our critical accounting policies during the nine-months ended September 30, 2013.

Item 4. *Controls and Procedures*

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

Changes In Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting during the quarter ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. *Legal Proceedings*

Litigation-Lehman and T. Rowe Price 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 alleges 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. LBHI also seeks 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") 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 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 have moved for judgment on the pleadings as to both T. Rowe Price's and LBHI's good faith and fair dealing claims. In addition, the parties submitted cross-motions for summary judgment on October 31, 2013. Answering briefs on the cross-motions are due November 15, 2013.

We deny the allegations contained in the LBHI and T. Rowe Price complaints 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. Accordingly, we believe that the allegations and claims are frivolous and wholly without merit, and we intend to contest them vigorously.

Item 1A. ***Risk Factors***

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K (as amended by our Amendment No. 1 on Form 10-K/A) for the year ended December 31, 2012, which could materially affect our business, financial condition or future results. Other than the modification to the risk factors set forth below, there have been no material changes from the risk factors described in our Annual Report on Form 10-K (as amended by our Amendment No. 1 on Form 10-K/A) for the year ended December 31, 2012. The below risk factors and the risk factors described in our Annual Report on Form 10-K (as amended by our Amendment No. 1 on Form 10-K/A) for the year ended December 31, 2012 are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or 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 failure of such potential future acquisitions and affiliations to increase our station operating income or yield other anticipated benefits;
- 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, the Certificate of Designations 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.

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.

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 other, less leveraged 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 may not have 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 may commence 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 may commence legal action to try to require us to do so. We could only make such repurchases out of legally available funds. The determination of the legal availability of funds to effect a repurchase was made by our board of directors based on all available information as of such time, including management's recommendation, the recommendations of any 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. Any holder of Series B preferred stock could disagree with the determination that we did not have sufficient legally available funds to repurchase shares of Series B preferred stock and that holder might bring a lawsuit against us and our directors.

We would 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 may bring, but we cannot predict with certainty how any given court might rule. Even if a challenge by the holders of the Series B preferred stock were unsuccessful, the litigation itself could be costly, have material adverse effects on our operations by diverting management's attention from our ongoing business, harming our ability to obtain additional financing and damaging our reputation and potentially causing us to lose advertising or other revenues.

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.

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 6. ***Exhibits***

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

Exhibit Number	Exhibit Description
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Periodic Financial Report by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Periodic Financial Report by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith
** Furnished herewith

SIGNATURES

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

SPANISH BROADCASTING SYSTEM, INC.

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

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

Date: November 14, 2013

EXHIBIT INDEX

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* Filed herewith
** Furnished herewith

Exhibit 31.1

CERTIFICATION

I, Raúl Alarcón, Jr., certify that:

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

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

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2013

Exhibit 31.2

CERTIFICATION

I, Joseph A. García, certify that:

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

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

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

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

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

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

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

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

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

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

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

By:	/s/ JOSEPH A. GARCÍA
Name:	Joseph A. García
Title:	Chief Financial Officer, Chief Administrative Officer, Senior Executive Vice President and Secretary

Date: November 14, 2013

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Spanish Broadcasting System, Inc. (the “Company”) for the quarterly period ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Raúl Alarcón, Jr., Chairman of the Board of Directors, President and Chief Executive Officer of the Company, certify, as of the dates hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

Date: November 14, 2013

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Spanish Broadcasting System, Inc. (the “Company”) for the quarterly period ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joseph A. García, Chief Financial Officer, Executive Vice President and Secretary of the Company, certify, as of the dates hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ JOSEPH A. GARCÍA

Name:	Joseph A. García
Title:	Chief Financial Officer, Chief Administrative Officer, Senior Executive Vice President and Secretary

Date: November 14, 2013