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 March 31, 2017

OR

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

For the transition period from ________ to ________

Commission file number 000-27823

Spanish Broadcasting System, Inc.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

As of May 17, 2017, 4,166,991 shares of Class A common stock, par value $0.0001 per share, 2,340,353 shares of Class B common stock, par value $0.0001 per share and 380,000 shares of Series C convertible preferred stock, $0.01 par value per share, which are convertible into 760,000 shares of Class A common stock, were outstanding.

SPANISH BROADCASTING SYSTEM, INC.

INDEX

		Page
PART I. FINANCIAL INFORMATION		
ITEM 1.	Financial Statements - Unaudited	5
	Condensed Consolidated Financial Statements—Unaudited	5
	Notes to the Unaudited Condensed Consolidated Financial Statements	9
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
ITEM 3.	Quantitative and Qualitative Disclosures about Market Risk	30
ITEM 4.	Controls and Procedures	30
PART II. OTHER INFORMATION		
ITEM 1.	Legal Proceedings	30
ITEM 1A.	Risk Factors	30
ITEM 6.	Exhibits	31
SIGNATURES		32

Special Note Regarding Forward-Looking Statements

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

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

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

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

- *Our ability to retain key employees, on-air talent and program hosts;*
- *Impairment of our goodwill and other intangible assets deemed to have indefinite useful lives can cause our net income or net loss to fluctuate significantly;*
- *Piracy of our programming and other content, including digital and internet piracy, may decrease revenue received from the exploitation of our programming and other content and adversely affect our business and profitability;*
- *Damage to our brands or reputation;*
- *Our business may be adversely affected by legal or governmental proceedings brought by or on behalf of our employees;*
- *Raúl Alarcón, the Chairman of our Board of Directors, Chief Executive Officer and President, has majority voting control of our common stock and 100% voting control of our Series C preferred stock and this control may discourage or influence certain types of transactions or strategic initiatives;*
- *Changes in government regulation; and*
- *Other risk factors discussed under "Item 1A. Risk Factors."*

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

PART I. FINANCIAL INFORMATION

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

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Balance Sheets
(In thousands, except share data)

Assets	March 31, 2017	December 31, 2016
Current assets:		
Cash and cash equivalents	$ 30,191	$ 23,835
Receivables:		
Trade	27,162	32,952
Barter	255	270
	27,417	33,222
Less allowance for doubtful accounts	860	745
Net receivables	26,557	32,477
Prepaid expenses and other current assets	7,275	6,597
Total current assets	64,023	62,909
Property and equipment, net of accumulated depreciation of $62,672 in 2017 and $61,735 in 2016	25,533	26,406
FCC broadcasting licenses	322,197	323,961
Goodwill	32,806	32,806
Other intangible assets, net of accumulated amortization of $1,140 in 2017 and $1,116 in 2016	1,408	1,432
Assets held for sale	3,141	1,377
Deferred tax assets	1,573	1,615
Other assets	449	384
Total assets	$ 451,130	$ 450,890
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 14,220	$ 12,733
Accrued interest	15,862	7,290
Unearned revenue	754	1,325
Other liabilities	3	4
Current portion of 12.5% senior secured notes due 2017, net of unamortized discount of $91 in 2017 and $629 in 2016 and net of deferred financing costs of $285 in 2017 and $1,138 in 2016.	274,624	273,233
Current portion of other long-term debt	—	4,616
10 3/4% Series B cumulative exchangeable redeemable preferred stock outstanding and dividends outstanding, $0.01 par value, liquidation value $1,000 per share. Authorized 280,000 shares: 90,549 shares issued and outstanding at March 31, 2017 and December 31, 2016 and $67,732 and $65,299 of dividends payable as of March 31, 2017 and December 31, 2016, respectively.	158,281	155,848
Total current liabilities	463,744	455,049
Other liabilities, less current portion	3,108	2,955
Derivative instruments	—	17
Deferred income taxes	109,144	106,986
Total liabilities	575,996	565,007
Commitments and contingencies (note 6)		
Stockholders' deficit:		
Series C convertible preferred stock, $0.01 par value and liquidation value. Authorized 600,000 shares; 380,000 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	4	4
Class A common stock, $0.0001 par value. Authorized 100,000,000 shares; 4,166,991 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	—	—
Class B common stock, $0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	—	—
Additional paid-in capital	526,078	525,999
Accumulated other comprehensive loss, net	(92)	(102)
Accumulated deficit	(650,856)	(640,018)
Total stockholders' deficit	(124,866)	(114,117)
Total liabilities and stockholders' deficit	$ 451,130	$ 450,890

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

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

	Three-Months Ended March 31,	
	2017	2016
Net revenue	$ 31,350	$ 31,613
Operating expenses:		
Engineering and programming	8,617	8,162
Selling, general and administrative	14,487	15,455
Corporate expenses	2,444	2,993
Depreciation and amortization	1,132	1,250
Total operating expenses	26,680	27,860
(Gain) loss on the disposal of assets	(1)	(3)
Recapitalization costs	826	—
Operating income	3,845	3,756
Other (expense) income:		
Interest expense, net	(9,987)	(10,036)
Dividends on Series B preferred stock classified as interest expense	(2,433)	(2,433)
Loss before income taxes	(8,575)	(8,713)
Income tax expense	2,263	2,603
Net loss	$ (10,838)	$ (11,316)
Basic and Diluted net loss per common share	$ (1.49)	$ (1.56)
Weighted average common shares outstanding:		
Basic and Diluted	7,267	7,267
Net loss	$ (10,838)	$ (11,316)
Other comprehensive income, net of taxes	10	45
Total comprehensive loss	$ (10,828)	$ (11,271)

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 Three-Months Ended March 31, 2017
(In thousands, except share data)

	Series C convertible preferred stock		Class A common stock		Class B common stock		Additional	Accumulated other		Total
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	paid-in capital	comprehensive loss, net	Accumulated deficit	stockholders' deficit
Balance at December 31, 2016	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,999	$ (102)	$ (640,018)	$ (114,117)
Net loss	—	—	—	—	—	—	—	—	(10,838)	(10,838)
Stock-based compensation	—	—	—	—	—	—	79	—	—	79
Unrealized gain on derivative instrument	—	—	—	—	—	—	—	10	—	10
Balance at March 31, 2017	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 526,078	$ (92)	$ (650,856)	$ (124,866)

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

	Three-Months Ended March 31,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (10,838)	$ (11,316)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Dividends on Series B preferred stock classified as interest expense	2,433	2,433
(Gain) loss on the disposal of assets	(1)	(3)
Stock-based compensation	79	383
Depreciation and amortization	1,132	1,250
Net barter (income) loss	(99)	(76)
Provision for trade doubtful accounts	98	3
Amortization of deferred financing costs	853	847
Amortization of original issued discount	538	471
Deferred income taxes	2,207	2,218
Unearned revenue-barter	(457)	139
Changes in operating assets and liabilities:		
Trade receivables	5,627	5,800
Prepaid expenses and other current assets	(498)	(1,328)
Other assets	(65)	35
Accounts payable and accrued expenses	1,448	965
Accrued interest	8,572	8,642
Other liabilities	152	50
Net cash provided by operating activities	11,181	10,513
Cash flows from investing activities:		
Purchases of property and equipment	(276)	(577)
Proceeds from the sale of property and equipment	67	—
Cash payment related to station exchange	—	(1,897)
Net cash used in investing activities	(209)	(2,474)
Cash flows from financing activities:		
Payments of other debt	(4,616)	(77)
Net cash used in financing activities	(4,616)	(77)
Net increase in cash and cash equivalents	6,356	7,962
Cash and cash equivalents at beginning of period	23,835	19,443
Cash and cash equivalents at end of period	$ 30,191	$ 27,405
Supplemental cash flows information:		
Interest paid	$ 5	$ 79
Income tax paid	$ 14	$ —
Noncash investing and financing activities:		
Nonmonetary asset exchange	$ —	$ 2,794
Unrealized gain on derivative instruments	$ 10	$ 45

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

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

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

As discussed in Note 8, the Notes matured on April 15, 2017. Cash from operations or the sale of assets were not sufficient to repay the Notes when they became due. We are working with a team of financial and legal advisors in evaluating all options available to us in executing a comprehensive recapitalization plan. These options, include, but are not limited to, selling certain non-core assets (whose net proceeds would be used to repay a portion of outstanding Notes), new financings (including debt, equity-linked securities and equity offerings), an exchange offer with the holders of our Notes (the "Noteholders"), with or without exit consents to amend the terms of the indenture under which the Notes were issued (the "Indenture"), use of cash on hand and a combination of these options. We have been pursuing the sale of certain non-core assets, including certain of our television stations and real estate assets. We expect to use the net proceeds of these asset sales to repay a portion of the Notes and, thereby deleverage our balance sheet. In connection with our recapitalization plan, we continue conversations with representatives of the Noteholders and the holders of the Series B preferred stock regarding these matters. However, we cannot assure you that we will be successful in our recapitalization efforts. We did not repay the Notes at their maturity, as a result of which there was an event of default under the Indenture on April 17, 2017 (April 17, 2017 being the payment date following the Saturday, April 15, 2017 maturity date). In addition, as of the date of the filing of our Quarterly Report on Form 10-Q for the three months ended March 31, 2017, we are in default under the Future Guarantors covenant of the Indenture (though we have delivered documentation to the Trustee to have the subsidiary become an additional guarantor of the Notes). On April 17, 2017, we made the interest payment due on the Notes. The Notes will continue to earn interest at the current rate of 12.5% per year after the maturity date but we are not required to pay any default interest under the Indenture. As further described in Note 12, the Company on May 8, 2017 entered into a forbearance agreement with an ad hoc group of more than 75.1% of the Notes. Pursuant to the Forbearance Agreement (as described below), the Supporting Holders (as described below) agreed to forbear from exercising any of their rights and remedies under the Indenture under which the Notes were issued, with respect to certain defaults from the effective date of the Forbearance Agreement until the earliest to occur of (a) the occurrence of any Event of Termination (as defined in the Forbearance Agreement) and (b) May 31, 2017 at 12:01 a.m. New York City time. In the event the Forbearance Agreement expires or is not extended, one or more Noteholders may seek to exercise various remedies against us, including foreclosing on our assets that constitute collateral under the Indenture. As of May 17, 2017, the Company has made all of the payments required to be made under the Forbearance Agreement. The interest payment that is accruing for the period from May 16, 2017 through June 15, 2017 is due on June 15, 2017.

In the event we are unsuccessful in these efforts and one or more Noteholders seek to exercise remedies against us or our assets, we may be required to seek protection under Chapter 11 of the U.S. Bankruptcy Code, among other things, in order to maximize the

value of our company for all of our constituents. While we believe that a Chapter 11 filing may create an avenue to successfully execute on our strategy, such a filing may also have several negative consequences to our business, including the costs and negative publicity that surrounds such a filing, reduced advertising revenue due to the uncertainty surrounding the filing, the potential need to sell assets (including the equity of our subsidiaries that own our FCC licenses) under distressed circumstances and the risk that we are unable to execute on a successful plan of reorganization.

The promissory note relating to the acquisition of the Miami studio building was paid on January 3, 2017.

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

Recently Issued Accounting Pronouncements

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

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

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

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

In March 2016, the FASB issued ASU No. 2016-09, Compensation *– Stock Compensation (Topic 718).* This new standard's objective is to simplify certain aspects of the accounting for share-based payment award transactions, including (i) income tax consequences, (ii) classification of awards as either equity or liabilities, and (iii) classification on the statement of cash flows. This update is effective on a prospective, retrospective, and modified retrospective basis for annual and interim periods beginning after December 15, 2016 with early adoption permitted. The Company adopted this accounting standard update, effective January 1, 2017, and determined that there was no material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This new standard requires organizations that lease assets to recognize on the balance sheet the lease assets and lease liabilities for the rights and obligations created by those leases and disclose key information about the leasing agreements. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of an interim or annual reporting period and must be adopted using a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. We are currently evaluating the impact that this new standard will have on our financial position and related disclosures and expect the impact on our assets and liabilities will be material due to the addition of right-of-use assets and lease liabilities; however the impact cannot currently be quantified.

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

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

2. Stockholders' Deficit

(a) Series C Convertible Preferred Stock

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

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

We are required to pay holders of Series C preferred stock dividends on parity with our Class A common stock and Class B common stock, and each other class or series of our capital stock created after December 23, 2004. The Series C preferred stock holders have the same voting rights and powers as our Class A common stock on an as-converted basis, subject to certain adjustments. The Certificate of Designations for the Series C preferred stock does not contain a voting rights triggering event provision like the one found in the Certificate of Designations for the Series B preferred stock. Each holder of Series C preferred stock (i) has preemptive rights to purchase its pro rata share of any equity securities we may offer, subject to certain conditions, and (ii) may, at their option, convert each share of Series C preferred stock into two (2) shares of Class A common stock, subject to certain adjustments.

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

On August 8, 2016 CBS Radio entered into a Stock Purchase Agreement with the Company, AAA Trust and Mr. Alarcón (the "Stock Purchase Agreement") to sell and assign its rights related to its 380,000 shares of Series C preferred stock to the AAA Trust for $3.8 million. AAA Trust is a Florida trust, of which Mr. Alarcón is the trustee. Pursuant to the Stock Purchase Agreement, CBS

Radio has agreed to assign the rights under the registration rights agreement and Stockholder Agreement to AAA Trust, which now holds such registration rights. The parties closed on the Stock Purchase Agreement on August 18, 2016.

(b) Class A and B Common Stock

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

(c) 2006 Omnibus Equity Compensation Plan

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

(d) Stock Options and Nonvested Share Activity

Stock options have only been granted to employees or directors. Our stock options have various vesting schedules and are subject to the employees’ continuing service. A summary of the status of our stock options, as March 31, 2017 and December 31, 2016, and changes during the quarter ended March 31, 2017, is presented below (in thousands, except per share data and contractual life):

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2016	408	$ 4.32		
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Outstanding at March 31, 2017	408	$ 4.32	$ -	7.9
Exercisable at March 31, 2017	238	$ 5.21	$ -	6.7

The following table summarizes information about our stock options outstanding and exercisable at March 31, 2017 (in thousands, except per share data and contractual life):

	Outstanding				Exercisable	
Range of Exercise Prices	Vested Options	Unvested Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Exercisable	Weighted Average Exercise Price
$1.03 - 2.99	45	50	$ 2.68	9.1	45	$ 2.33
$3.00 - 4.99	153	120	3.21	8.4	153	3.30
$5.00 - 9.99	20	-	7.50	3.1	20	7.50
$10.00 - 49.99	20	-	24.03	1.2	20	24.03
	238	170	$ 4.32	7.9	238	$ 5.21

As of March 31, 2017, there was $0.1 million of total unrecognized compensation costs related to nonvested stock-based compensation arrangements granted under all of our plans. The cost is expected to be recognized over a weighted average period of approximately 0.9 years.

(e) Accumulated Other Comprehensive Loss

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

For the three-months ended March 31, 2017 and 2016, we reclassified from other comprehensive loss to interest expense less than $0.1 million and $0.1 million, respectively. During the three-months ended March 31, 2017 and 2016, we recognized in other comprehensive income, net of taxes, an unrealized gain on derivative instrument of approximately $10 thousand and $45 thousand, respectively.

3. Basic and Diluted Net Loss Per Common Share

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

The following is a reconciliation of the shares used in the computation of basic and diluted net loss per share for the three-month periods ended March 31, 2017 and 2016 (in thousands):

	Three-Months Ended March 31,	
	2017	2016
Basic weighted average shares outstanding	7,267	7,267
Effect of dilutive equity instruments	—	—
Dilutive weighted average shares outstanding	7,267	7,267
Options to purchase shares of common stock and other stock-based awards outstanding which are not included in the calculation of diluted net income per share because their impact is anti-dilutive	401	433

4. Operating Segments

We have two reportable segments: radio and television.

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

	Three-Months Ended March 31,	
	2017	2016
Net revenue:		
Radio	$ 28,224	$ 28,525
Television	3,126	3,088
Consolidated	$ 31,350	$ 31,613
Engineering and programming expenses:		
Radio	$ 6,199	$ 6,032
Television	2,418	2,130
Consolidated	$ 8,617	$ 8,162
Selling, general and administrative expenses:		
Radio	$ 13,136	$ 13,476
Television	1,351	1,979
Consolidated	$ 14,487	$ 15,455
Corporate expenses:	$ 2,444	$ 2,993
Depreciation and amortization:		
Radio	$ 476	$ 488
Television	559	663
Corporate	97	99
Consolidated	$ 1,132	$ 1,250
(Gain) loss on the disposal of assets, net:		
Radio	$ —	$ (3)
Television	(1)	—
Corporate	—	—
Consolidated	$ (1)	$ (3)
Recapitalization costs:		
Radio	$ —	$ —
Television	—	—
Corporate	826	—
Consolidated	$ 826	$ —
Operating income (loss):		
Radio	$ 8,413	$ 8,532
Television	(1,201)	(1,684)
Corporate	(3,367)	(3,092)
Consolidated	$ 3,845	$ 3,756
Capital expenditures:		
Radio	$ 202	$ 382
Television	23	94
Corporate	51	101
Consolidated	$ 276	$ 577

	March 31, 2017	December 31, 2016
Total Assets:		
Radio	$ 392,838	$ 391,817
Television	55,562	56,554
Corporate	2,730	2,519
Consolidated	$ 451,130	$ 450,890

5. Income Taxes

We are calculating our effective income tax rate using a year-to-date income tax calculation, due to the full valuation allowance on the Company's deferred tax assets, other than the net operating loss carryforwards of our U.S. Licensing companies and the U.S. AMT tax credits. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or the entire deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income, and tax planning strategies in making this assessment. Due to the continued pre-tax operating losses reported through Q1 2017, management has not changed its valuation allowance position as of March 31, 2017, from December 31, 2016.

Our income tax expense differs from the statutory federal tax rate of 35% and related statutory state tax rates primarily due to the tax amortization on certain indefinite-lived intangible assets that do not have any valuation allowance and the continued losses that cannot be realized due to the full valuation allowance.

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

From time to time, we continue to be subject to state income tax audits, including an active audit by a State tax authority (the "State") for the income tax years from December 31, 2010 through 2013. The audit is in the preliminary stages; however, based on the company's history of audits with the state, we do not anticipate any material tax impact, and thus have not set up a reserve.

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

6. Commitments and Contingencies

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

Local Tax Assessment

The company has received an audit assessment (the "Assessment") wherein it was proposed that the Company underpaid a local tax for the tax periods between June 1, 2005 and May 31, 2015 totaling $1,439,452 in underpaid tax, applicable interest and penalties. The Company disagrees with the assessment and related calculations but is developing a settlement strategy to discuss and pursue with the taxing jurisdiction with the hope of avoiding a lengthy litigation process. While we are uncertain as to whether the jurisdiction will accept this offer, an accrual of $391,000, based upon our current best estimate of probable loss, was charged to operations in 2016. However, if the settlement offer is not accepted by the jurisdiction, the amount of the ultimate loss to the Company, if any, may equal the entire amount of the Assessment sought by the taxing jurisdiction.

Gutierrez-Ortiz Lawsuit

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

7. Fair Value Measurement Disclosures

Fair Value of Financial Instruments

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

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

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

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

Description	Fair Value Hierarchy	March 31, 2017 Carrying Amount	March 31, 2017 Fair Value	December 31, 2016 Carrying Amount	December 31, 2016 Fair Value
12.5% senior secured notes due 2017	Level 2	$ 275.0	275.1	$ 275.0	275.5
10 3/4% Series B cumulative exchangeable redeemable preferred stock	Level 3	158.3	49.0	155.8	60.5
Promissory note payable	Level 3	0.0	0.0	4.6	4.7

8. 12.5% Senior Secured Notes due 2017

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

In addition, the Company was also in default of the security agreement covenant relating to deposit account control agreements and the related Indenture covenant regarding compliance with the security agreement due to the Company initiated transfer of cash balances from controlled accounts to non-controlled accounts. This default has subsequently been cured. In addition, one of our limited liability companies had not become a guarantor when formed in 2013, as required by the Future Guarantor covenant of the Indenture and therefore we were in default of the Indenture from the formation of the limited liability company until we subsequently submitted documentation to the Trustee to have the limited liability company become an additional guarantor in April 2017. We are required to amend the limited liability operating agreement to permit the trustee to more adequately perfect its security interest in the equity of the company. We are in the process of making that amendment.

On April 17, 2017 the Company timely made the interest payment due on the Notes. The Notes will continue to earn interest at the current rate of 12.5% per year after the maturity date. As further described in Note 12, on May 8, 2017, the Company entered into a forbearance agreement with an ad hoc group of more than 75.1% of the Notes. As of May 17, 2017, the Company had made all of the payments required to be made under the Forbearance Agreement. The interest payment that is accruing for the period from May 16, 2017 through June 15, 2017 is due on June 15, 2017.

Interest

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

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

(1) Six-months ended December 31, 2012 or as of December 31, 2012
(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 for the Additional Interest applicable periods (1), (2), (3), (4), (5), (6), (7), (8) and (9) our secured leverage ratio was greater than 4.75 to 1.00, we recorded positive consolidated station operating income for our television segment for those respective periods (as defined in the Indenture). The final applicable period ended December 31, 2016 and the Company did not incur any Additional Interest. Because the Company did not repay the Notes at maturity, they will continue to earn interest at the current rate of 12.5% per year after their maturity. The Company timely made the interest payment due on the Notes on April 17, 2017.

Collateral and Ranking

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

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

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

Covenants and Other Matters

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

- incur or guarantee additional indebtedness;
- pay dividends and make other restricted payments;
- incur restrictions on the payment of dividends or other distributions from our restricted subsidiaries;

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

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

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

Voting Rights Triggering Event

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

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

Holders of the Series B preferred stock have customary protective provisions. The Certificate of Designations contains covenants that, among other things, limit our ability to: (i) pay dividends, purchase junior securities and make restricted investments other restricted payments; (ii) incur indebtedness, including refinancing indebtedness; (iii) merge or consolidate with other companies or transfer all or substantially all of our assets; and (iv) engage in transactions with affiliates. Upon a change of control, we will be required to make an offer to purchase these shares at a price of 101% of the aggregate liquidation preference of these shares plus accumulated and unpaid dividends to, but excluding the purchase date.

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

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

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

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

Quarterly Dividends

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

As of March 31, 2017, the aggregate cumulative unpaid dividends on the outstanding shares of the Series B preferred stock was approximately $67.7 million, which is accrued on our condensed consolidated balance sheet as 10 ¾% Series B cumulative exchangeable redeemable preferred stock.

Redemption Date and Subsequent Accounting Treatment of the Preferred Stock

Prior to October 15, 2013, the Series B preferred stock was considered "conditionally redeemable" because the redemption of the shares of Series B preferred stock was contingent on the Series B preferred stockholders requesting that their Series B preferred stock be repurchased on October 15, 2013. On October 15, 2013, almost all of the holders of the Series B preferred stock requested that we repurchase their shares of Series B preferred stock. As a result of their request, we assessed and determined that, under applicable accounting principles, the contingency had occurred, and the Series B preferred stock now met the definition of a "mandatorily redeemable" instrument under Accounting Standards Codification 480 *"Distinguishing Liabilities from Equity"* ("ASC 480"). Although under Delaware law the Series B preferred stock is deemed equity, under ASC 480, if an instrument changes from being "conditionally redeemable" to "mandatorily redeemable," then the financial instrument should be reclassified as a liability.

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

10. Asset Exchange

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

The asset exchange is being accounted for as a non-monetary exchange in accordance with ASC-845 *Nonmonetary Transactions*, as the Company did not acquire any significant processes to meet the definition of a business in accordance with ASC 805 *Business Combinations*. As the transaction involved significant monetary consideration, the Company recorded the exchange at fair value. The fair value of the assets received in the asset exchange was $2.9 million, as determined by an independent third party valuation. In addition, the Company paid $1.9 million in cash which we attribute to the value of the acquired television spectrum. Subsequently, we filed an application and participated in the FCC's Broadcast Incentive Auction with our Puerto Rico television stations. As a result of the fair value assessment of the assets exchanged, the difference in exchanged fair values of $1.8 million was deemed attributable to the acquired television spectrum and was recorded on the balance sheet under FCC licenses. Payment of $4.7 million from such spectrum is expected to be received from the FCC in the fourth quarter of 2017.

11. Asset Held for Sale

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

The Puerto Rico television spectrum, described in note 10, is expected to be relinquished in its present condition during the fourth quarter, within twelve months. The Company has reclassified the $1.8 million of acquired spectrum from FCC licenses to assets held for sale as of March 31, 2017 within our television segment. Based on this asset reclassification, a triggering event was identified for the Puerto Rico television licenses which led the Company to test such licenses for potential impairment under the Financial Accounting Standards Board Accounting Standards Codification, Topic 350, *Intangibles – Goodwill & Others*. The Company determined that no adjustment was deemed necessary and no loss was recognized.

12. Subsequent Events – Forbearance Agreement

On May 8, 2017, the Company, and certain of its subsidiaries entered into a forbearance agreement (the "Forbearance Agreement") with an ad hoc group of holders (the "Supporting Holders") of more than 75.1% of the $275 million of outstanding Notes. The Forbearance Agreement became effective on May 17, 2017, after the Company complied with all the conditions precedent to its effectiveness. Pursuant to the Forbearance Agreement, the Supporting Holders agreed to forbear from exercising any of their rights and remedies under the indenture under which the Notes were issued, with respect to certain defaults from the effective date of the Forbearance Agreement until the earliest to occur of (a) the occurrence of any Event of Termination (as defined in the Forbearance Agreement) and (b) May 31, 2017 at 12:01 a.m. New York City time. The defaults consisted of the Company's failure to make its principal payment on the Notes that was payable on April 17, 2017 and transfer of certain funds maintained in accounts subject to one or more deposit account control agreements in favor of the collateral agent under the indenture and related security documents. The Company does not intend to make any principal payment during the term of the Forbearance Agreement.

As part of the Forbearance Agreement, the Company agreed to make monthly (as opposed to semiannual) interest payments of $2,864,583 on the Notes for the periods of April 15, 2017 through May 15, 2017 and May 16, 2017 through June 15, 2017. The Company also agreed to pay a consent fee to the Supporting Holders equal to 0.35% of the principal amount of the Notes held by such parties and also agreed to pay the legal fees and financial advisor due diligence fees of the Supporting Holders. As of May 17, 2017, the Company had made all of the payments required to be made under the Forbearance Agreement. The interest payment that is accruing for the period from May 16, 2017 through June 15, 2017 is due on June 15, 2017.

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

General Overview

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

We own and operate radio stations located in six of the eight most populous Hispanic markets in the United States: Los Angeles, New York, Puerto Rico, Chicago, Miami and San Francisco. The Los Angeles and New York markets have the largest and second largest Hispanic populations and are also the largest and second largest radio markets in the United States measured by advertising revenue, respectively. We format the programming of each of our radio stations to capture a substantial share of the Hispanic audience in their respective markets. The U.S. Hispanic population is diverse, consisting of numerous identifiable ethnic groups from many different countries of origin, and each ethnic group has its own musical and cultural heritage. Since the music, culture, customs and Spanish dialects vary from one radio market to another, we strive to maintain familiarity with the musical tastes and preferences of each of the various Hispanic ethnic groups. To accommodate and monetize such diversity, we customize our programming to match the local preferences of our target demographic audience in each market we serve. In addition to our owned and operated radio stations, we have our AIRE Radio Networks with over 250 affiliate radio stations serving over 75 of the top U.S. Hispanic markets, including all the top 30 Hispanic markets. AIRE Radio Networks currently covers 93% of the coveted U.S. Hispanic market. Our AIRE Radio Networks reach over 14.0 million listeners in an average week with our targeted networks. For the three-months ended March 31, 2017 and 2016, our radio segment generated 90% of our consolidated net revenue radio revenue which was generated primarily from the sale of local, national and network advertising.

Our television stations and related affiliates operate under the "MegaTV" brand. We broadcast via our owned and operated television stations in South Florida, Houston and Puerto Rico through programming and/or distribution agreements, including nationally on a subscriber basis, which allow us to serve markets representing over 3.5 million Hispanic households. We have created a unique television format which focuses on entertainment, current events and variety with high-quality content. Our programming is formatted to capture a larger share of the U.S. Hispanic audience by focusing on our core strengths as an "entertainment" company, thus offering a new alternative compared to the traditional Hispanic television channels. MegaTV's programming is based on a strategy designed to showcase a combination of programs, ranging from televised radio-branded shows to general entertainment programs, such as music, celebrity, debate, interviews and personality based shows. As part of our strategy, we have incorporated certain of our radio on-air personalities into our television programming. In addition, we have included interactive elements in our programming to complement our Internet websites. We produce over 70 hours of original programming per week. For the three-months ended March 31, 2017 and 2016, our television revenue was generated primarily from the sale of local advertising and paid programming and generated 10% and 10% of our consolidated net revenues, respectively.

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

Business Drivers and Financial Statement Presentation

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

Net Revenue Description and Factors

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

- Local revenue generally consists of advertising airtime sold in a station's local market either directly to the advertiser or through an advertiser's agency. Local revenue includes local spot sales, integrated sales, sponsorship sales and paid-programming (or infomercials). For the three-months ended March 31, 2017 and 2016, local revenue comprised 64% and 66% of our gross revenues, respectively.
- National and network revenue generally consists of advertising airtime sold to agencies purchasing advertising for multiple markets. National sales are generally facilitated by our outside national representation firm, which serves as our

agent in these transactions. For the three-months ended March 31, 2017 and 2016, national revenue comprised 12% and 13% of our gross revenues, respectively. Network sales consist of advertising airtime sold on our AIRE Radio Network platform by our network sales staff. For the three-months ended March 31, 2017 and 2016, network revenue comprised 4% and 7% of our gross revenues, respectively.

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

Our advertising rates are primarily based on the following factors:

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

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

In addition to advertising revenue, we also generate revenue from barter sales, special events revenue, interactive revenue, syndication revenue, subscriber revenue and other revenue. For the three-months ended March 31, 2017 and 2016, these revenues combined comprised approximately 20% and 14% of our gross revenues, respectively.

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

Operating Expenses Description and Factors

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

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

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

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

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

Comparison Analysis of the Operating Results for the Three-Months Ended March 31, 2017 and 2016

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

	Three-Months Ended March 31, 2017	Three-Months Ended March 31, 2016
Net revenue:		
Radio	$ 28,224	28,525
Television	3,126	3,088
Consolidated	$ 31,350	31,613
Engineering and programming expenses:		
Radio	$ 6,199	6,032
Television	2,418	2,130
Consolidated	$ 8,617	8,162
Selling, general and administrative expenses:		
Radio	$ 13,136	13,476
Television	1,351	1,979
Consolidated	$ 14,487	15,455
Corporate expenses:	$ 2,444	2,993
Depreciation and amortization:		
Radio	$ 476	488
Television	559	663
Corporate	97	99
Consolidated	$ 1,132	1,250
(Gain) loss on the disposal of assets, net:		
Radio	$ —	$ (3)
Television	(1)	—
Corporate	—	—
Consolidated	$ (1)	$ (3)
Recapitalization costs:		
Radio	$ —	$ —
Television	—	—
Corporate	826	—
Consolidated	$ 826	$ —
Operating income (loss):		
Radio	$ 8,413	$ 8,532
Television	(1,201)	(1,684)
Corporate	(3,367)	(3,092)
Consolidated	$ 3,845	$ 3,756

The following summary table presents a comparison of our results of operations for the three-months ended March 31, 2017 and 2016 (in thousands). Various fluctuations in our results are discussed below. This section should be read in conjunction with our unaudited condensed consolidated financial statements and notes.

	Three-Months Ended March 31,	
	2017	2016
Net revenue	$ 31,350	$ 31,613
Engineering and programming expenses	8,617	8,162
Selling, general and administrative expenses	14,487	15,455
Corporate expenses	2,444	2,993
Depreciation and amortization	1,132	1,250
(Gain) loss on disposal of assets, net of disposal costs	(1)	(3)
Recapitalization costs	826	—
Operating income	3,845	3,756
Interest expense, net	(9,987)	(10,036)
Dividends on Series B preferred stock classified as interest expense	(2,433)	(2,433)
Income tax expense	2,263	2,603
Net loss	(10,838)	(11,316)

Net Revenue

The decrease in our consolidated net revenues of $0.3 million or 1% was due to decreases in our radio segment offset by an increase in our television segments' net revenues. Our radio segment net revenues decreased $0.3 million or 1%, due to decreases in national, network, and local revenue, which were partially offset by increases in digital sales and special events. Our local sales decreased in our Los Angeles, Chicago, Puerto Rico and New York markets, while our national sales decreased in our Los Angeles, Chicago, Puerto Rico and Miami markets. Our special events revenue increased primarily in our Los Angeles market. Our television segment net revenues increased by less than $0.1 million or 1%, due to the increases in national and barter sales.

Engineering and Programming Expenses

The increase in our consolidated engineering and programming expenses of $0.5 million or 6% was due to the increases in both our radio and television segments' expenses. Our radio segment expenses increased $0.2 million or 3%, mainly due to an increase the acquisition of digital programming costs related to the LaMusica App. The television segment expenses increased by $0.3 million or 14% primarily due to increases in originally produced content costs and reduced production tax credits in Puerto Rico.

Selling, General and Administrative Expenses

The decrease in our consolidated selling, general and administrative expenses of approximately $1.0 million or 6% was due to the decreases in both our radio and television segments' expenses. Our radio segment expenses decreased approximately $0.3 million or 3%, mainly due to decreases in compensation and benefits, commissions, facilities expenses and professional fees offset by increases in affiliate station compensation and special events expenses. Our television segment expenses decreased approximately $0.6 million or 32%, primarily due to decreases in professional fees, compensation and benefits, and barter expenses.

Corporate Expenses

The decrease in corporate expenses of $0.5 million or 18% was mostly due to decreases in professional fees and stock-based compensation offset by an increase in compensation and benefits.

Recapitalization Costs

The company incurred $0.8 million of professional fees related to the current process of evaluating all options available towards executing a comprehensive recapitalization plan, as described in Note 1, Basis of Presentation, of the Notes to the financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Operating Income

The increase in operating income of $0.1 million or 2% was primarily due to the decrease in net revenues offset by the decrease in operating expenses and increase in recapitalization costs.

Income Tax Expense

The decrease in income tax expenses of $0.3 million or 13% was primarily due to the tax impacts of the Puerto Rico Swap transaction during 2016, which did no reoccur in 2017.

Net Loss

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

Liquidity and Capital Resources

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

Our primary sources of liquidity are our current cash and cash equivalents and the cash provided by operations. We do not currently have a revolving credit facility or other working capital lines of credit. Our cash flows from operations are subject to factors impacting our customers and target audience, such as overall advertising demand, shifts in population, station listenership and viewership, demographics, audience tastes and fluctuations in preferred advertising media. We do not expect to raise cash by increasing our indebtedness for several reasons, including the need to repay the Notes, the existence of an event of default under the Indenture that arose on April 17, 2017 (being the payment date following the Saturday, April 15, 2017 maturity date) and the existence of the Voting Rights Triggering Event. As described in Note 12, Subsequent Events - Forbearance Agreement, of the Notes to the financial statements included elsewhere in this Quarterly Report on Form 10-Q, on May 8, 2017 we entered into the Forbearance Agreement (as defined below). Pursuant to the Forbearance Agreement, the Supporting Holders (as defined below) agreed to forbear from exercising any of their rights and remedies under the Indenture, with respect to certain defaults. The Company continues to negotiate with the holders of the Notes and holders of the Series B Preferred Stock as to refinancing possibilities and any extension of the forbearance agreement, as may become necessary. In the event the Forbearance Agreement expires or is not extended, one or more Noteholders may seek to exercise various remedies against us, including foreclosing on our assets that constitute collateral under the Indenture.

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

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

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

- the demand for advertising within the broadcasting industry and economic conditions in general will not deteriorate in any material respect;

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

We cannot assure you that these assumptions will be realized.

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

12.5% senior secured notes due 2017

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

In addition, we were also in default of the security agreement covenant relating to deposit account control agreements and the related Indenture covenant regarding compliance with the security agreement due to our initiated transfer of cash balances from controlled accounts to non-controlled accounts. This default has subsequently been cured. In addition, one of our limited liability companies had not become a guarantor when formed in 2013, as required by the Future Guarantor covenant of the Indenture and therefore we were in default of the Indenture from the formation of the limited liability company until we subsequently submitted documentation to the Trustee to have the limited liability company become an additional guarantor in April 2017. We are required to amend the limited liability operating agreement to permit the trustee to more adequately perfect its security interest in the equity of the company. We are in the process of making that amendment.

On April 17, 2017 we timely made the interest payment due on the Notes. The Notes will continue to earn interest at the current rate of 12.5% per year after the maturity date. As further described in Note 12 to the financial statements included elsewhere in this Quarterly report on Form 10-Q, on May 8, 2017, we entered into a forbearance agreement with an ad hoc group of more than 75.1% of the Notes. As of May 17, 2017, we had made all of the payments required to be made under the Forbearance Agreement. The interest payment that is accruing for the period from May 16, 2017 through June 15, 2017 is due on June 15, 2017.

Interest

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

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

(1) Six-months ended December 31, 2012 or as of December 31, 2012
(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 for the Additional Interest applicable periods (1), (2), (3), (4), (5), (6), (7), (8) and (9) our secured leverage ratio was greater than 4.75 to 1.00, we recorded positive consolidated station operating income for our television segment for those respective periods (as defined in the Indenture). The final applicable period ended December 31, 2016 and the Company did not incur any Additional Interest.

Collateral and Ranking

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

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

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

Covenants and Other Matters

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

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

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

Summary of Capital Resources

The following summary table presents a comparison of our capital resources for the three-months ended March 31, 2017 and 2016, with respect to certain key measures affecting our liquidity (in thousands). The changes set forth in the table are discussed below. This section should be read in conjunction with the Company's unaudited condensed consolidated financial statements and the notes thereto.

	Three-Months Ended March 31,		Change
	2017	2016	$
Capital expenditures:			
Radio	$ 202	382	(180)
Television	23	94	(71)
Corporate	51	101	(50)
Consolidated	$ 276	$ 577	(301)
Net cash flows provided by operating activities	$ 11,181	10,513	668
Net cash flows used in investing activities	(209)	(2,474)	2,265
Net cash flows used in financing activities	(4,616)	(77)	(4,539)
Net (decrease) increase in cash and cash equivalents	$ 6,356	7,962	

Capital Expenditures

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

Net Cash Flows (Used In) Provided by Operating Activities

Changes in our net cash flows from operating activities were primarily a result of the company's continued efforts to improve its working capital.

Net Cash Flows (Used in) Provided by Investing Activities

Changes in our net cash used in investing activities were primarily a result of having used cash in the prior year to acquire spectrum related assets in Puerto Rico.

Net Cash Flows (Used in) Provided by Financing Activities

Changes in our net cash used in from financing activities were a result of paying the promissory note, related to the SBS Miami Broadcast Center, which was due in January 2017.

Recent Developments

Recapitalization

We are working with a team of financial and legal advisors in evaluating all options available to us in executing on a comprehensive recapitalization plan. These options include, but are not limited to, selling certain non-core assets (whose net proceeds

would be used to repay a portion of outstanding Notes), new financings (including debt, equity-linked securities and equity offerings), an exchange offer with the Noteholders, with or without exit consents to amend the terms of the Indenture, use of cash on hand, and a combination of these options. In connection with our recapitalization plan, we have initiated conversations with representatives of the Noteholders and holders of our Series B preferred stock regarding these matters. We cannot assure you that we will be successful in our recapitalization efforts. We did not repay the Notes at their maturity, as a result of which there was an event of default under the Indenture on April 17, 2017 (April 17, 2017 being the payment date following the Saturday, April 15, 2017 maturity date). The Notes will continue to accrue interest at the rate of 12.5% per year after the maturity date.

In addition, the Company was also in default of the security agreement covenant relating to deposit account control agreements and the related Indenture covenant regarding compliance with the security agreement due to the Company initiated transfer of cash balances from controlled accounts to non-controlled accounts. This default has subsequently been cured. In addition, one of our limited liability companies had not become a guarantor when formed in 2013, as required by the Future Guarantor covenant of the Indenture and therefore we were in default of the Indenture from the formation of the limited liability company until we subsequently submitted documentation to the Trustee to have the limited liability company become an additional guarantor in April 2017. We are required to amend the limited liability operating agreement to permit the trustee to more adequately perfect its security interest in the equity of the company. We are in the process of making that amendment.

Forbearance Agreement

On May 8, 2017, we and certain of our subsidiaries entered into a forbearance agreement (the "Forbearance Agreement") with an ad hoc group of holders (the "Supporting Holders") of more than 75.1% of the $275 million of outstanding Notes. The Forbearance Agreement became effective on May 17, 2017, after we complied with all the conditions precedent to its effectiveness. Pursuant to the Forbearance Agreement, the Supporting Holders agreed to forbear from exercising any of their rights and remedies under the indenture under which the Notes were issued, with respect to certain defaults from the effective date of the Forbearance Agreement until the earliest to occur of (a) the occurrence of any Event of Termination (as defined in the Forbearance Agreement) and (b) May 31, 2017 at 12:01 a.m. New York City time. The defaults consisted of our failure to make the principal payment on the Notes that was payable on April 17, 2017 and transfer of certain funds maintained in accounts subject to one or more deposit account control agreements in favor of the collateral agent under the indenture and related security documents. We do not intend to make any principal payments during the term of the Forbearance Agreement.

As part of the Forbearance Agreement, we agreed to make monthly (as opposed to semiannual) interest payments of $2,864,583 on the Notes for the periods of April 15, 2017 through May 15, 2017 and May 16, 2017 through June 15, 2017. The Company also agreed to pay a consent fee to the Supporting Holders equal to 0.35% of the principal amount of the Notes held by such parties and also agreed to pay the legal fees and financial advisor due diligence fees of the Supporting Holders.

As of May 17, 2017, we have made all of the payments required to be made under the Forbearance Agreement. The interest payment that is accruing for the period from May 16, 2017 through June 15, 2017 is due on June 15, 2017.

FCC Broadcast Incentive Auction

In January 2016, we filed applications to participate in the Federal Communications Commission (the "FCC") Broadcast TV spectrum auction (the "Broadcast Incentive Auction") with respect to our television stations in Miami, Houston, and Puerto Rico to potentially generate cash proceeds. As part of our strategy, we also entered into a channel sharing agreement for one of our television stations in Puerto Rico. Due to below market pricing levels in the Broadcast Incentive Auction that concluded in January 2017 we will relinquish our spectrum for one of our Puerto Rico stations and will retain our other television stations in Miami, Houston and our other two stations in Puerto Rico. The cash proceeds from the Puerto Rico station are $4.7 million, expected to be received in the fourth quarter of 2017.

NASDAQ Delisting – OTCQX® Best Market Trading

Trading in our Class A Common Stock on NASDAQ was suspended on January 19, 2017, and trading in our Class A Common Stock on the OTCQX® Best Market (U.S. Tier) ("OTCQX") began on the same day. Our Class A Common Stock currently trades on the OTCQX under the stock ticker "SBSAA".

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

Off-Balance Sheet Arrangements

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

Recently Issued Accounting Pronouncements

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

Critical Accounting Policies

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

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

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

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

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

Item 4. *Controls and Procedures*

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

Changes In Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting during the quarter ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 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, which could materially affect our business, recapitalization plan, financial condition or future results. The risks described in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K and not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may adversely affect our business, recapitalization plan, financial condition and/or operating results.

Item 6. ***Exhibits***

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

Exhibit Number	Exhibit Description
10.1*	Forbearance Agreement dated May 8, 2017 among the Company, the Guarantors and the Supporting Holders.
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: May 22, 2017

EXHIBIT INDEX

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** Furnished herewith

Exhibit 10.1

Execution Version

FORBEARANCE AGREEMENT

This **FORBEARANCE AGREEMENT**, dated as of May 8, 2017 (this "Agreement"), is by and among Spanish Broadcasting System, Inc., a corporation organized under the laws of Delaware (the "Company"), the Guarantors (together with the Company, the "Obligors") and the undersigned beneficial holders or investment managers or advisors for such beneficial holders (together with any party that executes a Forbearance Joinder Agreement (as defined below) after the date hereof, the "Supporting Holders") of the Company's 12.5% Senior Secured Notes due 2017 (the "Notes").

WHEREAS, the Company, the Guarantors[1] and Wilmington Trust, National Association, as Trustee (the "Trustee") and Collateral Agent (the "Collateral Agent"), are parties to (1) the Indenture, dated as of February 7, 2012 (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture") under which the Notes were issued and (2) the Security Agreement, dated as of February 7, 2012 and any related documents and instruments that serves to grant and provide collateral to the Collateral Agent (as amended, restated, supplemented or otherwise modified from time to time, and collectively, the "Security Documents"). The Guarantors have issued their Guarantee under a Guarantee Agreement (the Notes, the Indenture, the Security Documents, the Guarantee Agreement and the Guarantees, collectively, the "Notes Documents").

WHEREAS, the current principal amount outstanding of such Notes is $275,000,000;

WHEREAS, the final maturity date of the Notes occurred on April 15, 2017 (the "Maturity Date") and the Company is exploring a potential repayment of the Notes or other potential restructuring or recapitalization transaction, and any related asset sales, in each case involving the Company (the "Potential Transaction");

WHEREAS the Company (a) has not paid the principal amount of the Notes that was due and payable on the Maturity Date and an Event of Default exists under the Indenture and (b) moved certain funds maintained in bank accounts subject to one or more deposit account control agreements in favor of the Collateral Agent (the "Control Accounts"), which constitutes a Default under the Notes Documents ((a) and (b) collectively, the "Specified Defaults");

WHEREAS, as a result of the Specified Defaults, the Holders, the Trustee and the Collateral Agent have the immediate right to exercise any and all remedies under the Notes Documents, including, without limitation, (a) charging default rate interest, (b) the initiation or continuation of any legal action against the Company or any Guarantor, (c) instructing the Collateral Agent or the Trustee to take any action permitted under the Notes Documents or applicable law, (d) the preparation for or initiation of any legal process for payment or otherwise permitted under the Notes Documents or applicable law (including but not limited to, any enforcement action), and (e) aiding or assisting another creditor or any preferred stockholder of the Company or the Guarantors intentionally or knowingly in furtherance of any of the foregoing (collectively, all such rights and remedies the "Rights and Remedies"); and

WHEREAS, to facilitate discussions in respect of a Potential Transaction, the Obligors have requested that each of the Supporting Holders agree temporarily to forbear in the exercise of their Rights and Remedies solely to the extent arising from the occurrence and continuation of the Specified Defaults, subject to the terms and conditions of this Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION I. ACKNOWLEDGMENTS

1.01 Each of the Obligors hereby acknowledges and agrees, upon execution and delivery of this Agreement, but subject to the terms of this Agreement, that:

(a) The recital of facts set forth in this Agreement is true and correct in all material respects;

(b) The principal amount under the Notes of $275,000,000 is due and validly owing as of the Maturity Date by the Obligors and is not subject to any right of offset, deduction, claim, or counterclaim in favor of any Obligor;

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[1] Capitalized terms not otherwise defined in this Agreement shall have the meanings assigned thereto in the Indenture

(c) The Specified Defaults (i) have occurred and are continuing, (ii) constitute a Default or an Event of Default under the Indenture without the need for any notice to the Obligors, and (iii) have not been cured by the Obligors, and as a consequence thereof, and subject to and but for the terms of this Agreement, the Holders, the Trustee and the Collateral Agent are free to exercise the Rights and Remedies without the need for any notice to the Obligors;

(d) Obligors hereby ratify and affirm the Notes Documents and acknowledge that the Notes Documents are and shall remain unchanged and in full force and effect. Obligors agree that the Notes Documents constitute valid and binding obligations and agreements of Obligors enforceable by the Trustee and the Holders, the Trustee and the Collateral Agent against Obligors in accordance with their respective terms;

(e) Subject to the terms of this Agreement, the Supporting Holders have not waived, released or compromised, do not hereby waive, release or compromise, and may never waive, release or compromise any events, occurrences, acts, or omissions that may constitute or give rise to any Defaults or Events of Default, including without limitation the Specified Defaults, that existed or may have existed, exist or may presently exist, or may arise in the future, nor does the any Supporting Holder waive any Rights and Remedies, including without limitation, the right to direct the Trustee to commence to exercise the remedy of foreclosure as to any property pledged as collateral in connection with the Notes Documents;

(f) The execution and delivery of this Agreement shall not: (i) constitute an extension, modification, or waiver of any aspect of the Indenture; (ii) extend the terms of the Notes or the due date of any of the Notes; (iii) give rise to any obligation on the part of the Supporting Holders to extend, modify or waive any term or condition of the Notes; (iv) establish any course of dealing with respect to the Notes; or (v) give rise to any defenses or counterclaims to the right of the Supporting Holders to compel payment of the Notes or otherwise enforce their rights and remedies set forth in the Notes Documents;

(g) Except as expressly provided herein, the Supporting Holders' agreement to forbear in the exercise of their Rights and Remedies and to perform as provided herein shall not invalidate, impair, negate or otherwise affect the Trustee's or Supporting Holders' ability to exercise their Rights and Remedies under the Notes Documents, and otherwise.

SECTION II. FORBEARANCE

2.01 Forbearance. In consideration of the Obligors' agreement of timely and strict compliance with the terms of this Agreement, and in reliance upon the representations, warranties, agreements and covenants of Obligors set forth herein, subject to the satisfaction of each of the conditions precedent to the effectiveness of this Agreement, from the Agreement Effective Date (as defined below) until the Termination Date (as defined below), each Supporting Holder (severally and not jointly) hereby agrees to forbear (the "Forbearance") from exercising any of the Rights and Remedies under the Notes Documents or applicable law solely with respect to the Specified Defaults. For the avoidance of doubt, during the Forbearance Period, each Supporting Holder agrees that it (individually or collectively) will not deliver any notice or instruction to the Trustee or Collateral Agent relating to the Control Accounts, and to the extent that, during the Forbearance Period, the Trustee or Collateral Agent delivers any notice or instruction relating to the Control Accounts, the Supporting Holders will promptly deliver written notice to the Trustee and/or Collateral Agent (with a copy to the Company and the recipient bank of such notice) instructing the Trustee or Collateral Agent, as the case may be, to rescind any and all notices relating to the Control Accounts.

2.02 Forbearance Period. The Forbearance shall commence on the Agreement Effective Date (as defined below) and continue until the earlier of (a) May 31, 2017 at 12:01 a.m. New York City time and (b) the date on which any Event of Termination (as defined below) shall have occurred (the earlier of (a) and (b), the "Termination Date" and the period commencing on the Agreement Effective Date and ending on the Termination Date, the "Forbearance Period"). From and after the Termination Date, the Forbearance shall immediately and automatically terminate and have no further force or effect, and each of the Supporting Holders shall be released from any and all obligations and agreements under this Agreement and shall be entitled to exercise any of the Rights and Remedies as if this Agreement had never existed, and all of the Rights and Remedies under the Indenture, the Security Documents and in law and in equity shall be available without restriction or modification, as if this Forbearance had not occurred.

SECTION III. EVENTS OF TERMINATION.

3.01 Events of Termination. The Forbearance Period shall automatically terminate if any of the following events shall occur (each, an "Event of Termination"):

(a) the failure of any Obligor to comply with any term, condition or covenant set forth in this Agreement;

(b) other than the Specified Default relating to the non-payment of principal due under the Notes, there occurs either any (i) Event of Default or (ii) Default under the Indenture that is not cured within five (5) business days after the Company's receipt of written notice from any of the Supporting Holders;

(c) any Obligor commences a case under title 11 of the United States Code or any equivalent;

(d) the Company notifies any Supporting Holder or its representatives that it is terminating discussions with the Supporting Holder regarding a Potential Transaction; or

(e) Any holder of the Company's issued and outstanding 10.75% Series B cumulative exchangeable redeemable preferred stock (the "Series B Preferred Stock") institutes any legal action against any of the Supporting Holder Indemnified Parties (as defined below), the Trustee or Collateral Agent, which action is not dismissed or stayed within ten (10) business days from the date on which service of process of such action is served on the Supporting Holder Indemnified Parties, the Trustee or Collateral Agent.

SECTION IV. OTHER AGREEMENTS

4.01 Accrued Interest.

(a) The Company has paid pursuant to the terms of the Notes and the Indenture, on April 17, 2017, accrued and unpaid interest due and payable on the Notes as of April 15, 2017 in the amount of $17,187,500.

(b) The Company and Obligors agree that during the Forbearance Period, interest on all outstanding Obligations, including the unpaid principal amount of the Notes, shall continue to accrue at a rate of 12.5% per annum pursuant to the terms of the Indenture. The Company shall pay on May 15, 2017, such interest that will accrue from April 15, 2017 through and including May 15, 2017 (which, for the avoidance of doubt, is equal to $2,864,583.33), and shall pay on June 15, 2017, such interest that will accrue from May 16, 2017 through and including June 15, 2017 (which, for the avoidance of doubt, is equal to $2,864,583.33).

4.02 Consent Fee. Within three (3) business days of the Agreement Effective Date (as defined below), the Company shall pay, pursuant to wire instructions that will be provided to the Company within one business day following the Agreement Effective Date, to each of the Supporting Holders a consent fee in cash equal to .35% of the principal amount of Notes held by such Supporting Holder (the "Consent Fee"). For the avoidance of doubt, the Obligors acknowledge and agree that the Consent Fee shall be fully earned on the Agreement Effective Date.

4.03 Negative Covenants. The Obligors covenant that during the Forbearance Period, each of Obligors shall not:

(a) Make any payment, distribution or transfer or provide any other consideration to any holder of, or on account of, any of the Notes other than the payments specified in Sections 4.01 and 4.02 above or in respect of asset sales in accordance with Section 4.03(c) below.

(b) Make any payment, dividend, distribution or transfer or provide any other consideration to any holder of, or on account of, the Series B Preferred Stock or, other than payments unrelated to the Series B Preferred Stock and made in the ordinary course of any Obligor, to any holder of any other equity interest in the Company.

(c) Except as expressly provided herein or with respect to certain non-core asset sales, use, sell or lease, other than in the ordinary course of business, any property or assets of any of the Obligors; provided, that within three (3) business days of the closing of any sale described in this Section 4.03(c), all proceeds of such sales shall be used to repay the Notes.

(d) Purchase, redeem, defease, exchange, or otherwise acquire for value any Equity Interests of the Company, including any of the Series B Preferred Stock, or amend, modify, supplement, or waive any of the governing documents for the Series B Preferred Stock.

(e) (i) Incur (as defined in section 4.04 of the Indenture), directly or indirectly, any Indebtedness or (ii) create, Incur (as defined in section 4.04 of the Indenture) or suffer to exist any Lien upon any of its property or assets or income or profits therefrom, or collaterally assign or convey as collateral any right to receive income therefrom, in each case that is not used immediately to irrevocably repay the Notes.

4.04 Retention of Professionals; Expenses.

(a) The Company hereby acknowledges and agrees that the Supporting Holders have hired Paul, Weiss, Rifkind,

Wharton & Garrison LLP ("Paul, Weiss") in connection with the execution of this Agreement and the Potential Transaction. The Company shall pay the reasonable and documented fees and expenses of Paul, Weiss in accordance with the engagement letter executed with Paul, Weiss, provided that any such fees and expenses shall only be payable if the Supporting Holders continue to hold in excess of 75% of the outstanding principal amount of the Notes.

(b) The Company understands that Paul, Weiss, on behalf of the Supporting Holders have hired Moelis & Co. ("Moelis" and, together with Paul, Weiss, the "Advisors"). The Company shall pay a flat, one-time fee of $250,000 to Moelis in connection with Moelis' services to the Supporting Holders during the Forbearance Period (the "Moelis Due Diligence Fee"). The Obligors agree that (i) the indemnity attached hereto as Exhibit B is included in, and made part of, this Agreement, but only with regard to Actions (as defined in Exhibit B) that arise from, are in connection with or relate to services performed or activities occurring prior to the end of the Forbearance Period, and (ii) that Moelis is an express third party beneficiary of this Section 4.04(b) and Exhibit B.

4.05 Information. The Obligors shall provide to the Advisors:

(a) no later than the date set forth in Section 4.11 of the Indenture, the quarterly reports described therein;

(b) promptly and in any event within one business day of the occurrence thereof, written notice regarding the occurrence of (i) any Event of Termination or (ii) any other event which could reasonably be expected to have a material adverse effect on the Obligors or their businesses or assets;

(c) twice weekly reports regarding the status of or any developments in connection with the Potential Transaction, provided that, any such reports may be replaced with a conference call between representatives of the Company and the Supporting Holders to discuss the topics referred to above;

(d) upon written request of the Advisors, any information that is reasonably necessary to evaluate the Company and its Affiliates, the Potential Transaction (including copies of any term sheets, letters of intent, or other similar agreements received by or delivered to the Company), any underlying financial information necessary to evaluate any Potential Transaction, and to verify the Obligors' compliance with the terms of this Agreement and the Indenture (other than with respect to the Specified Default), such information shall be provided to the Advisors as promptly as practicable following the Advisors' written request for such information, provided that the Obligors shall not be required to provide any historical or past financial information related to their television business; and

(e) Within one (1) business day after distribution thereof, copies of any diligence materials given to any other holders of the Notes, any holders of the Series B Preferred Stock (or the advisors for such holders) or (to the extent not included in a data room to which Moelis has access) potential financing sources.

4.06 Release. Each Obligor (for itself and its Subsidiaries and Affiliates and the successors, assigns, heirs and representatives of each of the foregoing) (collectively, the "Releasors") does hereby fully, finally, unconditionally and irrevocably release, waive and forever discharge each of the Supporting Holders, together with each of their respective Affiliates, and each of the directors, officers, members, employees, agents, attorneys and consultants of each of the foregoing (collectively, the "Released Parties"), from any and all debts, claims, allegations, obligations, damages, costs, attorneys' fees, suits, demands, liabilities, actions, proceedings and causes of action, in each case, whether known or unknown, contingent or fixed, direct or indirect, and of whatever nature or description, and whether in law or in equity, under contract, tort, statute or otherwise, which any Releasor has heretofore had or now or hereafter can, shall or may have against any Released Party by reason of any act, omission or thing whatsoever done or omitted to be done, in each case, on or prior to the date hereof directly arising out of, connected with or related to this Agreement, the Indenture or any other Notes Document, or any act, event or transaction related or attendant thereto, or the agreements of any Supporting Holder contained therein, or the possession, use, operation or control of any of the assets of any Obligor. Each Obligor represents and warrants that it has no knowledge of any claim by any Releasor against any Released Party or of any facts or acts or omissions of any Released Party which on the date hereof would be the basis of a claim by any Releasor against any Released Party which would not be released hereby.

4.07 Confidentiality.

(a) Subject to entry into a confidentiality agreement in form and substance acceptable to the Company and each Supporting Holder, each Supporting Holder agrees that all information relating to the Company, the Guarantors or any other Subsidiary or Affiliate of the Company, the Notes Documents or the matters contemplated that is received by such Supporting Holder in connection with the performance by any party of this Agreement will be maintained in confidence and will not be disclosed to third parties, except to the extent permitted under such confidentiality agreement.

(b) The Obligors agree that all information provided by the Supporting Holders hereunder, including the identity of

and amount of Notes held by each Supporting Holder, will be maintained in confidence and will not be disclosed publicly or to third parties other than the Company's advisors and agents, except as may be required by a court or other governmental agency. If the Company publicly files a copy of this Agreement with the SEC or otherwise it shall redact each of the Supporting Holder's signature pages in any such filing so as to not disclose such Supporting Holder's identity or holdings information.

4.08 Notices. The Company hereby agrees to notify the Supporting Holders promptly in writing of (a) any failure by any of the Obligors to comply with their obligations set forth in this Agreement or (b) the receipt by any of the Obligors of any material complaint or demand by any person against the any of the Obligors.

SECTION V. REPRESENTATIONS AND WARRANTIES

In consideration of the foregoing agreements, the Company and each Guarantor jointly and severally hereby represent and warrant to each Supporting Holder, and each Supporting Holder severally but not jointly hereby represents and warrants to the Company and the Guarantors, as follows:

5.01 Such party is duly organized, is validly existing and is not in violation in any respect of any term of its charter, bylaws or other constitutive documents; the execution, delivery and performance of this Agreement are within such party's power and have been duly authorized by all necessary action; and such party is voluntarily entering into this Agreement.

5.02 This Agreement constitutes a valid and legally binding agreement, enforceable against such party in accordance with its terms.

5.03 No consent or authorization of, filing with, notice to or other act by or in respect of, any governmental or regulatory authority or any other person is required in connection with such party's entry into, and performance of, this Agreement, except for consents, authorizations, filings and notices which have been obtained or made and are in full force and effect or which are immaterial in nature; and the entry into and performance of this Agreement by such party does and will not conflict with, or result in the default under, any material agreement or document of such party, its constituent documents or any applicable law, regulation or court order, consent or ruling.

5.04 Each Supporting Holder represents and warrants that, as of the date hereof, it beneficially holds, or advises or manages for a beneficial holder, the principal amount of Notes set forth on the signature page attached hereto; and to that extent it advises or manages the Notes for any beneficial holder, it has the authority to enter into this Agreement on behalf of any such beneficial holder and that this Agreement is a valid and legally binding agreement, enforceable against that holder and such party.

5.05 The Company represents, as of the date of this Agreement that there are no Events of Default that have occurred and are continuing under the Notes other than the Specified Defaults.

5.06 The parties to this Agreement acknowledge that nothing in this Agreement, including the presentation of drafts from one party to another, constitutes the making of an offer to sell or the solicitation of an offer to buy securities or loans of any kind or the solicitation of a consent or waiver of any rights under any of the Notes Documents and the entry into this Agreement shall not constitute, directly or indirectly, an incurrence, a refinancing, an extension or a modification in any way of any debt or a recapitalization or restructuring in any way of the obligations of the Obligors.

5.07 The Supporting Holders have not made any assurances concerning (a) the manner in which or whether any Specified Default may be resolved or (b) any additional forbearance, waiver, restructuring or other accommodations.

SECTION VI. RATIFICATION OF EXISTING AGREEMENTS

6.01 During the Forbearance Period, no Supporting Holder may transfer its rights under the Notes or the Indenture to another party unless (a) the party acquiring such rights (i) is a Supporting Holder or (ii) agrees in writing to be bound by this Agreement and enters into the Forbearance Joinder Agreement and (b) such Supporting Holder promptly notifies the Company and the other Supporting Holders party hereto of such transfer.

6.02 This Agreement shall in no way be construed to preclude any Supporting Holder from acquiring additional Notes, provided, however, that any such additional Notes automatically shall be counted as part of the Notes subject to the terms of this Agreement.

6.03 The Obligors and the Supporting Holders hereby acknowledge and agree that, (a) the relationships between the Obligors and the Supporting Holders are governed by the Notes Documents and this Agreement, (b) no fiduciary duty or special relationship is or will be created by any discussions regarding any possible amendment, waiver or forbearance, (c) the rights and

obligations of the Supporting Holders under this Agreement are several and not joint and no Supporting Holder shall be liable or responsible for obligations of any other Supporting Holder, (d) no Supporting Holder has made to any Obligor, and no Obligor has made to any Supporting Holder, any promise, commitment or representation of any kind or character with respect to any forbearance or other matter as of the date of this Agreement other than as set forth in this Agreement, (e) no Person has any obligation to engage in discussions with any other Person after the date hereof regarding any further forbearance and (f) no Supporting Holder and no Obligor has any obligation under any circumstances to amend, waive, supplement or otherwise modify the terms of the Notes Documents, offer any discounted payoff of the Notes, refinance or exchange the Notes, vote or refrain from voting or otherwise acting with respect to its Notes, extend the forbearance period, grant any other forbearance, agree to any amendment, supplement, waiver or other modification or any Potential Transaction, enter into any definitive documentation in connection with a Potential Transaction, or extend any other accommodation, financial or otherwise, to any Obligor or any of its Affiliates.

SECTION VII. MISCELLANEOUS

7.01 Condition Precedent to Effectiveness of this Agreement. This Agreement and the Forbearance shall become effective only upon satisfaction in full of the following conditions precedent, unless waived in writing by each of the Supporting Holders (the date on which such conditions are satisfied or waived, the "Agreement Effective Date"):

(a) The parties to this Agreement shall have received counterparts of this Agreement duly executed by the Company, the Guarantors and beneficial holders, or investment managers or advisors for such beneficial holders, of more than 75% of the outstanding principal amount of the Notes;

(b)The Company shall have paid the Moelis Due Diligence Fee;

(c) The Company shall have transferred balance of funds into the Control Accounts that were removed by the Company and deposited into accounts that are not Control Accounts; and

(d) The Company shall have made the payments required to be made pursuant to Section 4.01 above.

Notwithstanding anything herein to the contrary, if the Agreement Effective Date does not occur on or before May 10, 2017, then this Agreement shall automatically terminate without further notice or action by any party.

7.02 Assistance with Asset Sales. With regard to any asset sale that has been agreed to by the Supporting Noteholders, the Supporting Noteholders shall use commercially reasonable efforts to ensure that the Trustee and/or Collateral Agent provide any release or liens or mortgages necessary to close on any such asset sale.

7.03 More Favorable Agreements. If the Company has entered into or at any time on or after the date hereof enters into a forbearance or similar agreement with any other holder of Notes that contains terms more favorable to such holder than those contained in this Agreement (each such agreement, a "More Favorable Agreement"), such terms shall automatically be incorporated herein at the option of the Supporting Holders. The Company shall (a) promptly notify the Supporting Holders of its entry into a More Favorable Agreement, including the identity of the other party to such More Favorable Agreement, and (b) promptly provide a copy of such More Favorable Agreement to the Supporting Holders.

7.04 Counterparts. This Agreement may be executed and delivered in any number of counterparts with the same effect as if the signatures on each counterpart were upon the same instrument. Any counterpart delivered by facsimile or by other electronic method of transmission shall be deemed an original signature thereto.

7.05 Interpretive Matters.

(a) Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, and the term "including" is not limiting. The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection and clause references herein are to this Agreement unless otherwise specified.

(b) The term "person" as used in this Agreement shall be broadly interpreted to include, without limitation, any individual, corporation, company, partnership or other entity.

7.06 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. Each party hereto hereby irrevocably and unconditionally consents to submit to the non-exclusive jurisdiction of the federal and state courts in the Borough of Manhattan, City of New York for any action, suit, or proceeding arising out of or relating to this

Agreement and the transactions contemplated by this Agreement. Each party hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any action, suit, or proceeding arising out of this Agreement in any such court and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit, or proceeding brought in any such court has been brought in an inconvenient forum.

7.07 Taxes. The parties agree that payments hereunder shall be made free and clear of, and without deduction or withholding for or on account of, any taxes; provided that if the Company or any other applicable withholding agent shall be required by any applicable requirement of law to deduct or withhold any taxes from any such payment, then the amount payable by the Company shall be increased as necessary so that after all required deductions and withholdings have been made (including deductions or withholdings applicable to additional sums payable under this sentence) the applicable Supporting Holder receives an amount equal to the sum it would have received had no such deductions or withholdings been made. The Company's obligations under this Section 7.06 shall survive any termination of this Agreement.

7.08 Successors and Assigns. This Agreement shall be binding upon each of the Company, the Guarantors, the Supporting Holders and their respective successors and assigns, and shall inure to the benefit of each such person and their permitted successors and assigns.

7.09 Additional Parties. Without in any way limiting the provisions hereof, additional holders or beneficial owners of Notes may elect to become parties to this Agreement by executing and delivering to the Company a joinder agreement substantially in the form of Exhibit A hereto. Such additional holder or beneficial owner of Notes shall become a Supporting Holder under this Agreement in accordance with the terms of this Agreement.

7.10 Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

7.11 Integration. This Agreement contains the entire understanding of the parties hereto with regard to the subject matter contained herein. This Agreement supersedes all prior or contemporaneous negotiations, promises, covenants, agreements and representations of every nature whatsoever with respect to the matters referred to in this Agreement, all of which have become merged and finally integrated into this Agreement. Each of the parties hereto understands that in the event of any subsequent litigation, controversy or dispute concerning any of the terms, conditions or provisions of this Agreement, no party shall be entitled to offer or introduce into evidence any oral promises or oral agreements between the parties relating to the subject matter of this Agreement not included or referred to herein and not reflected by a writing included or referred to herein.

7.12 Jury Trial Waiver. The Company, the Guarantors and the Supporting Holders, by acceptance of this Agreement, mutually hereby knowingly, voluntarily and intentionally waive the right to a trial by jury in respect of any litigation based herein, arising out of, under or in connection with this Agreement and the Notes Documents or any other documents contemplated to be executed in connection herewith, or any course of conduct, course of dealings, statements (whether verbal or written) or actions of any party, including, without limitation, any course of conduct, course of dealings, statements or actions of any Supporting Holder relating to the administration of the Notes or enforcement of the Notes Documents arising out of tort, strict liability, contract or any other law, and agree that no party will seek to consolidate any such action with any other action in which a jury trial cannot be or has not been waived.

7.13 Amendment. This Agreement may only be amended or modified in writing by the Company, the Guarantors and each Supporting Holder.

7.14 Indemnity. In the event that one or more holders of the Series B Preferred Stock shall have instituted legal action against any of the Supporting Holders or any of their affiliates, subsidiaries, managed accounts, or any of their respective officers, directors, employees, members, representative agents, consultants, attorneys or advisors (the "Supporting Holder Indemnified Parties"), the Obligors, jointly and severally, shall indemnify and hold harmless such Supporting Holder Indemnified Parties from any losses, claims, damages, or liabilities resulting therefrom or related thereto, including all fees and expenses (including legal fees) incurred in connection with defending against any such legal action.

[Remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SPANISH BROADCASTING SYSTEM, INC.

By: /s/ Joseph A. Garcia
Name: Joseph A. Garcia
Title: SVP & CFO

EACH OF THE GUARANTORS

By: /s/Joseph A. Garcia
Name: Joseph A. Garcia
Title: SVP & CFO

[Signature Page to Forbearance Agreement]

Exhibit A

[FORM OF FORBEARANCE JOINDER AGREEMENT]

[●], 2017

Spanish Broadcasting System, Inc.
7007 NW 77th Avenue
Miami, Florida 33166
Attention: Richard Lara, General Counsel and Secretary

RE: Forbearance Agreement

Ladies and Gentlemen:

Reference is made to the Forbearance Agreement dated as of April [●], 2017 entered into between the Company, the Guarantors; and the Supporting Holders party thereto (such Forbearance Agreement, as in effect on the date hereof and as it may hereafter be amended, supplemented or otherwise modified from time to time, together with this Forbearance Joinder Agreement, being the "Forbearance Agreement"). Any capitalized terms not defined in this Forbearance Joinder Agreement have the meanings given to them in the Forbearance Agreement.

SECTION I. Joining Obligations Under the Forbearance Agreement. The undersigned hereby agrees, as of the date first above written, to join and to be bound as a Supporting Holder by all of the terms and conditions of the Forbearance Agreement to the same extent as each of the other Supporting Holders thereunder. The undersigned further agrees, as of the date first above written, that each reference in the Forbearance Agreement to a "Supporting Holder" shall also mean and be a reference to the undersigned, including the making of each representation and warranty set forth in Section 5 of the Forbearance Agreement.

SECTION II. Execution and Delivery. Delivery of an executed counterpart of a signature page to this Forbearance Joinder Agreement by telecopier or in .PDF or similar format by electronic mail shall be effective as delivery of an original executed counterpart of this Forbearance Joinder Agreement.

SECTION III. Governing Law; Jurisdiction; Waiver of Jury Trial, Etc. The parties hereto hereby agree that Sections 7.05 and 7.11 of the Forbearance Agreement shall apply mutatis mutandis to this Forbearance Joinder Agreement.

[Signature Page Follows]

Very truly yours,

[●]

By ____

Name:
Title:
Noteholder’s principal amount of Notes:
$

Exhibit B

In the event that Moelis & Company LLC or any of its affiliates or any of its or its affiliates' respective current or former directors, officers, partners, managers, agents, representatives or employees (including any person controlling us or any of our affiliates) (collectively, "Indemnified Persons") becomes involved in any capacity in any actual or threatened action, claim, suit, investigation or proceeding (an "Action") arising out of, related to or in connection with the Forbearance Agreement dated May [●], 2017 (the "Forbearance Agreement") between the Obligors and the Supporting Holders (each as defined in the Forbearance Agreement), any matter referred to therein or the performance of services by Moelis as requested by any Supporting Holder or its counsel, the Obligors will reimburse such Indemnified Person for the reasonable out-of-pocket costs and expenses (including counsel fees) of investigating, preparing for and responding to such Action or enforcing this agreement, as they are incurred. The Obligors will also indemnify and hold harmless any Indemnified Person from and against, and the Obligors agree that no Indemnified Person shall have any liability to the Obligors or its affiliates, the Supporting Holders (or any affiliates of any member thereof) or Advisors, or their respective owners, directors, officers, employees, security holders or creditors for, any losses, claims, damages or liabilities (collectively, "Losses") (A) related to or arising out of oral or written statements or omissions made or information provided by any Obligor or its agents (including information provided by or on behalf of the Obligors to any counterparty to any transaction contemplated by the engagement) or (B) otherwise arising out of, related to or in connection with the Forbearance Agreement, any matter referred to therein or Moelis' performance of services as requested by any Supporting Holder or its counsel, except that this clause (B) shall not apply to Losses that are finally judicially determined to have resulted primarily from the bad faith or gross negligence of such Indemnified Person.

If such indemnification or limitation on liability for any reason is not available or is insufficient to hold an Indemnified Person harmless, the Obligors agree to contribute to the Losses in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Obligors and Supporting Holders, on the one hand, and by Moelis, on the other hand, with respect to the Forbearance Agreement or, if such allocation is judicially determined to be unavailable, in such proportion as is appropriate to reflect the relative benefits and relative fault of any Obligor, Supporting Holders, on the one hand, and of Moelis, on the other hand, and any other equitable considerations; provided, however, that, to the extent permitted by applicable law, in no event shall the Indemnified Persons be responsible for amounts that exceed the fees actually received by Moelis from any Obligor in connection with the Forbearance Agreement. Relative benefits to the Obligors and Supporting Holders, on the one hand, and Moelis, on the other hand, with respect to the Forbearance Agreement shall be deemed to be in the same proportion as (i) the total value paid or proposed to be paid or received or proposed to be received by the Obligors or its security holders, as the case may be, pursuant to the Potential Transaction, whether or not consummated, contemplated by the Forbearance Agreement bears to (ii) the fees actually received by Moelis in connection with the Forbearance Agreement.

The Obligors will not without the prior written consent of Moelis (not to be unreasonably withheld), settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate (a "Settlement") any Action (or facilitate the Settlement of any Action) in respect of which indemnification is or may be sought hereunder or in connection with the Potential Transaction contemplated by the Forbearance Agreement to which this Exhibit B is attached (whether or not an Indemnified Person is a party to such Action) unless such Settlement includes a release of each Indemnified Person from any Losses arising out of such Action. The Obligors will not permit any such Settlement to include a statement as to, or an admission of, fault or culpability by or on behalf of an Indemnified Person without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this Forbearance Agreement will, without the Obligors' prior written consent (not to be unreasonably withheld), agree to the Settlement of any Action.

Exhibit 31.1

CERTIFICATION

I, Raúl Alarcón, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

Date: May 22, 2017

Exhibit 31.2

CERTIFICATION

I, Joseph A. García, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

Date: May 22, 2017

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Spanish Broadcasting System, Inc. (the “Company”) for the quarterly period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Raúl Alarcón, Chairman of the Board of Directors, President and Chief Executive Officer of the Company, certify, as of the dates hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ RAÚL ALARCÓN

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

Date: May 22, 2017

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Spanish Broadcasting System, Inc. (the "Company") for the quarterly period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph A. García, Chief Financial Officer, Executive Vice President and Secretary of the Company, certify, as of the dates hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ JOSEPH A. GARCÍA

Name: Joseph A. García

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

Date: May 22, 2017